AGREE
Alliance for a Green Economy

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

Alliance for a Green Economy ("AGREE") along with the 62 additional undersigned community and environmental organizations respectfully submits the following comments on Central Hudson Gas and Electric Corporation's Final Gas System Long Term Plan ("GSLTP") filed on November 21, 2024.

Introduction

The world just experienced the hottest January in historical record.[1] Together with the devastating wildfires in California, we are faced again with the urgency and impact of the climate crisis.[2] In New York State, we must do our part to mitigate global heating by implementing the Climate Leadership and Community Protection Act ("Climate Act"). The Public Service Commission ("PSC") has the authority and obligation to apply the Climate Act to gas utilities through these long-term gas planning proceedings.

According to the Climate Action Council's Scoping Plan, buildings are the single largest emitter of greenhouse gases statewide, accounting for 32% of all emissions.[3] Much of these building emissions are attributable to gas utilities. Gas utilities also share a significant portion of the 9% of statewide emissions from the industrial sector. Without a strict application of the Climate Act to gas utilities, the state is unlikely to meet the required 40% reductions in GHG by 2030 and 85% reductions by 2050.

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[1] See "It's official: January was the warmest on record" UN News. Feb. 6, 2025. https://news.un.org/en/story/2025/02/1159846

[2] World Weather Attribution estimates that 1.3 degrees Celcius of post-industrial warming made the fires 35% more likely and 6% more intense. https://www.worldweatherattribution.org/climate-change-increased-the-likelihood-of-wildfire-disaster-in-highly-exposed-los-angeles-area/

[3] NYS Climate Action Council, "Scoping Plan," at 48, (Dec. 2022), https://climate.ny.gov/-/media/project/climate/files/NYS-Climate-Action-Council-Final-Scoping-Plan-2022.pdf

Central Hudson's No New Infrastructure Plan

In the initial and revised GSLTP, Central Hudson conducted an analysis of various long-term scenarios but did not select a preferred pathway. In this final iteration of the GSLTP, the company selects the No New Infrastructure ("NNI") scenario as the preferred pathway.

Within the context of New York State's long-term gas planning proceedings, we are pleased to see that Central Hudson has chosen the NNI scenario as their preferred long-term pathway. Unlike the scenarios chosen by many other gas utilities, the NNI scenario does not rely on so-called "low carbon" replacement fuels such as renewable natural gas ("RNG") and hydrogen. The evidence against the use of RNG and hydrogen in gas system blends is mounting, and the only way that it has been justified in other gas long-term plans is by manipulating data to artificially decrease costs and to inflate GHG reductions. The assumptions concerning these fuels have been thoroughly critiqued by the long-term planning independent consultants Charles River Associates and PA Consultants, by NYSERDA, and by stakeholders including AGREE, Communities for Local Power, Sierra Club, Earthjustice, Environmental Defense Fund, and the Natural Resources Defense Council in various GSLTPs. This critique aligns with the responses of public utility commissions in other states, such as the Massachusetts Department of Public Utilities.[4] AGREE summarized this growing consensus about RNG and hydrogen in our comments on Central Hudson's initial and revised GSLTPs.

This decision against a widespread blend of RNG and hydrogen also aligns with the Public Service Commission order on NYSEG and RG&E's GSLTP. In this recently published order, the New York Public Service Commission ("PSC") noted that "the cost of RNG compared to traditional sources is a concern, and customers may find electrification options more economical."[5] The same PSC order also stated that "hydrogen blending is currently an unproven technology for the State's natural gas

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[4] *See* Massachusetts Department of Public Utilities *Order on Regulatory Principles and Framework*. 20-80-B, at 71-72 (December 6, 2023).

[5] New York Public Service Commission. "Order Regarding Long-Term Natural Gas Plan and Directing Further Actions." Case 23-G-0437, at 41. (Jan. 23, 2025.) ("NYSEG/RG&E LTP Order")

distribution systems."[6]

Central Hudson's Capital Expenditures Lack Transparency

While Central Hudson has named their preferred scenario "No New Infrastructure," they will spend an estimated $817 million on capital expenditures in gas infrastructure in the next twenty years. To ensure the safety and reliability of the existing gas system, some expenditures will be necessary. However, the independent consultant in this proceeding, PA Consulting, has noted that due to a lack of transparency and detail they are unable to analyze this spending:

> "We note that under the Company's NNI scenario, capital expenditure (CapEx) investments are expected to be approximately $817 million between now and 2043, approximately 14% less than under the Current Clean Agenda (CCA) scenario. While PA would expect that some of that difference is driven by lesser investments to serve new customers, we are not able to comment on those drivers as no detailed CapEx forecast information was provided by the Company for the NNI scenario. In the absence of that detail, PA is unable to provide an opinion on the extent to which CapEx investments under the NNI scenario could be avoided."[7]

The lack of transparency is an unacceptable result of this long-term planning proceeding, and it must be remedied before the next GSLTP cycle three years from now. Below, we describe why the PSC should order Central Hudson to conduct a strategic decommissioning plan with the Department of Public Service and interested stakeholders that remedies this and other issues.

Central Hudson Needs a Phased Transition From Gas Infrastructure

As more customers switch to electric heating and cooking, segments of the current gas infrastructure will become unnecessary. But gas infrastructure takes decades to pay off,

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[6] Ibid.

[7] PA Consulting Group. "PA Consulting's Final Report on Central Hudson's Final Gas System Long-Term Plan." Case 23-G-0676, at 12. (Jan. 15, 2025). ("PA Consulting Final Report")

often 30 to 50 years. That means that gas utility customers will still be paying for gas systems that are no longer in use. These stranded assets are a financial challenge that should be managed through the long-term gas planning proceedings.

A 2023 report published by the Building Decarbonization Coalition titled *Future of Gas in New York State* demonstrates that a managed, phased transition of the gas system in New York State is the most cost-effective, healthy, and equitable way to transition from fossil fuel use in New York State.[8] The authors describe three key elements of a managed and phased transition:

1. Limit investment in new gas infrastructure.
2. Limit reinvestment in old gas infrastructure.
3. Plan for zonal transitions based on local needs and opportunities.

Limiting New Gas Infrastructure

While Central Hudson's No New Infrastructure scenario would ostensibly limit unneeded gas infrastructure, the company did not provide a transparent accounting of the nearly one billion dollars in capital expenditures over the next twenty years. PA Consulting requested this information but did not receive it. As a result, we do not know how well Central Hudson has limited new gas infrastructure in their GSLTP. This lack of transparency leaves state regulators at the Public Service Commission unable to perform their duties, and it should be remedied before the next planning cycle.

Limiting reinvestment in old gas infrastructure

PA Consulting was able to analyze some short term capital forecasts and found that 28% of the capital forecast for 2025-2029 was service line replacements that "in most, if not all cases" depend on "a single customer decision to either discontinue or forego the use of natural gas."[9] PA Consulting notes that just a 10% reduction of these investments in

[8] Building Decarbonization Coalition. "The Future of Gas in New York State" at 51 (March 2023).
[9] PA Consulting Final Report at 66.

service lines could result in “several million dollars of avoided investment” in 2025-2029 alone.[10]

While PA Consulting recommends action to limit these service line replacements, the next long-term planning proceeding for Central Hudson will not begin for another three years, losing an opportunity to act. We recommend that Central Hudson be required to develop a short-term plan to limit service line replacements to individual customers, including educational materials and enhanced incentives that encourage these customers to electrify heating and cooking instead.

Plan for zonal transitions based on local needs and opportunities.

The PSC’s recent LTP order on NYSEG and RG&E’s GSLTP supports strategic decommissioning. The order defines strategic decommissioning as “identifying portions of the service territory where resources can be focused to eliminate all gas usage on a section of infrastructure so that the Companies can permanently retire such section.”[11] The PSC order directs the companies to identify segments of the gas system that are potential targets for decommissioning and recognizes that the “the right mix of community support, utility expertise, outreach and education, and funding for alternatives can produce the desired outcomes.”[12] To that end, the PSC directed the Companies to “conduct a ‘table top’ exercise with interested stakeholders” to “identify potential areas of the gas infrastructure in Tompkins County” that could be decommissioned.[13]

A similar approach should be taken with Central Hudson, adjusted to local conditions. Such a planning exercise could align with PA Consulting’s recommendation that the company “develop a holistic geographical view to determine which customers and use

[10] Ibid.
[11] NYSEG/RG&E LTP Order at 51.
[12] Ibid. at 32.
[13] Ibid at 53.

cases are most or least likely to remain on the gas network over time, and which areas could electrify between now and 2050."[14]

We recommend that the PSC order Central Hudson to develop a holistic plan for strategically decommissioning their gas infrastructure, working with interested stakeholders and the Department of Public Service ("DPS"). By the time that the PSC acts on Central Hudson's GSLTP, the NYSEG and RG&E planning exercise will have occurred, allowing DPS, stakeholders, and the PSC to refine the strategic decommissioning process.

Cost of RNG Remains Underestimated in NNI Plan

While the GHG emissions reductions in the preferred NNI pathway do not significantly depend on RNG, the RNG that is used in the plan still requires an accurate cost estimate. Central Hudson appears to be using the NYSERDA "Potential of Renewable Natural Gas in New York State" study as the basis of their cost assumptions.[15] This NYSERDA study makes clear that the cost estimates "do not reflect the potential value of environmental attributes associated with RNG, nor the current markets and policies that provide credit for these environmental attributes."[16] Thus, the RNG cost estimates represent the *production* cost, not the *market* cost of RNG. Central Hudson has confirmed that they will not own the production of RNG.[17] If Central Hudson is claiming GHG emission reductions from the use of RNG, then they must buy the associated environmental attributes along with the gas.

RNG generates environmental attributes that are traded under programs like California's Low-Carbon Fuel Standard and the federal Renewable Fuel Standard. The renewable fuel credits are tracked with Renewable Identification Numbers ("RINs"). Credits vary in value depending on the feedstock used. For example, RNG produced from agricultural waste often qualifies for D3 RINs. Throughout 2024, D3 RINs

[14] PA Consulting Final Report at 90.
[15] PA Consulting Final Report at 89.
[16] NYSERDA "Potential of Renewable Natural Gas in New York State" at 46. (April, 2022).
[17] See PA Consulting Final Report at 89.

averaged approximately $3 per RIN, translating to over $38 per MMBtu.[18]

In order to claim the environmental benefit of RNG, Central Hudson must buy and retire the RIN for any RNG it uses in its system. If the RIN is not bought and retired, the gas used by Central Hudson is not environmentally different from fossil gas because someone else who buys and retires the RIN will be claiming the environmental benefit. Therefore, if Central Hudson is claiming GHG reductions from RNG, it must include the price of RNG's environmental attributes. Since both agricultural waste and animal waste generate D3 RINs,[19] and since these two feedstocks account for the vast majority of Central Hudson's projected RNG, the cost of RNG in all scenarios is likely to be significantly higher–perhaps more than double the cost assumed by Central Hudson currently.

While AGREE raised these concerns in our comment on the revised plan, they were not addressed in the final plan. We ask the PSC to make sure that Central Hudson, and all gas companies, include the full market price of RNG in their estimates.

Conclusion

While AGREE and the below co-signatories applaud the progress in not depending on RNG and hydrogen, we encourage the PSC to take action to hold Central Hudson accountable for full transparency in capital expenditures and realistic assumptions for RNG. We further encourage the PSC to order that Central Hudson engage with stakeholders and DPS to strategically decommission sections of the gas system.

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[18] See the EPA's RIN Trades and Price Information:
https://www.epa.gov/fuels-registration-reporting-and-compliance-help/rin-trades-and-price-information

[19] See the EPA's Approve Pathways for Renewable Fuel:
https://www.epa.gov/renewable-fuel-standard-program/approved-pathways-renewable-fuel

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