MULTIPLE INTERVENORS
REPRESENTING NEW YORK'S LARGE ENERGY CONSUMERS

December 1, 2020

VIA ELECTRONIC FILING

Hon. Michelle L. Phillips
Secretary to the Commission
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 17-G-0432 – Petition of New York State Electric & Gas Corporation for Authorization to Construct a Natural Gas Compressor Pilot Project in Tompkins County – **Comments in Opposition of Multiple Intervenors**

Dear Secretary Phillips:

Pursuant to the Notice published in the October 7, 2020 edition of the *New York State Register* (I.D. No. PSC-40-20-00003-P), Multiple Intervenors, an unincorporated association of approximately 60 large industrial, commercial, and institutional energy consumers with manufacturing and other facilities located throughout New York State, including the New York State Electric & Gas Corporation ("NYSEG") service territory, hereby submits these Comments in response to NYSEG's Petition for Approval of Non-Pipe Alternatives ("Petition"), filed in the above-referenced proceeding on August 31, 2020. In the Petition, NYSEG proposes a portfolio of Non-Pipe Alternatives ("NPAs") that, when combined with the East Shore Reliability Project, address only a modest portion of the gas system needs identified in the Lansing region. For the reasons set forth herein, Multiple Intervenors urges the New York State Public Service Commission ("Commission") to deny the Petition in whole or large part and reject all or the vast majority of NPAs proposed therein because they are demonstrably not cost-effective (*i.e.*, they do not possess a benefit/cost ["B/C"] ratio in excess of 1.0).

Initially, Multiple Intervenors previously has expressed strong support for utilities to explore and evaluate NPAs (and, on the electric side, non-wires alternatives) as a prudent means of satisfying gas (or electric) system needs at least cost to customers.[1] Such support is founded on a goal of cost-effectiveness: after considering projected benefits and costs, an NPA should be demonstrably beneficial to customers before being pursued at customer expense. This would entail a B/C ratio above 1.0, and preferably above 1.25 in the case of more risky NPA proposals for which the projected benefits and/or costs are materially more speculative than the infrastructure-

[1] *See*, *e.g.*, Case 17-G-0432, *supra*, Comments of Multiple Intervenors (filed September 25, 2017) at 1-2.

based alternative. Correspondingly, a B/C ratio below 1.0, signifying that projected costs exceed benefits, should not be authorized to proceed at customer expense, let alone potential NPAs with B/C ratios that are substantially less than 1.0, as is the case here.

Multiple Intervenors strongly opposes the Petition, which seeks Commission authorization to implement a large portfolio of NPA projects expected to cost over $9.6 million. (Petition at 13.) The portfolio advanced by NYSEG is woefully uneconomic, as demonstrated by the utility's own analyses. The B/C ratio for the portfolio, which reflects all societal benefits that the Commission recognizes, including externalities, is 0.59. (*Id.* at 8-19.) In other words, even accounting for projected environmental benefits, implementation of the proposed NPA projects would result in only 59 cents of societal benefits for every dollar in customer costs.

To make matters worse, the proposed NPA portfolio's low B/C ratio arguably is deceptively high, because it is buoyed by a single project – an industrial heat recovery solution that has a strong B/C ratio of 2.6. (*Id.* at 9.) In contrast, the other "solutions" in the proposed portfolio have such exceedingly low B/C ratios – 0.29, 0.04, 0.13, 0.06, 0.10, and 0.43 (*id.* at 8-11) – that Multiple Intervenors is surprised that NYSEG even would advance them for possible implementation. Indeed, it is difficult to envision better examples of cost *ineffectiveness* than the vast majority of "solutions" included in NYSEG's proposed portfolio. For every dollar of costs, these projects would produce less than 45 cents in societal benefits and, in the case of four projects, produce less than 13 cents in societal benefits. As a portfolio, the Petition advances NPA projects that would produce approximately $14.6 million in societal benefits at a societal cost of almost $24.7 million. (*Id.* at 19.) Thus, the Petition asks the Commission to approve projects that would have a net societal *cost* of over $10 million.

Not only is the proposed NPA portfolio massively uneconomic, it would fail even to resolve the system need in the Lansing region. The existing gas moratorium in the region could not be lifted even if all of the proposed projects were completed. (*Id.* at 6.) In fact, the portfolio only partially would address the low operating pressures in the region and provide less than half of the minimum relief NYSEG identified as needed. For instance, in the Petition, NYSEG indicates that after initially seeking 430 MCFH of relief, its latest solicitation target was reduced to 120 MCFH, which it characterizes as the "minimum" needed to resolve the inadequate gas pressure in the region. (*Id.*). The proposed portfolio, however, would provide, in total, only 56 MCFH of relief, or less than half of the minimum amount targeted. (*Id.* at 13.) Thus, in essence, the proposed portfolio is neither cost-effective nor effective in addressing the system need.

Multiple Intervenors hereby advances two additional points for consideration in response to the Petition. First, the Commission requires B/C analyses for a reason. That reason is to ascertain whether a project or program – or a portfolio of projects or programs – is cost-effective, either from the customer perspective or, in this case, from a societal perspective. In this proceeding, even reflecting the full gamut of projected societal benefits recognized by the Commission, including environmental externalities (*see id.* at 15-16), the proposed portfolio of NPA projects is not even remotely close to being cost-effective. If the Commission were to approve the Petition, it would signal that B/C analyses essentially have become meaningless, and that customer funds will be expended even on projects that produce societal benefits that only are a small fraction of societal costs. Under such a hypothetical scenario, the requirement of conducting B/C analyses might as well be eradicated if their results are to be disregarded in such fashion.

Second, the Petition identifies community opposition as the reason that gas reliability and supply issues have taken so long to address and still remain. NYSEG originally proposed a Lansing/Freeville Pipeline, but apparently is unwilling or unable to pursue that option because of community opposition. (*Id.* at 3-4.) NYSEG then proposed a compressor station, but also is unwilling or unable to pursue that option due to community opposition. (*Id.* at 4.) In fact, in the Petition, NYSEG notes community opposition to the potential projects as the reason they are no longer being advanced therein. (*See id.* at 19-20.) The community opposition relied upon by NYSEG should not be the basis for the implementation of blatantly uneconomic projects – those that result in incremental customer expenditures and societal costs well in excess of societal benefits – and the associated imposition of substantial costs on the utility's general body of customers.

For the reasons set forth herein, Multiple Intervenors requests that the Commission reject, at minimum, all proposed solutions advanced in the Petition that are not cost-effective.

Respectfully submitted,

MULTIPLE INTERVENORS

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cc: Active Parties (via E-mail)