STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of a Review of the Long-Term Gas System Plan of Central Hudson Gas & Electric Corporation	**Case 23-G-0676**

INITIAL COMMENTS OF MULTIPLE INTERVENORS

Dated: April 29, 2024

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PRELIMINARY STATEMENT

Multiple Intervenors, an unincorporated association of approximately 55 large industrial, commercial, and institutional energy consumers with manufacturing and other facilities located throughout New York State, including the Central Hudson Gas & Electric Corporation ("Central Hudson") service territory, hereby submits its Initial Comments on the Long-Term Gas System Plan ("LTP") filed by Central Hudson on February 7, 2024, in Case 23-G-0676.[1] Pursuant to the "Notice Requesting Comments and Announcing Technical Conference" issued by the New York State Public Service Commission ("Commission") on February 7, 2024, initial comments and reply comments on Central Hudson's LTP are due on April 29 and May 15, 2024, respectively. For the reasons set forth herein, the Commission should adopt Multiple Intervenors' positions with respect to Central Hudson's LTP.

Initially, Multiple Intervenors is fully supportive of reasonable decarbonization efforts. Multiple Intervenors members have long practiced electric and gas energy efficiency and, more recently, many of them have adopted renewable, sustainability, and/or decarbonization goals and policies. Relevant to this proceeding, Multiple Intervenors agrees that efforts should be undertaken, where prudent and in the public interest, to reduce emissions associated with the delivery and the consumption of natural gas.

That noted, Multiple Intervenors members currently depend on gas service that is reliable. In many large non-residential facilities – for instance, manufacturing facilities that are many tens of thousands or hundreds of thousands of square feet – gas still is the most effective and cost-efficient means to heat very spacious buildings. Moreover, many members rely upon

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[1] Case 23-G-0676, *In the Matter of a Review of the Long-Term Gas System Plans of Central Hudson Gas & Electric Corporation*.

natural gas for critical process applications for which viable alternatives to gas simply do not exist at this time. Thus, absent reliable gas service, those members would need to relocate their operations elsewhere.

Furthermore, Multiple Intervenors members require gas service that is affordable which, in New York, is becoming increasingly challenging. As large energy consumers, electricity and natural gas often comprise major costs of doing business. Many members also operate facilities in other states and countries, and energy costs can be – and often are – a material factor in deciding whether and where to (i) site production and jobs, (ii) open new facilities or expand, downsize, or close existing facilities, and (iii) direct future capital investments.[2] Members currently have many significant concerns regarding the current and the future cost of energy service in New York State.

Multiple Intervenors has participated in this proceeding and reviewed Central Hudson's LTP. Multiple Intervenors hereby advances the following positions with respect thereto:

1. the proposed cost of the LTP, which should not be evaluated in a vacuum, is unclear but appears excessive and potentially would jeopardize the affordability of gas service;

[2] In its LTP, Central Hudson notes that the largest growth in natural gas consumption comes from its public authority customers, and that such growth "has been driven by supporting county economic development agency initiatives to extend gas to areas where they are seeking to attract commercial and industrial customers." (LTP at 16-17.) At least two observations flow from this information. First, proposals to curtail gas consumption expeditiously may be at odds with the objectives, and actions, of certain municipalities within Central Hudson's service territory. Second, the fact that natural gas service is perceived as necessary to attract commercial and industrial customers lends support to the contention that the absence of such service is likely to harm attraction and retention efforts, at least with respect to those customer segments.

2. with Benefit/Cost ratios comfortably below 1.0 under the Societal Cost Test ("SCT") using the Commission's Benefit Cost Analysis ("BCA") methodology, none of the scenarios evaluated in the LTP are cost-effective and their proposed implementation would be contrary to the public interest in their current forms; instead, additional BCA analyses should be conducted and cost-effective elements should be prioritized over elements that clearly are uneconomic; and
3. while Central Hudson utilizes its interruptible gas customers as a substitute for gas demand response programs (LTP at 43-44), the utility should be directed to evaluate, and within a reasonable time implement, one or more gas demand response programs if shown to be cost-effective.

COMMENTS

POINT I

THE PROPOSED COST OF THE LTP IS UNCLEAR BUT APPEARS EXCESSIVE

In furtherance of its LTP, Central Hudson developed four scenarios: (1) "Current Clean Agenda Scenario" (the legal and policy framework that applies today at current funding levels); (2) "CPCLA Approach Scenario" (incorporating the programs and policies that Central Hudson expects will be needed to meet the economy-wide greenhouse gas emission reductions envisioned by the Climate Leadership and Community Protection Act ["CLCPA"]); (3) "No New Infrastructure Scenario" (representing the profile of the gas system under policies that prevent growth-related investment in the gas system); and (4) "Pipe Use Transformation Scenario" (featuring a focused transition of Central Hudson's gas supply resources to alternative, low-carbon fuels to the extent feasible and practicable). (LTP at 51-53.)

Although Central Hudson developed and evaluated four scenarios, the utility did not select any one of them for implementation, indicating instead that it "has not selected any specific scenario as its chosen path forward at this time because of the changing dynamics of the gas planning process and the energy transition." (*See* LTP at 65; *see also* LTP at 71.) While Multiple Intervenors understands some level of uncertainty on the part of Central Hudson, it is not clear what, if anything, the utility is advocating be adopted by the Commission at this time. If and to the extent Central Hudson is seeking Commission approval for any portion of its LTP, the utility needs to specify, with clarity, exactly what it is proposing and advancing for consideration in this proceeding.

Moreover, the costs associated with each of the four scenarios – an absolutely critical input to any competent evaluation thereof – are not clear from the LTP. Previously-filed LTPs typically set forth the costs of the proposals contained therein on a total and/or a net present value ("NPV") basis. Certain BCA analyses conducted by Central Hudson project costs of between $656.6 million and $1.165 billion, but those are costs under the SCT and do not represent actual spending levels that potentially would be funded by customers. Accordingly, Central Hudson should be directed to set forth, in detail, the projected costs of its LTP to customers, preferably on both a total and an NPV basis (with an explanation as to how the NPV amount was calculated).

Notwithstanding the absence of any specificity regarding the proposed or the potential costs on customers associated with Central Hudson's LTP, Multiple Intervenors is very concerned that such costs appear excessive. In its LTP, Central Hudson calculates the annual customer bill impacts by scenario for 2024, 2030, and 2043 (presumably as representative years for the twenty-year period running from 2024 through 2043). (LTP at 62.)[3] For a representative industrial customer consuming 316,641 Ccf (or approximately 31,664 dekatherms) annually, Central Hudson is projecting that its LTP, using any of the four scenarios examined, would cost $301,508 just for 2024. (*Id.*) The utility also estimates that in 2030, its LTP would cost that customer between $298,844 and $302,703, and in 2043, the cost would be between $275,560 and $296,979. (*Id.*)

Such costs are enormous and raise serious concerns about the LTP's feasibility. If Multiple Intervenors understands Central Hudson's cost projections correctly, the utility is suggesting that an average-sized industrial customer would experience roughly $6 million (*i.e.*, approximately $300,000 annually for twenty years) in incremental costs as a result of the utility's LTP. If that is an accurate interpretation of the LTP, then the Commission should reject the LTP and instruct Central Hudson to go back to the drawing board.

Multiple Intervenors also notes that there are industrial customers that consume materially more than 31,664 dekatherms annually, and so the cost estimates provided by Central Hudson for a representative industrial customer are less – and, in some cases, much less – than what the projected incremental costs stemming from the LTP would be for larger industrial customers. Significantly, the customer costs cited by Central Hudson are roughly $10 per dekatherm – a truly staggering amount. If the Commission were to approve incremental costs on Central Hudson's gas customers even remotely approaching those projections, the economic

[3] Inasmuch as utilities such as Central Hudson have little to no impact on wholesale gas prices – and elements of a utility's LTP apparently will be implemented in rate proceedings that focus on delivery rates – Multiple Intervenors contends that the most relevant indicia of impacts on customers are delivery rate impacts, not bill impacts. If, *arguendo*, projected total bill impacts are deemed relevant, then they should be presented in addition to – not in lieu of – projected delivery rate impacts.

harms to the service territory – and, frankly, the leakage of jobs and production to other states and/or countries – would be substantial.

Furthermore, it would be inappropriate for the Commission to evaluate the projected cost of Central Hudson's LTP in a vacuum. The utility currently is seeking exorbitant electric and delivery rate relief from customers in proceedings pending before the Commission.[4] Additionally, the Commission itself has authorized the imposition of numerous, significant financial obligations on customers – including those served by Central Hudson – outside of rate proceedings. While Multiple Intervenors recognizes that such obligations were imposed as part of various programs and initiatives that are intended to produce certain benefits, the financial impacts on customers nevertheless are large and growing. A sampling of some of those programs and initiatives includes the following:

- Utility customers are and will be funding out-of-market payments of an indeterminate amount (believed to be in the many billions of dollars) to incentivize/subsidize the development of new, large-scale renewable generation facilities under Tier 1 of the Clean Energy Standard ("CES").

- Utility customers are and will be funding out-of-market payments of an indeterminate amount (believed to be in the hundreds of millions of dollars) to incentivize/subsidize the continued operation of existing renewable generation facilities under Tier 2 of the CES.

[4] *See* Cases 23-E-0418 and 23-G-0419, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules, and Regulations of Central Hudson Gas & Electric Corporation for Electric and Gas Service*, Filing Letter (accompanying electric and gas rate filing) (dated July 31, 2023) at 5 (seeking electric and gas delivery rate increases of 31.9 percent and 29.2 percent, respectively).

- Utility customers are and will be funding out-of-market payments of an indeterminate amount (totaling many billions of dollars) to incentivize/subsidize the continued operation of existing nuclear generation facilities under Tier 3 of the CES.

- Utility customers will be funding out-of-market payments of an undetermined amount (totaling tens of billions of dollars) to incentivize/subsidize the development of incremental transmission and renewable generation to serve New York City under Tier 4 of the CES.

- Utility customers will be funding out-of-market payments of an indeterminate amount (believed to be tens of billions of dollars) to incentivize/subsidize the development of new, offshore wind generation facilities.

- Utility customers are and will be funding a Clean Energy Fund ("CEF") at a current budgeted cost of approximately $7.5 billion.

- Utility customers are and will be funding utility-administered electric energy efficiency programs at a cost of close to $1.9 billion through 2025, and likely substantially more thereafter.

- Utility customers are and will be funding utility-administered gas energy efficiency programs at a cost of close to $900 million through 2025, and potentially more thereafter.

- Utility customers are and will be funding utility-administered electric heat pump programs at a cost of over $450 million through 2025, and likely substantially more thereafter.

- Utility customers are and will be funding incentives to promote electric vehicle infrastructure investments at a cost of over $1.2 billion through 2025, and potentially more thereafter.

- Utility customers are and will be funding an Electric Generation Facility Cessation Mitigation Program designed to "compensate" municipalities that lose tax base when generation facilities retire due to the transition to a cleaner electric system, at a cost of $112.5 million through 2030.

- Utility customers are and will be funding multiple, large-scale transmission projects at an indeterminate cost (believed to be in the tens of billions of dollars) whose primary purpose is to increase the deliverability of renewable energy to different regions of the State.

- Utility customers are and will be funding utility local transmission and distribution projects and upgrades on a widespread basis (believed to be in the many billions of dollars) in furtherance of CLCPA targets.

- Utility customers are and potentially will be funding Earnings Adjustment Mechanisms for the benefit of utility shareholders at an indeterminate cost (believed to be in the hundreds of millions of dollars) for the purpose of incentivizing utilities to help the State achieve clean energy objectives.

- Utility customers are and will be funding out-of-market payments at an indeterminate cost (believed to be substantial) to incentivize/subsidize Distributed Energy Resources through net energy metering arrangements and "value stack" compensation.

The aggregated cost impacts of these programs and initiatives on customers are staggering, and the impacts from many of them have yet to even commence or come close to hitting their peaks. Additionally, the Commission currently is considering a proposal that would double the amount of energy storage capacity mandated by the CLCPA at a projected incremental cost to customers of up to $2 billion. Finally, the State currently is planning to adopt a "cap-and-invest" program that, depending upon its design and implementation, may raise wholesale electricity and/or natural gas supply prices significantly, resulting in potentially tens of billions in additional energy costs annually to customers.

For the foregoing reasons, the proposed cost of Central Hudson's LTP is unclear, but appears to be excessive (irrespective of whether evaluated in context with other financial burdens being imposed on customers or in isolation). Given the lack of clarity as to the costs of the LTP – including as to what Central Hudson specifically is proposing – the Commission should refrain from approving or otherwise endorsing the LTP. Moreover, the projected costs need to be set forth with clarify, scrutinized by the Commission and Department of Public Service Staff, and reduced substantially before Central Hudson is authorized to move forward with any aspect of its LTP.

POINT II

CENTRAL HUDSON'S LTP IS NOT COST-EFFECTIVE AND ITS PROPOSED IMPLEMENTATION WOULD BE CONTRARY TO THE PUBLIC INTEREST

Central Hudson conducted a BCA, utilizing the Commission-approved SCT methodology, for each of the four scenarios advanced in its LTP. (LTP at 63-64.) The Benefit-to-Cost Ratios produced for the four scenarios all were less than 1.0 (*i.e.*, societal costs exceeded societal benefits), ranging from 0.81 to 0.83. (LTP at 64.)[5] While the Benefit-to-Cost Ratios advanced by Central Hudson exceed even lower ratios calculated by certain other utilities that previously filed LTPs, the utility's proposals still are neither cost-effective nor projected to be beneficial to society. Accordingly, implementation of any of the four scenarios advanced in the LTP would be contrary to the public interest and the LTP should not be approved by the Commission in its current form.

Initially, a Benefit-to-Cost Ratio must exceed 1.0 (*i.e.*, benefits in excess of costs) to pass the BCA. During technical conferences, a number of parties have advanced proposals to modify the Commission's BCA methodology for the primary purpose of boosting the benefit-to-cost ratios of utilities' LTPs. For instance, some parties have opined that if federal funding is used to pay for portions of a utility's LTP, such funding should be considered a benefit. Such reasoning appears strained. First, the "benefit" of federal funding is caused not by the LTP but, rather, the passage of such legislation providing the funding. Second, the funding essentially consists of the redistribution of taxpayer-funded money, and many of those taxpayers reside in New York. The costs of incentive payments made by utilities and funded by customers are not considered a cost under the SCT but, rather, a transfer. Under such reasoning, the redistribution of taxpayer dollars via federal legislation providing certain funding opportunities similarly should be considered a transfer.

Perhaps one could argue that to the extent implementation of an LTP results in greater federal funding than New York's (or that utility service territory's) share of the tax payments providing such funding, the surplus, if any, could be considered a benefit. Under that

[5] Earlier in the LTP, Central Hudson indicates that the four scenarios produced Benefit-to-Cost Ratios between 0.73 and 0.78 (LTP at 10), although this appears to be inaccurate given the more-detailed information presented later in the LTP specifying Benefit-to-Cost Ratios between 0.81 and 0.83 for those scenarios (LTP at 64).

reasoning, however, to the extent an LTP fails to attract federal funding equal to New York's (or that utility service territory's) share of the tax payments providing such funding, such shortfall, if any, could be considered a cost. Quite simply, federal funding should not be perceived as a benefit while ignoring the taxes paid that created such funding. Moreover, if federal funding in excess of tax payments is deemed a benefit attributable to an LTP, then, under such reasoning, federal funding less than tax payments would be a cost similarly attributable to the LTP.

If and to the extent the Commission determines that its BCA methodology should be revised, it should evaluate potential modifications that improve the accuracy of benefit-to-cost ratios – in both directions – rather than focusing solely on revisions aimed at boosting, by whatever means necessary, the very low Benefit-to-Cost Ratios produced by utilities' LTPs to date. Absent action by the Commission to modify its BCA methodology, Multiple Intervenors expects that methodology to continue to be followed in this and similar proceedings.

Because the four scenarios analyzed by Central Hudson were uneconomic but not excessively so, at least when compared to other utilities' LTPs, Multiple Intervenors suspects that certain activities, in isolation, would be deemed cost-effective, at least under the SCT. This observation highlights several flaws with Central Hudson's BCA analyses.

First, rather than relying solely on the SCT, Multiple Intervenors recommends that Central Hudson be directed to submit a BCA for each scenario advanced in the LTP utilizing the SCT, the Utility Cost Test ("UCT"), and the Ratepayer Impact Measure ("RIM") test. Being able to evaluate SCT, UCT, and RIM analyses would place the Commission in a far better position to act upon the LTP as compared to the SCT being the only analysis conducted.

Second, the BCA information provided by Central Hudson is for the utility's four scenarios as a whole, without any disaggregation based on recommended activities. Thus, it is possible – if not probable – that certain recommended activities under the scenarios would be cost-effective, while others are uneconomic. Unfortunately, by presenting the BCA information on an aggregated basis for each scenario, it is not possible to evaluate which individual elements may be meritorious (and which may warrant being rejected out-of-hand as wildly uneconomic).

Although it is not possible to decipher exactly what Central Hudson is proposing in its LTP, providing BCA results in a less aggregated form could be helpful with respect to prioritization. For the reasons detailed in Point I, *supra*, the cost of Central Hudson's proposed LTP appears excessive. To the extent the Commission agrees with this assessment and the scope of the LTP needs to be pared back to maintain affordability (which is critical), being able to evaluate the Benefit-to-Cost ratios of individual programs or proposals could be hugely helpful in determining which activities, if any, should move forward and which ones should be postponed or rejected.

Without additional information, Central Hudson's LTP appears uneconomic, irrespective of the scenario chosen. With Benefit-to-Cost Ratios comfortably below 1.0, implementation of the LTP would result in materially greater societal costs than societal benefits, rendering it contrary to the public interest, especially when the projected cost impacts are considered. In addition to clarifying precisely what, if anything, it is proposing its LTP, Central Hudson should conduct a BCA on such proposals utilizing the SCT, UCT, and RIM methodologies, and provide the output of such analysis on a disaggregated basis so that the relative cost-effectiveness of different programs, proposals, and strategies can be evaluated, thereby facilitating efforts at prioritization.

POINT III

CENTRAL HUDSON SHOULD BE DIRECTED TO EVALUATE AND, IF COST-EFFECTIVE, IMPLEMENT GAS DEMAND RESPONSE PROGRAMS

In its LTP, Central Hudson indicates that while it is able to curtail interruptible customers – who account for 20 percent of the utility's gas load – it does not offer any gas demand response programs. (LTP at 43-44.) This appears to be a lost opportunity on the part of Central Hudson. For the reasons set forth below, Multiple Intervenors recommends that Central Hudson be directed to evaluate potential gas demand response programs and, if cost-effective, implement one or more of them.

Multiple Intervenors acknowledges that the ability to curtail interruptible customers can provide Central Hudson with increased flexibility to address system constraints during peak periods. That noted, additional flexibility – and customer benefits – could be achieved by the offering of demand response options to firm customers.

Currently, there are Multiple Intervenors members that will not consider converting to interruptible service, behind any New York gas utility, for at least two reasons. First, they are concerned that if they switch to interruptible service, they will not be allowed to return to firm service should they seek to do so at some point in the future. Second, they are concerned that while interruptible service today may be acceptable for their business purposes, the frequency of interruptions may rise to unacceptable levels in the future as constraints worsen due to the lack of gas infrastructure investment in the State.

While there may be reluctance on the part of firm gas customers to switch to interruptible service, many such customers have the ability – and with appropriate incentives would be willing – to curtail gas consumption when called upon to do so. When implemented optimally, demand response programs can improve gas reliability, eliminate or delay the need for future infrastructure investment, and reduce costs to customers. Indeed, a prior study released by Central Hudson in 2020 indicated that "gas demand response programs would be cost-effective to implement and would slightly reduce system peaks." (LTP at 44.) Given that conclusion, it seems appropriate for Central Hudson to revisit the potential use of gas demand response programs and, to the extent cost-effective, start growing such programs as a tool to facilitate the gradual transition away from natural gas.

Accordingly, Multiple Intervenors recommends that the Commission direct Central Hudson to evaluate gas demand response programs and, if cost-effective, implement them as part of its LTP.

CONCLUSION

For all the foregoing reasons, the Commission should rule on Central Hudson's LTP in a manner consistent with Multiple Intervenors' positions herein.

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Respectfully submitted,

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