

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

**In the Matter of a Review of a Long-Term Gas
System Plan of National Fuel Gas Distribution
Corporation**

Case 22-G-0610

**INITIAL COMMENTS
OF
MULTIPLE INTERVENORS
ON
NATIONAL FUEL GAS DISTRIBUTION CORPORATION'S
LONG-TERM GAS SYSTEM PLAN**

Dated: September 5, 2023

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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 National Fuel Gas Distribution Corporation (“NFG”) service territory, hereby submits its Initial Comments on the final Long-Term Gas System Plan (“LTP”) filed by NFG on July 17, 2023, in Case 22-G-0610.¹ For the reasons set forth herein, Multiple Intervenors urges the New York State Public Service Commission (“Commission”) to adopt Multiple Intervenors’ positions with respect to NFG’s LTP.

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

That noted, Multiple Intervenors members depend on gas service that is reliable. In many large non-residential applications, gas still is the most effective and cost-efficient means to heat spacious facilities. Moreover, many members rely upon natural gas for certain process applications for which viable alternatives to gas currently do not exist. Thus, absent reliable gas service, those members would need to relocate their operations elsewhere.

Furthermore, Multiple Intervenors members require gas service that is affordable. As large energy consumers, electricity and natural gas often comprise major costs of doing

¹ Case 22-G-0610, *In the Matter of a Review of a Long-Term Gas System Plan of National Fuel Gas Distribution Corporation*.

business. Many members also operate facilities in other states and countries, and energy costs can be and often are a material factor in deciding where to (i) site production and jobs, (ii) open new facilities or expand, downsize, or close existing facilities, and (iii) direct future capital investments. Members currently have many significant concerns regarding the current and future cost of energy service in New York State.

Multiple Intervenors participated in technical conferences conducted in this proceeding and has reviewed NFG's LTP. Multiple Intervenors hereby advances the following positions in response to NFG's LTP:

1. Multiple Intervenors agrees with NFG that its LTP should be reflective of the characteristics and needs of the utility's service territory (as should the LTPs of the State's other gas utilities);
2. the proposed cost of the LTP is excessive and would jeopardize the affordability of gas service;
3. the LTP is not cost-effective and its proposed implementation would be contrary to the public interest; and
4. if, *arguendo*, NFG is authorized to implement its LTP, in whole or part, the Commission should address cost allocation and cost recovery issues and ensure that they are or will be resolved equitably.

ARGUMENT

POINT I

NFG’S LTP SHOULD BE REFLECTIVE OF THE CHARACTERISTICS AND NEEDS OF ITS SERVICE TERRITORY

Following an introductory section, NFG’s LTP starts with a discussion of the utility’s service territory. (LTP at 9-26.) In the Executive Summary to its LTP, NFG asserts that: “A long-term natural gas system plan must reflect the weather and economic-related features of a utility’s service area, including the priorities of customers and communities.” (LTP ES at 2.)² Multiple Intervenors agrees. While each of the State’s major gas utilities are required to file LTPs, and those LTPs presumably will reflect various strategies to pursue reductions in gas consumption and associated emissions reductions while maintaining gas reliability and affordability – which are important to customers – the Commission should expect, allow, and embrace material differences between utility LTPs based on the characteristics and needs of their respective service territories.

In the case of NFG, the LTP identifies several characteristics and needs that, individually and collectively, should have a material impact on actions contemplated thereunder. For instance, NFG indicates that it “operates in a colder climate where customers frequently experience very cold days for prolonged periods of time compared to other New York gas utilities.” (LTP at 21.) In addition to very cold temperatures, the NFG service territory also experiences above-average snowfall, including periodic single-storm snowfalls in excess of six

² Parenthetical references to the Executive Summary to NFG’s LTP are preceded by the notation, “LTP ES.”

feet. (LTP at 23-26.)³ Thus, gas reliability not only is critical for economic activity and personal comfort, it literally can be a matter of life and death. While Multiple Intervenors is supportive of the exploration and the potential pursuit of strategies to reduce gas consumption and associated emissions, the reliability of gas service should not be jeopardized.

NFG also does not have supply and/or delivery constraints similar to what other New York gas utilities are experiencing. The utility reports that: “there are no significant areas of concern or vulnerability in the Company’s system due to supply or delivery constraints, and ample firm capacity and supplies are available to serve the Company’s projected design day, winter season and year-round demand over the next five years.” (LTP at 22.) In fact, NFG “does not currently project any pipeline capacity constraints, distribution system delivery constraints, or a gas moratorium during the 20-year LTP forecast period.” (*Id.*)

The lack of existing and forecasted constraints on NFG’s system is significant. With respect to maintaining gas reliability, there is no need to take any immediate action in this proceeding. Moreover, while there still may be opportunities to explore non-pipeline alternatives (“NPAs”) – which Multiple Intervenors supports – such opportunities likely will be more limited

³ See, e.g., The New York Times, *Buffalo Journal; In Nearly 7 Feet of Snow, Advice: Fuggedaboudit* (December 30, 2001), available at <https://www.nytimes.com/2001/12/30/nyregion/buffalo-journal-in-nearly-7-feet-of-snow-advice-fuggedaboudit.html>; All That’s Interesting, *This is What 7 Feet of Snow Looks Like: The Buffalo Blizzard in Photographs* (November 22, 2014), available at <https://allthatsinteresting.com/buffalo-blizzard-photographs>; NBC New York, *Worst Snow Storm in 8 Years Dumps 80 Inches Upstate; NY Emergency Declared* (November 21, 2022), available at <https://www.nbcnewyork.com/weather/weather-stories/snow-storm-buffalo-totals-2022-orchard-park-driving-ban-school-closings/3966352/>.

than with respect to utilities that are experiencing system constraints and/or project such constraints in the future.⁴

Finally, in evaluating NFG's LTP, the Commission should bear in mind that the economy in the utility's service territory is particularly weak. As reported by NFG: "The median household income in National Fuel's service territory is below national and state averages, with the cities of Jamestown and Buffalo having approximately double the state poverty rate, and those cities along with Niagara Falls more than doubling that rate nationally" (LTP ES at 4.)

Moreover, there is a direct and meaningful correlation between energy costs and economic activity and jobs. Potential actions by NFG and/or the Commission that would raise energy costs could lead to significant economic consequences. As NFG cautions in its LTP:

Furthermore, approximately 46% of the natural gas delivered by the Company is used to fuel commercial and industrial customers' businesses that support local jobs and tax base. Many of these commercial and industrial customers rely on affordable energy as a major input in their business. **The Company is particularly mindful that if significant increases in energy costs cause some businesses to shut down operations in western New York in favor of locations with lower energy prices, it would have a significant negative effect on the local economy.**

(*Id.*; emphasis added.)

For the foregoing reasons, the Commission's evaluation of NFG's LTP should account for and reflect the characteristics and needs of the utility's service territory. In particular, the Commission should recognize that NFG's service territory: (a) often experiences harsh winter

⁴ Multiple Intervenors asserts that all New York gas utilities should explore NPAs wherever practical. NPAs may present opportunities to avoid or delay costly infrastructure projects in a manner that reduces costs to customers while also reducing natural gas consumption and associated emissions. That noted, Multiple Intervenors does not support an institutional bias in favor of implementing NPAs, and contends that proposed NPAs need to be cost-effective, taking into account not only potential emission reductions, but also customer rate impacts. Thus, while Multiple Intervenors supports the evaluation of NPAs, it only supports the implementation of NPAs where demonstrated to be cost-effective and in customers' best interests.

weather conditions, making maintenance of gas reliability paramount; (b) has no existing or projected future gas system constraints, thereby lessening, in some instances, the economic benefits associated with reducing gas consumption; and (c) is struggling economically and very susceptible to economic leakage if energy costs – including gas service – becomes too expensive.

POINT II

THE PROPOSED COST OF THE LTP IS EXCESSIVE

NFG’s LTP advances a number of proposed actions, including: (a) implementing energy efficiency programs; (b) incentivizing electrification projects; (c) industrial customer clean actions; (d) thermal energy network pilot projects; (e) utilizing renewable natural gas; and (f) utilizing hydrogen. (*See, e.g.*, LTP at 70.) On a net present value (“NPV”) basis, NFG’s LTP is expected to cost almost **\$3.7 billion**. That is an extraordinary large proposed cost, particularly given the relatively modest size of NFG’s service territory and the utility’s stated concerns – which are shared by Multiple Intervenors – about the need to maintain affordability. For the reasons set forth below, the proposed cost of NFG’s LTP should be rejected as excessive. Under existing circumstances, including the absence of current or projected future system constraints, there is no compelling reason for the Commission to authorize expenditures that even remotely approach the level proposed by NFG.

A. The Proposed Cost of NFG’s LTP Should Not Be Evaluated in a Vacuum

The proposed cost of NFG’s LTP – almost \$3.7 billion on an NPV basis – is enormous and warrants careful scrutiny in this proceeding. Importantly, however, the proposed LTP does not represent the only cost being imposed on utility customers in furtherance of the Climate Leadership and Community Protection Act (“CLCPA”) and related decarbonization

efforts. Thus, it is critically important that the costs of NFG’s proposed LTP not be evaluated in a vacuum.

In evaluating NFG’s LTP and the proposed spending associated therewith, the Commission should recognize that: (a) all of NFG’s customers for gas service also are electric customers of another utility; and (b) in recent years a series of programs and initiatives have been mandated that are and/or will be funded through higher electric and gas rates and prices. While Multiple Intervenors recognizes that each of these programs and initiatives are intended to produce certain benefits, the financial impacts thereof on customers nevertheless are significant and growing. A sampling of those programs and initiatives is as follows:

- 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”).⁵
- 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.⁶

⁵ See generally Case 15-E-0302, *Proceeding on Motion of the Commission to Implement a Large-Scale Renewable Program and a Clean Energy Standard*, Order Adopting a Clean Energy Standard (issued August 1, 2016) at 78-115 (establishing a CES Tier 1 program for new renewable generating resources). Inasmuch as renewable generation penetration in New York recently was under 30 percent, and must climb to 70 percent by 2030 pursuant to the CLCPA, it is anticipated that CES Tier 1 RECs will have a cost well into the billions of dollars during the coming decade. Recently, an association of developers petitioned the Commission seeking modifications to existing CES Tier 1 contracts that potentially would increase massively the amounts ultimately paid by customers. See *id.*, Petition of the Alliance for Clean Energy New York to Address Post Covid-19 Impacts on Renewable Development Economics and Contract Considerations (dated June 7, 2023). That petition currently is pending at the Commission.

⁶ See generally Case 15-E-0302, *supra*, Order Adopting a Clean Energy Standard at 17-18, 115-19 (establishing a CES Tier 2 maintenance program for existing renewable generation facilities demonstrating financial need), and Order Adopting Modifications to the Clean Energy Standard (issued October 15, 2020) at 49-77 (establishing an additional, competitive solicitation component to CES Tier 2 at a maximum incremental cost of \$200 million through 2026).

- 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.⁷
- Utility customers will be funding out-of-market payments of an indetermined amount (believed to be many 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.⁸

⁷ See generally Case 15-E-0302, *supra*, Order Adopting a Clean Energy Standard at 119-153 (establishing a CES Tier 3 for existing nuclear generating facilities). The first two-year tranche of the 12-year Tier 3 program (encompassing April 1, 2017 through March 31, 2029) relied upon a zero-emission credit (“ZEC”) price of \$17.48 per ZEC, with ZECs applied to an annual maximum of 27,618,000 MWh (*see id.* at App. E), for a maximum annualized cost of \$482,762,640. Thus, the existing, 12-year ZEC program is expected to cost between \$5 billion and \$7 billion, depending upon (i) the cost of ZECs and (ii) the output of the State’s existing nuclear generation facilities (both of which fluctuate). Moreover, to the extent achievement of CLCPA mandates necessitates the continued operation of those facilities beyond March 31, 2029, the total CES Tier 3 costs may rise further, possibly significantly.

⁸ See generally Case 15-E-0302, *supra*, Order Adopting Modifications to the Clear Energy Standard (issued October 15, 2020) (approving CES Tier 4), Petition filed by Staff and NYSERDA (dated November 30, 2021) (seeking approval of two proposed CES Tier 4 contracts). The aggregate cost impacts of the two proposed CES Tier 4 contracts are enormous. According to analyses conducted by Staff and the New York State Energy Research and Development Authority (“NYSERDA”), the contracts could raise electricity costs by as much as 5.7 percent on a statewide basis, and as high as 9.9 percent for customers of National Grid, the electric utility that serves much of NFG’s service territory. *Id.*, Staff/NYSERDA Petition, Appendix C at 26. Staff and NYSERDA also indicate that “impacts on large commercial customers may be up to twice the utility-wide averages.” *Id.* Thus, the proposed CES Tier 4 contracts could increase electricity costs for large commercial customers by as much as 11.4 percent on a statewide basis, and as much as 19.8 percent within the National Grid service territory. *See id.* In April 2022, the Commission approved the proposed CES Tier 4 contracts. *Id.*, Order Approving Contract for the Purchase of Tier 4 Renewable Energy Certificates (issued April 14, 2022). Recently, one of the CES Tier 4 developers petitioned the Commission seeking modifications to existing contracts that potentially would increase massively the amounts ultimately paid by customers. *See id.*, Petition of Clean Path New York LLC to Address Post-Covid Impacts and Associated Considerations Concerning the Tier 1 Eligible Generation Component of its Clean Energy Standard Tier 4 Renewable Energy Certificate Contract (dated June 14, 2023). That petition currently is pending at the Commission.

- Utility customers will be funding out-of-market payments of an indeterminate amount (believed to be many billions of dollars) to incentivize/subsidize the development of new, offshore wind generation facilities.⁹
- Utility customers previously were committed to funding a Clean Energy Fund (“CEF”) at a cost of over \$6 billion.¹⁰ Recently, however, the Commission approved a petition filed by Staff and NYSERDA to increase the CEF budget by \$1.474 billion to fund additional incentives for distributed solar, increasing the CEF cost to approximately \$7.5 billion.¹¹
- 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 potentially more thereafter.¹²
- 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.¹³

⁹ See generally Case 18-E-0071, *In the Matter of Offshore Wind Energy*. See also *id.*, Order Establishing Offshore Wind Standard and Framework for Phase 1 Procurement (issued July 12, 2018) at 15-64 (establishing an offshore wind generation target of 2.4 GW by 2030 and authorizing an initial procurement process in support thereof). The CLCPA increased the offshore wind generation target from 2.4 GW by 2030 to 9 GW by 2035. N.Y. Env. Cons. Law § 75-0103(13)(E). Recently, several offshore wind developers petitioned the Commission seeking modifications of existing offshore wind contracts that potentially would increase massively the amounts ultimately paid by customers. See *id.*, Verified Petition of Sunrise Wind LLC for an Order Authorizing the New York State Energy Research and Development Authority to Amend the Offshore Wind Renewable Energy Certificate Purchase and Sale Agreement (dated June 7, 2023), Verified Petition for Expedited Approval of Enhanced Offshore Renewable Energy Credits (dated June 7, 2023). Those petitions currently are pending at the Commission.

¹⁰ See generally Case 14-M-0094, *Proceeding on Motion of the Commission to Consider a Clean Energy Fund*. See also *id.*, Order Authorizing the Clean Energy Fund Framework (issued January 21, 2016) at Appendix H (authorizing customer collections of \$6,001,000); and Order Approving Clean Energy Fund Modifications (issued September 9, 2021) at Appendix E (authorizing \$3,165,800 in collections from customers from 2021-2029).

¹¹ See generally Case 21-E-0629, *In the Matter of the Advancement of Distributed Solar*, Order Expanding NY-Sun Program (issued April 14, 2022).

¹² See generally Case 18-M-0084, *In the Matter of a Comprehensive Energy Efficiency Initiative*. See also *id.*, Order Authorizing Utility Energy Efficiency and Building Electrification Portfolios Through 2025 (issued January 16, 2020) (hereinafter, “NE:NY Order”) at App. A, Table A3 (authorizing statewide spending on utility-administered electric energy efficiency programs of \$1,879,114,825 from 2021-2025).

- Utility customers are and will be funding utility-administered electric heat pump programs at a cost of over \$450 million through 2025, and potentially more thereafter.¹⁴
- Utility customers are and will be funding incentives to promote electric vehicle infrastructure investments at a cost of over \$700 million through 2025, and potentially more thereafter.¹⁵
- 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 2030.¹⁶
- 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.¹⁷

¹³ See *id.*, NE:NY Order at App. A, Table A4 (authorizing statewide spending on utility-administered gas energy efficiency programs of \$878,716,819 from 2021-2025).

¹⁴ See *id.* NE:NY Order at App. C, Table C1 (authorizing statewide spending on utility-administered electric heat pump programs of \$454,318,220 from 2020-2025).

¹⁵ See generally Case 18-E-0138, *Proceeding on Motion of the Commission Regarding Electric Vehicle Supply Equipment and Infrastructure*. See also *id.*, Order Establishing Electric Vehicle Infrastructure Make-Ready Program and Other Programs (issued July 16, 2020) at 68-76 and Appendix B (authorizing statewide spending on EV infrastructure incentives of \$700,994,850 through 2025).

¹⁶ See Case 20-E-0473, *In the Matter of Developing a Funding Mechanism for the Electric Generation Facility Cessation Mitigation Program*, Order Authorizing Funding for Electric Generation Facility Cessation Mitigation Program (issued February 11, 2021) (establishing a budget of \$12.5 million per year through 2030 to be funded by electric customers statewide).

¹⁷ See, e.g., Case 12-T-0502, *Proceeding on Motion of the Commission to Examine Alternating Current Transmission Upgrades*, Order Addressing Public Policy Transmission Need for AC Transmission Upgrades (issued January 24, 2017) at 18-19 (justifying the “AC Transmission” projects on a need to increase transmission capacity to allow renewable generation facilities to deliver their energy to downstate load centers); Case 14-T-0454, *In the Matter of New York Independent System Operator, Inc.’s Proposed Public Policy Transmission Needs for Consideration*, Order Addressing Policy Requirements for Transmission Planning Purposes (issued July 20, 2015) at 27 (justifying the “Western New York” transmission project on increasing deliverability in the region to maximize output from the New York Power Authority’s Niagara hydroelectric generation facility and additional imports of renewable energy

- 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.¹⁸
- Utility customers are and potentially will be funding Earnings Adjustment Mechanisms (“EAMs”) 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 achieve certain State clean energy objectives.¹⁹
- 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 (“DER”) through net energy metering arrangements and “value stack” compensation.²⁰

from the Ontario region); and Case 20-E-0497, *In the Matter of New York Independent System Operator, Inc.’s Proposed Public Policy Transmission Needs for Consideration for 2020*, Order Addressing Public Policy Requirements for Transmission Planning Purposes (issued March 19, 2021) at 1-4 (justifying future transmission projects in and between Long Island and New York City to facilitate deliverability of offshore wind generation).

¹⁸ See generally PSC Case 20-E-0197, *Proceeding on Motion of the Commission to Implement Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act*, Order Authorizing Development of Phase 1 Transmission Projects and Cost Recovery Measures (issued July 14, 2022) at 18-19 (approving Phase 1 projects at an estimated cost of \$106.2 million), Order Authorizing Continuation of Phase 1 Transmission Projects and Cost Recovery Measures (issued December 15, 2022) at 4, 9 (approving 27 of 46 proposed component projects, which originally were estimated to cost \$1.944 billion, resulting in an estimated cost of roughly \$1 billion), Order Approving Phase 2 Areas of Concern Transmission Upgrades (issued February 16, 2023) 24-25, 40 (authorizing Phase 2 projects at an estimated cost of \$4.382 billion and potentially double-digit bill impacts on large, high-load-factor customers).

¹⁹ See generally Case 14-M-0101, *Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision*, Order Adopting a Ratemaking and Utility Revenue Model Policy Framework (issued May 19, 2016) at 53-93 (discussing and then mandating the use of EAMs).

²⁰ See generally Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources*. See also *id.*, Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters (issued March 9, 2017) (addressing, and providing exemptions to, an eventual transition from net energy metering, and also establishing value stack compensation for certain DER).

The aggregated cost impacts of these programs and initiatives on customers is staggering, and the impacts from many of them have yet to 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 between \$1 billion and \$1.7 billion.²¹ 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 natural gas supply prices significantly, resulting in tens of billions in additional energy costs annually to customers.²²

The above-referenced programs and initiatives, and the massive financial obligations being imposed thereby on customers, are outside the scope of this proceeding. Significantly, however, they still should be considered by the Commission in evaluating spending levels proposed in NFG’s LTP, as well as the LTPs that will be filed by the State’s other gas utilities. The Commission should refrain from evaluating NFG’s LTP – or, frankly, any proposal to spend millions or billions of customers’ money – in a vacuum without due regard to previously-authorized expenditures and potential impacts on the State’s struggling economy.

²¹ See Case 18-E-0130, *In the Matter of Energy Storage Deployment Program*, New York’s 6 GW Energy Storage Roadmap: Policy Options for Continued Growth in Energy Storage (dated December 28, 2022) (hereinafter, “Storage Roadmap”) at 7.

²² See, e.g., *Greenhouse gas ‘Cap and Invest’ on West Coast has lessons for New York: High prices paid for emissions credits suggests spikes in gasoline, heating costs*, Times Union, Updated April 13, 2023, available at <https://www.timesunion.com/business/article/greenhouse-gas-cap-invest-west-coast-lessons-17888660.php> (noting that “planners in New York estimated that ... the cost to consumers could include ... an 80 percent jump in the price of natural gas). In New York, wholesale electricity prices track wholesale natural gas prices very closely; thus, a potential, sharp increase in natural gas prices also could lead to a potential, sharp increase in electricity prices.

B. Even if Evaluated in Isolation, the Proposed Cost of NFG's LTP is Too High

The proposed cost of NFG's LTP – almost \$3.7 billion on an NPV basis – is too high and should be rejected. To place that cost in context, in NFG's last rate proceeding, the Commission authorized an increase of \$5.805 million to NFG's annual "Base Non Gas Cost Revenues" of \$266.570 million.²³ Thus, the cost of NFG's proposed LTP, on an NPV basis, appears to be over **13 times** as large as the utility's annual non-gas cost revenues. Imposing such costs on NFG's customers would be extraordinarily damaging and contrary to the public interest.

In comparing the LTP with its "Guiding Principles," NFG found that its own proposals were inconsistent with the objective of Energy Affordability:

LTP materially increases National Fuel typical bills and imposes significant costs that will need to be addressed by policy makers. However, it reflects substantial efficiencies by tailoring decarbonization actions, thus achieving GHG emissions efficiently, and is significantly less expensive than the Aggressive Scenario which relies on full electrification for residential customers.

(LTP at 78; emphasis added.) Multiple Intervenors disagrees that NFG's LTP would achieve emissions reductions "efficiently" (*see* Point III, *infra*), and the fact that the proposed LTP would be less expensive than a much more extreme scenario is of little comfort to customers that are faced with energy costs that are becoming increasingly unaffordable. To its credit, it appears that NFG has attempted to identify strategies that would moderate costs to customers, at least when compared to certain alternative approaches. The utility recognizes, however, that: "Despite the efforts to tailor decarbonization actions to achieve GHG emissions reductions efficiently, National Fuel is concerned that the costs to achieve the reductions will be unacceptably high as

²³ Case 16-G-0257, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules, and Regulations of National Fuel Gas Distribution Corp. for Gas Service*, Order Establishing Rates for Gas Service (issued April 20, 2017) at Appendix C.

rates are reviewed and as policy makers address the recovery of Decarbonization Policy Costs.”
(*Id.*)

The LTD lacks any compelling evidence that NFG’s customers can afford the rate impacts that would flow from potentially adding almost \$3.7 billion on an NPV basis in incremental costs that presumably would need to be recovered (in addition to the costs of the other Commission-mandates programs and initiatives). NFG acknowledges that the economy is not strong in its service territory and businesses are likely to relocate if energy costs rise too much. Against such backdrop – and considering that the utility is not projecting any current or future system constraints – it would be contrary to the public interest to mandate spending in furtherance of NFG’s LTP at a cost remotely approaching the level proposed therein.

POINT III

NFG’S LTP IS NOT COST-EFFECTIVE AND ITS PROPOSED IMPLEMENTATION WOULD BE CONTRARY TO THE PUBLIC INTEREST

NFG conducted a benefit/cost analysis (“BCA”) of its LTP. As detailed in the LTP and below, the actions proposed in the LTP failed the BCA and, collectively, are neither cost-effective nor beneficial to society. Accordingly, implementation of the LTP, as proposed, would be contrary to the public interest.

In performing the BCA, NFG appears to have complied with Commission policies and practices for conducting such analyses, and utilized the Societal Cost Test (“SCT”). The results of the BCA indicate that the LTP has a benefit/cost ratio of only 0.55. More specifically, implementation of the LTP would produce societal benefits of \$3,026,536,887 and societal costs of \$5,478,121,515. (LTP at 79.) With these results, the decision not to move

forward with NFG's LTP should be easy for the Commission. It would make no sense to incur almost \$5.5 billion in societal costs in order to achieve a little over \$3 billion in societal benefits.

Importantly, the goal of emissions reductions does not justify implementing the LTP. The SCT utilized by NFG and endorsed by the Commission already quantifies the benefits associated with emissions reductions. Thus, even accounting for the benefits of emissions reductions, implementation of the LTP would result in a net harm to society of almost \$2.5 billion.

Moreover, there is no reliability-based need that would necessitate implementation of the LTP, in some form, at this time. As detailed, *supra*, NFG is not experiencing gas system constraints like certain other New York gas utilities, nor does it project such constraints moving forward. Accordingly, there are no pressing system needs that would justify incurring almost \$5.5 billion in societal costs to achieve approximately \$3 billion in societal benefits.

The CLCPA advances many aggressive energy and environmental goals. Notwithstanding the absence of any explicit mandate with respect to gas consumption, Multiple Intervenors understands that reducing gas consumption and advancing the transition away from gas are important objectives. Multiple Intervenors supports exploring opportunities to reduce gas consumption and, where cost-effective, those opportunities should be considered for implementation. That noted, the CLCPA does not require the Commission to authorize actions that render gas service unaffordable and/or less reliable, and it certainly does not require pursuit of actions that, even quantifying and accounting for the benefits of emissions reductions, still would result in net societal harms of approximately \$2.5 billion. In no rational world would a

regulator authorize or require the incurrence of almost \$5.5 billion in societal costs to achieve barely \$3 billion in societal benefits. Customers should not be burdened in such a fashion.

A benefit/cost ratio of only 0.55 makes it very clear that NFG's LTP is not cost-effective, and its proposed implementation clearly would be contrary to the public interest.

POINT IV

IF, ARGUENDO, THE COMMISSION AUTHORIZES NFG TO IMPLEMENT ITS LTP, IN WHOLE OR PART, IT SHOULD ADDRESS COST ALLOCATION AND COST RECOVERY ISSUES AND ENSURE THAT THEY ARE OR WILL BE RESOLVED EQUITABLY

NFG's LTP has a projected cost of almost \$3.7 billion and fails the Commission's established BCA methodology with a benefit/cost ratio of only 0.55, reflecting almost \$5.5 billion in societal costs versus just over \$3 billion in societal benefits. Accordingly, Multiple Intervenors contends that implementation of the LTP, as proposed, would be contrary to the public interest. If, *arguendo*, the Commission nevertheless authorizes NFG to implement its LTP, in whole or part, it should address cost allocation and cost recovery issues and ensure that they are or will be resolved equitably.

NFG's LTP advances a number of proposed actions. Significantly, some of the proposed actions would benefit certain types of customers far more than others. Given the magnitude of the proposed expense at issue, the Commission should ensure that cost allocation and cost recovery issues are resolved in an equitable manner, accounting for cost causation and/or beneficiaries pay principles.

For example, in furtherance of its LTP, NFG envisions two new energy efficiency programs, one targeting residential customers and the other targeting small commercial

customers. (LTP ES at 9.) It is questionable whether large non-residential customers, who would be ineligible for either program, should bear the costs associated therewith. Moreover, it appears that NFG's electrification efforts, while potentially including large non-residential customers, primarily would be targeted at residential, small commercial, and multi-family applications. (*Id.*) There are issues as to how the costs of such electrification efforts, if authorized, should be allocated to and recovered from customers. NFG also anticipates implementing certain programs targeted at industrial customers, including efforts seeking to electrify space heating loads and energy efficiency projects targeted at process loads. (*Id.*) Similar to the aforementioned examples, it is questionable whether non-industrial customers should be responsible for the costs of those programs.

Multiple Intervenors is not suggesting that certain customer types be excused from any allocation of costs associated with implementation of the LTP (to the extent it is approved by the Commission). Multiple Intervenors also acknowledges that a precise cost-based allocation of numerous programs with different intended benefits (*e.g.*, financial, environmental) may not be accomplishable easily. That noted, given the substantial costs projected for the LTP, along with the fact that certain proposed projects benefit certain customer types and not others, Multiple Intervenors contends that the Commission should ensure that costs are allocated to various service classes, and then recovered from customers, in an equitable manner. Merely allocating and recovering costs on a purely volumetric basis – while administratively convenient – may be highly inequitable depending on the LTP at issue and the specific programs being implemented. Given the potential magnitude of costs involved, ensuring equity with respect to cost allocation and cost recovery should be viewed as much higher priorities than administrative convenience. The Commission can and should do more to ensure that equity is achieved in the

resolution of cost allocation and cost recovery issues, either in this proceeding or future rate proceedings.

CONCLUSION

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

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Respectfully submitted,

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