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Environmental groups earn unprecedented climate Concessions in NYSEG/RG&E gas rate case

Same groups oppose “unconscionable” electric rate hike

In a first for NY State utility rate cases, grassroots environmental groups successfully negotiated with their utilities for zero net growth in gas use over the course of the three year rate plan, while keeping gas rate increases low. After months of negotiations, NYSEG and RG&E agreed to a slate of gas reduction strategies, retracted \$128 million for gas infrastructure including pipelines, and funded \$1.5 million for renewable heating systems for low-income residents.

While signing the gas settlement agreement, most environmental groups oppose the utilities' electric proposal that was supported by state regulators, and some other parties. The groups criticized the companies for callously raising electric rates by double digits during a historic health emergency and economic crisis, while failing to prepare the grid for a renewable future.

Emboldened by the aggressive targets set by the State's Climate Leadership and Community Protection Act (CLCPA), environmental groups shifted the utilities' plans away from continuous gas growth. As part of the settlement agreement on the gas case, filed on Monday June 22, 2020, environmental groups secured utility commitments to plan their systems around no growth in gas use and to offset new customers' gas use through energy efficiency, heat pumps, and other non-gas alternatives. The companies also plan to study and possibly implement district geothermal pilots. The companies further agreed to end their oil-to-gas conversion incentives in favor of approximately \$1.5 million for low-income renewable heating rebates.

“We celebrate the efforts of all the groups that worked together to achieve these precedent-setting concessions in the gas rate cases,” said Jessica Azulay, Executive Director of **Alliance for a Green Economy**. “Most of the organizations who worked together to win this agreement had never been involved in a rate case before, but together we successfully went toe-to-toe with a multi-billion-dollar multinational corporation to advance our renewable energy transition.”

“Fossil Free Tompkins applauds the Companies and Department of Public Service for their commitment to reduce gas use and the many ways they agreed to promote and incentivize non-

pipe alternatives,” said Irene Weiser, coordinator of **Fossil Free Tompkins**. Weiser first advocated for heat pumps not pipelines in the previous, 2015 rate case - when the Town of Lansing was placed under a gas moratorium - and was rebuffed. “The change in direction over the past 5 years is truly encouraging.”

Ratepayer and Community Intervenors tallied over 1,000 of the comments to the Public Service Commission's case record and delivered at five public hearings. “The ratepayers showed widespread support for modernization of the grid to support renewable deployment and advance beneficial electrification,” according to the group’s president, Carol Chock. “Both low and moderate income ratepayers and energy activists called for NYSEG, RG&E, and the state to prioritize expenditures to address climate change, end investment in fossil fuels and reject the high level of proposed profit if the companies didn’t achieve clean energy goals.”

“The transition to a clean energy future must be affordable for all New Yorkers to be sustainable,” said Kristen Van Hooreweghe, Project Manager for **Rochester People’s Climate Coalition**. “The gas case settlement, even with its environmental initiatives, has nominal rate increases. Conversely, the Companies and Governor Cuomo’s Department of Public Service failed to develop a rate plan on the electric case that adequately addresses the disproportionate energy burden facing our low-income community members, especially during the current COVID pandemic.”

Over the next three years, NYSEG will ratchet up electricity bills for the average household to \$146 more annually in 2023 than they are today, as a result of a 24.9% increase in delivery rates. The RG&E average residential bills will rise over the next three years to \$100 more per year than before the rate case started, based on an increase of 15.5% in delivery rates. The electric case failed to garner support of most environmental and public interest groups because of these unconscionable increases.

“The exorbitant rate increases in the electric case show both the Utility and Department of Public Service staff to be tone deaf to the economic struggles New Yorkers will be facing as a result of the COVID-19 pandemic,” Chock remarked. “While we appreciate the Companies’ COVID-19 plans to stay utility shut-offs temporarily, maintain their arrears forgiveness program, and provide additional bill credits to low-income customers, we do not believe they went far enough in sharing the pain with fellow New Yorkers.”

“In the 2009 recession, the Companies froze management salaries, trimmed benefits, and infused financial support from the parent company. We see no such concessions in the current COVID section of the agreement,” said Adam Flint, Director of Clean Energy Programs for the Binghamton Regional Sustainability Coalition. “While New Yorkers are losing their jobs, utility company management will be maintaining their six-figure salaries and benefits, and their shareholders will be allowed an 8.8% return on investment.”

The major drivers of the electric rate increases are deferred maintenance in vegetation management and infrastructure upkeep, particularly in the NYSEG territory. NYSEG is the only utility in the state without a five-year-cycle vegetation management plan, and has the highest outage rate of any NY State utility. To the dissatisfaction of many, the negotiated agreement does not provide a five-year-cycle tree trimming plan.

“Many municipalities and businesses have complained about numerous electrical outages and are concerned that the inadequate state of the grid cannot support the demands of electric

heating and vehicles,” said Brian Eden, Board Chair of HeatSmart Tompkins. Since 2015 HeatSmart Tompkins has conducted public education programs promoting the replacement of fossil fuel-based energy systems with highly efficient electrical heat pumps for space heating. “The Joint Proposal provides far too little investment in correcting years of deferred maintenance on substations, distribution lines, and full cycle vegetation management.”

“The Department of Public Service and Utilities got the priorities wrong in the electric case,” Weiser said. “They have left thousands of miles of trees untrimmed, while instead supporting a start-now pay-later plan to spend nearly a half-billion ratepayer dollars for territory-wide installation of smart meters. The Smart Meter pilot program in Tompkins County has been an utter failure and full-scale implementation is not justified. Further, deferring the majority of expenses for this high-priced program until the next rate case will constrain decisions on spending priorities in that case.”

The climate concessions gained in this utility case have helped move the needle away from fracked gas infrastructure and toward renewable heating. While more work must be done to ensure we meet our State’s climate goals, environmental groups have shown that participation in the rate-making process can result in better environmental outcomes.

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