STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of a Review of a Long-Term Gas System Plan of New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation — **Case 23-G-0437**

INITIAL COMMENTS
OF
MULTIPLE INTERVENORS
ON
LONG-TERM GAS SYSTEM PLAN OF
NEW YORK STATE ELECTRIC & GAS CORPORATION
AND
AND ROCHESTER GAS AND ELECTRIC CORPORATION

Dated: December 18, 2023

MULTIPLE INTERVENORS
540 BROADWAY, P.O. BOX 22222
ALBANY, NEW YORK 12201-2222

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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 New York State Electric & Gas Corporation ("NYSEG") and Rochester Gas and Electric Corporation ("RG&E") service territories, hereby submits its Initial Comments on the Long-Term Gas System Plan ("LTP") filed by NYSEG and RG&E (collectively, the "Companies") on October 2, 2023, in Case 23-G-0437.[1] Pursuant to the "Notice of Technical Conference and Establishing Comment Deadlines" issued by the New York State Public Service Commission ("Commission") on October 6, 2023, initial comments and reply comments on the Companies' LTP are due on December 18, 2023, and January 5, 2024, respectively. For the reasons set forth herein, Multiple Intervenors urges the Commission to adopt Multiple Intervenors' positions with respect to the Companies' 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, gas still is the most effective and cost-efficient means to heat very spacious buildings. Moreover, many members rely upon natural gas for

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[1] Case 23-G-0437, *In the Matter of the Long-Term Gas System Plan of New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation.*

critical process applications for which viable alternatives to gas 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. 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. 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 the Companies' LTP.[2] Multiple Intervenors hereby advances the following positions in response to the Companies' LTP:

1. the proposed cost of the LTP – estimated at approximately $4.1 billion for NYSEG and $3.8 billion for RG&E on a Net Present Value ("NPV") basis (ES at 11) – should not be evaluated in a vacuum, and is excessive and would jeopardize the affordability of gas service;
2. with Benefit/Cost Ratios of well below 1.0 – and, in fact, below 0.5 – under the Societal Cost Test ("SCT") and using the Commission's Benefit Cost Analysis ("BCA") framework (LTP at 70-72), the LTP clearly is not cost-effective, and its proposed implementation would be contrary to the public interest;

[2] The LTP is comprised of: (a) the Initial Gas Long-Term Plan; (b) Appendices A-E; and (c) an Executive Summary. Parenthetical references herein to those documents are preceded by the notations, "LTP," App.," and "ES," respectively, as applicable.

3. to the extent cost-effective, non-residential gas demand response programs should be implemented and/or expanded, either on a utility-wide or targeted basis; and
4. if, *arguendo*, the Companies are authorized to implement their 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.

COMMENTS

POINT I

THE PROPOSED COST OF THE LTP IS EXCESSIVE

The proposed cost of the Companies' LTP is enormous. On an NPV basis, NYSEG proposes to spend $4.095 billion and RG&E proposes to spend $3.811 billion on the LTP. (ES at 11-12.) Such costs presumably would be recovered entirely from customers, in addition to numerous other financial commitments undertaken by the Companies, as well as periodic delivery rate increases associated with the provision of natural gas service.

In evaluating the Companies' LTP, the Commission must examine the proposed costs extremely carefully. Indeed, any proposed utility expenditures recoverable from customers in the billions of dollars warrants the highest level of scrutiny by Department of Public Service Staff ("Staff") and the Commission. Moreover, such examination should not focus solely on the LTP and the potential rate impacts that would result therefrom, but, rather, should be wholistic in nature, encompassing the full panoply of financial commitments being imposed on customers (including costly obligations being imposed on electric customers, inasmuch as all gas customers also are electric customers). Based on such an evaluation, the Commission should conclude that the proposed cost of the LTP not only is enormous, but also excessive.

A. The Proposed Cost of the Companies' LTP Should Not Be Evaluated in a Vacuum

The proposed cost of the Companies' LTP – estimated at approximately $4.1 billion for NYSEG and $3.8 billion for RG&E on an NPV basis (ES at 11) – is enormous and warrants careful scrutiny in this proceeding. Importantly, however, the proposed LTP does not represent the only cost sought to be 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 the Companies' proposed LTP not be evaluated in a vacuum, but, rather, be examined in context with the full panoply of costs to which customers are being exposed.

First and foremost, the Commission only recently authorized the imposition of very large delivery rate increases on the Companies' electric and gas customers. Specifically, the Commission adopted a Joint Proposal, over substantial opposition, resulting in the following Net Base Delivery Increases for customers:

- NYSEG Electric: 17.1% in each of Rate Year 1, Rate Year 2, and Rate Year 3.
- NYSEG Gas: 5.6% in each of Rate Year 1, Rate Year 2, and Rate Year 3.
- RG&E Electric: 11.0% in each of Rate Year 1, Rate Year 2, and Rate Year 3.
- RG&E Gas: 10.2% in each of Rate Year 1, Rate Year 2, and Rate Year 3.[3]

[3] Cases 22-E-0317 and 22-G-0318, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules, and Regulations of New York State Electric & Gas Corporation for Electric and Gas Service*, and 22-E-0319 and 22-G-0320, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules, and Regulations of Rochester Gas and Electric Corporation for Electric and Gas Service*, Order Adopting Joint Proposal (issued October 12, 2023), Attachment I, Joint Proposal, App. A at 1 (Lines 6-9, Rows E-G).

Such rate increases will have material, detrimental impacts on customers and energy affordability within the Companies' service territories. Indeed, Multiple Intervenors cannot recall any major electric and gas utility ever being authorized multi-year delivery rate increases as large as those approved for NYSEG Electric and, upon information and belief, the multi-year, double-digit increases approved for RG&E Electric and RG&E Gas are unprecedented for that utility.

The Commission also has authorized the imposition of numerous, significant financial obligations on customers – including those served by the Companies – 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").[4]
- Utility customers are and will be funding out-of-market payments of an indeterminate amount (believed to be in the tens or hundreds of millions of

[4] *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.

dollars) to incentivize/subsidize the continued operation of existing renewable generation facilities under Tier 2 of the CES.[5]

- 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.[6]
- 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.[7]

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[5] *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).

[6] *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.

[7] *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 two contracts alone could raise electricity costs by as much as 5.7 percent on a statewide basis, and as high as 8.6 percent and 7.5 percent for customers of NYSEG and RG&E, respectively. *Id.*, Staff/NYSERDA Petition, Appendix C at

- 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.[8]
- Utility customers are and will be funding a Clean Energy Fund ("CEF") at a current total cost of approximately $7.5 billion (increased recently from approximately $6 billion).[9]
- 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 more thereafter.[10]

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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 17.2 percent and 15.0 percent within the NYSEG and RG&E service territories, respectively. *See id.*

[8] *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). It has been widely reported that the cost of developing offshore wind generation facilities has risen markedly since the CLCPA was enacted.

[9] *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), Order Approving Clean Energy Fund Modifications (issued September 9, 2021) at Appendix E (authorizing $3.166 billion in collections from customers from 2021-2029), and Case 21-E-0629, *In the Matter of the Advancement of Distributed Solar*, Order Expanding NY-Sun Program (issued April 14, 2022) (increasing the funding for distributed solar, as part of the CEF, by $1.474 billion, bringing the total CEF budget to approximately $7.5 billion).

[10] *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,

- 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.[11]
- Utility customers are and will be funding utility-administered electric heat pump programs at a cost of over $450 million through 2025, and likely more thereafter.[12]
- 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.[13]
- Utility customers are and will be funding an Electric Generation Facility Cessation Mitigation Program designed to "compensate" municipalities that

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Table A3 (authorizing statewide spending on utility-administered electric energy efficiency programs of $1,879,114,825 from 2021-2025).

[11] *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).

[12] *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).

[13] *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); *see also* Order Approving Midpoint Review Whitepaper's Recommendations with Modifications (issued November 16, 2023) at 20-21 (wherein the Commission increased the initial budget of $700.1 million by an additional $542 million, to arrive at a revised budget of $1.243 billion).

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.[14]

- 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.[15]
- 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.[16]

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[14] *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).

[15] *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 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).

[16] *See generally* 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

- 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.[17]
- 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.[18]

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 between $1 billion and $1.7 billion.[19] Finally, the State currently is

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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).

[17] *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).

[18] *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).

[19] *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) at 7.

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.

In their LTP, the Companies attempt to estimate the revenue requirement impacts associated with the clean energy policies of the State and the Commission. For 2024, NYSEG and RG&E estimate revenue requirement impacts of $110.8 million and $52.2 million, respectively. (App. B at B-26.) By 2030, those impacts are estimated to rise to $312.9 million and $142.2 million, respectively. In other words, the Companies project that the current, sizeable revenue requirement impacts on their customers stemming solely from clean energy policies will approximately triple in about six years.

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 new proposed spending levels in the Companies' LTP (as well as the LTPs that have been or will be filed by the State's other gas utilities). The Commission has an overriding obligation to ensure that electric and gas rates are and remain just and reasonable, and, therefore, should refrain from evaluating the Companies' 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.

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

Even if the Companies' LTP is evaluated in isolation – something Multiple Intervenors opposes – the proposed cost still should be rejected as too high. That cost –

estimated at approximately $4.1 billion for NYSEG and $3.8 billion for RG&E on an NPV basis (ES at 11) – is enormous and would impose detrimental impacts on customers.

In their LTP, the Companies describe the economic conditions in their service territories in pertinent part as follows:

> Local economic conditions are a distinguishing feature of the Companies' service territories. Cities such as Binghamton, Buffalo, Elmira, and Syracuse in NYSEG's territory, and Rochester in RG&E's territory have all experienced loss of manufacturing industry, which has produced economic hardship in the form of job loss and little job growth opportunity.

(LTP at 14.)[20] The Companies then illustrate that all of the major cities within their respective service territories not only experienced negative five-year job growth, but lost jobs at a faster rate than New York City or the State as a whole. (LTP at 15.) The LTP states that: "It is important to consider the economic conditions of the cities and towns the Companies serve as energy affordability and accessibility will be important." (*Id.*) Multiple Intervenors agrees. The poor economic conditions in the Companies' service territories should be a major consideration when the Commission evaluates the proposed cost of the LTP.

The Companies identify "Energy Affordability" as one of the LTP's Guiding Principles. (ES at 5.) Significantly, however, when evaluating the proposed LTP's relative consistency with said Guiding Principles, the Companies conclude that the "*LTP materially increases typical gas bills and imposes significant costs that will need to be addressed by policy*

[20] The current practice of recovering a wide array of clean energy costs on a purely energy basis, in addition to being contrary to cost causation and beneficiary pay principles, is counterproductive to efforts to attract and retain energy-intensive industries, such as manufacturing. The "loss of manufacturing industry" described by the Companies sadly is not limited to their service territories.

makers." (LTP at 76; emphasis added.)[21] In other words, the LTP, if approved in its current form, would sacrifice affordability within service territories that already are experiencing economic hardship and job losses. Based on the foregoing, the proposed cost of the LTP is excessive, irrespective of whether it is evaluated in isolation or, as it should be evaluated, in conjunction with the panoply of significant financial obligations already being imposed on customers in both the near-term and the long-term.

POINT II

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

The Companies conducted a BCA of their LTP utilizing the SCT and the methodology approved by the Commission. (LTP at 70.) 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 and the LTP should not be approved by the Commission in its current form.

A Benefit/Cost Ratio must exceed 1.0 (*i.e.*, benefits in excess of costs) to pass the BCA. (*Id.*) The Companies' LTP, however, fails the BCA for both NYSEG and RG&E. Pursuant to the Companies' BCA, the LTP produces a Benefit/Cost Ratio for NYSEG of only 0.41, and only 0.38 for RG&E. (*Id.*) Thus, not only does the LTP fail the BCA, it is not even remotely close to cost-effective for either utility.

[21] The Companies provide only limited information on potential customer rate impacts, and such information focuses solely on residential customers. (*see*, *e.g.*, ES at 13) Multiple Intervenors recommends that rate impact analyses be performed for other segments, including non-residential transportation customers of various sizes.

More specifically, the Companies estimate that implementation of the LTP for NYSEG would produce societal benefits of $2,284,482,144 at a societal cost of $5,616,395,439. (LTP at 71.) Thus, for NYSEG, the LTP would result in societal costs over $3.3 billion in excess of societal benefits. The Companies further estimate that implementation of the LTP for RG&E would produce societal benefits of $1,866,104,436 at a societal cost of $4,933,799,559. (*Id.*) Thus, for RG&E, the LTP would result in societal costs almost $3.1 billion in excess of societal benefits.

With these results, the decision not to move forward with the Companies' LTP should be an easy one for the Commission. On an aggregate basis, the LTP would produce approximately $4.15 billion in societal benefits at a societal cost of approximately $10.55 billion. Pursuing – or authorizing – such an outcome would be imprudent and grossly irresponsible. It would make absolutely no sense for the Companies to incur $10.55 billion in societal costs in order to achieve only $4.15 billion in societal benefits.[22]

Importantly, the laudatory goal of emissions reductions does not justify implementing the LTP. The SCT utilized by the Companies and endorsed by the Commission already quantifies and reflects 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 approximately $6.4 billion (*i.e.*, $10.55 billion in projected societal costs minus $4.15 billion in projected societal benefits).

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[22] Even if, *arguendo*, the Commission's preferred BCA methodology could be improved upon in some fashion, the results of the Companies' analyses are extremely stark and demonstrate clearly that the LTP is wildly uneconomic. Moreover, while Multiple Intervenors has no objections to efforts to continuously refine and improve the BCA methodology, the Commission should resist one-sided adjustments that attempt to place a thumb on the scale solely (or primarily) to make the utilities' LTPs appear more palatable.

The CLCPA contains many aggressive energy and environmental goals and mandates. 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 very 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 after quantifying and accounting for the benefits of emissions reductions, still would result in net societal harms in the billions of dollars.

In their LTP, the Companies identify as a key objective: "Improve the ability of the Commission, Staff … and stakeholders to examine LDC long-term plans to ensure those plans are cost-effective for ratepayers and consistent with state policies." (LTP at 4.) Here, such examination leads to the inescapable conclusion that, pursuant to the Companies' own BCA conducted in accordance with the Commission's approved methodology, the LTP is grossly and wildly uneconomic.

In their LTP, the Companies provide information on the cost of various activities to achieve emissions reductions. (*See* LTP at 68.) This information could be used to prioritize some activities over others, thereby reducing the total proposed cost to customers and potentially rendering the LTP economic, or at least less uneconomic. For instance, for the industrial sector, process energy efficiency and carbon capture appear much more cost-effective – at least on a relative basis – than space heating electrification. (*Id.*) Electrification of the commercial and municipal sectors also appears wildly expensive and uneconomic compared to other potential activities. (*Id.*)

Benefit/cost ratios of only 0.41 for NYSEG and only 0.38 for RG&E demonstrate, conclusively, that the Companies' LTP is not cost-effective, and its proposed implementation clearly would be contrary to the public interest. The Companies should go back to the "drawing board" in an effort to formulate an LTP that would be beneficial to implement.

POINT III

COST-EFFECTIVE, NON-RESIDENTIAL GAS DEMAND RESPONSE PROGRAMS SHOULD BE IMPLEMENTED AND/OR EXPANDED

In their LTP, the Companies address the topic of gas demand response on a very narrow basis, referencing only residential customers. The LTP states in pertinent part that:

> The Companies have begun to explore a residential demand response program in the form of a "bring your own thermostat" ("BYOT") program. This program, which remains under development, would be similar in structure to the Companies' electric residential demand response program. The program would utilize smart thermostats to adjust customers' home temperature when a demand response event is called.

(LTP at 13.) Significantly, however, the LTP does not appear to address non-residential gas demand response programs, and this omission should be remedied with the evaluation and the possible implementation of such programs.

Initially, Multiple Intervenors has no objections to the Companies' consideration of a "BYOT" program or other residential demand response programs. When implemented optimally, demand response programs can improve gas reliability, eliminate or delay the need for future infrastructure investment, and reduce costs to customers. Thus, to the extent the Companies are able to identify residential demand response programs that would be cost-effective, they should be evaluated for possible implementation.

That noted, the LTP appears to have omitted any consideration of non-residential demand response programs. Such omission warrants correction. In reviewing the Companies' LTP, the above-referenced passage is the only real discussion of gas demand response programs, and such discussion inexplicably is limited to residential programs. Upon information and belief, non-residential customers tend to be the primary participants – and the largest sources of load reductions – in electric demand response programs, and there is no reason to believe the same would not be true for gas demand response programs, to the extent offered.

Along with gas demand response programs targeted at residential customers, such as the referenced BYOT program, the Companies should develop and/or explore expansion of non-residential demand response programs. Such programs – residential and non-residential – should be considered for implementation if cost-effective. Multiple Intervenors does not advocate for gas demand response programs where the projected costs outweigh the projected benefits; indeed, for the reasons referenced in Points I and II, *supra*, the Commission should treat gas customers' funds as scarce resources not to be utilized on discretionary spending proposals that are unlikely to produce material net benefits.

POINT IV

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

The Companies' LTP has a projected cost of approximately $7.9 billion on an NPV basis (*i.e.*, approximately $4.1 billion for NYSEG and $3.8 billion for RG&E [ES at 11]), and fails the Commission's established BCA methodology with a benefit/cost ratio well below

1.00 (*i.e.*, 0.41 for NYSEG and 0.38 for RG&E [LTP at 70]), reflecting approximately $4.15 billion in societal benefits at a societal cost of approximately $10.55 billion. (*Id.* at 71.) Accordingly, Multiple Intervenors contends that implementation of the LTP, as proposed, would be contrary to the public interest. If, *arguendo,* the Commission nevertheless authorizes the Companies to implement their LTP, in whole or part, it should address cost allocation and cost recovery issues and ensure that they are or will be resolved equitably.

The Companies' LTP advances a number of proposed actions. Significantly, some of the proposed actions would directly 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 their LTP, the Companies envision a series of efforts aimed at promoting building electrification, by installing air source heat pumps and electrifying other gas appliances. Such efforts would be focused on, and have been modeled for, residential, commercial, and municipal customers. (ES at 6.) It is questionable whether industrial customers, for instance, who are unlikely to be targeted by or benefit directly from such efforts, should be forced to fund them (and, if so, how any such allocation should be structured). Similary, NYSEG and RG&E envision certain programmatic efforts focused on the industrial sector, which the Companies assert "is generally recognized as the most challenging sector to decarbonize, particularly with respect to process loads that require extremely high temperatures and for facilities that face internal and external competition." (*Id.*) It is not clear whether or to what extent the costs of such efforts should be allocated to non-industrial customers.

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.*, economic, environmental) may not be practicable. That noted, given the substantial costs projected for the LTP, along with the fact that certain proposed projects directly 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 a fair and equitable manner based on the activities approved for implementation, their costs, and how the benefits associated therewith are realized.

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 facilitating administrative convenience. The Commission 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, and avoid over-reliance on an approach that simply socializes all costs incurred based solely on energy consumption irrespective of cost causation.

CONCLUSION

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

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Respectfully submitted,

Michael B. Mager

Michael B. Mager, Esq.
Counsel to Multiple Intervenors
540 Broadway, P.O. Box 22222
Albany, New York 12201-2222