

NEW YORK STATE PUBLIC SERVICE COMMISSION

CASE 17-E-0459

**PROCEEDING ON MOTION OF THE COMMISSION AS TO THE RATES,
CHARGES, RULES AND REGULATIONS OF CENTRAL HUDSON GAS &
ELECTRIC CORPORATION FOR ELECTRIC SERVICE**

CASE 17-G-0460

**PROCEEDING ON MOTION OF THE COMMISSION AS TO THE RATES,
CHARGES, RULES AND REGULATIONS OF CENTRAL HUDSON GAS &
ELECTRIC CORPORATION FOR GAS SERVICE**

STATEMENT IN SUPPORT OF JOINT PROPOSAL BY ACADIA CENTER

May 2, 2018

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I. Introduction

On July 28, 2017, Central Hudson Gas & Electric Corporation (“Central Hudson” or “the Company”) filed tariff leaves and supporting testimony and exhibits for new rates and charges for electric and gas service to be effective August 27, 2017. As filed, Central Hudson sought to raise its base electric and gas delivery revenue requirements by \$43 million and \$18.1 million respectively for the twelve months ending June 30, 2019.

Settlement discussions commenced on December 21, 2017. On April 18, 2018, Central Hudson filed a Joint Proposal (JP) memorializing the rate case settlement agreement among Central Hudson; Department of Public Service Staff (DPS Staff); Multiple Intervenors; Pace Energy and Climate Center; New York Geothermal Energy Organization; the Utility Intervention Unit of the Department of State, Division of Consumer Protection; Dutchess County; Acadia Center; the Public Utility Law Project of New York, Inc.; the Natural Resources Defense Council (partial); Bob Wyman; and the U.S. Army Legal Services Agency, Representing the U.S. Department of Defense and All Other Federal Executive Agencies with respect to the above-captioned matters. Per the Ruling on Schedule for Consideration of the JP issued on April 19, 2018, parties were directed to file statements in support or opposition to the JP by May 2, 2018.

II. Acadia Center Supports the JP Because It Reduces Central Hudson’s High Residential Electric Customer Charges

In the JP, Central Hudson proposes to reduce its current customer charge of \$24 for residential electric customers to \$19.50 over the three-year settlement period. Pursuant to the schedule laid out in the JP, the customer charge will be reduced to \$21 in RY1 beginning July 1, 2018, \$20 in RY2 beginning July 1, 2019, and \$19.50 in RY3 beginning July 1, 2020.¹

¹ See JP, Exh. M, Sheet 2 of 11.

This \$4.50 reduction in the customer charge for residential electric customers over three years would result in a residential customer charge that is 18.75% lower than Central Hudson's current charge, which is the highest in New York and one of the highest in the nation. At \$24, Central Hudson's current customer charge for residential electric customers is 37% higher than New York State Electric & Gas Corp. (NYSEG) and Rochester Gas & Electric Corp. (RG&E); 34% higher than Consolidated Edison (Con Ed); 29% higher than Niagara Mohawk Power Corp. d/b/a/ National Grid (National Grid); and 17% higher than Orange & Rockland Utilities, Inc. (O&R).² Although Central Hudson should be commended for reducing its customer charge, the overall reduction is modest in scope and is still high compared to other utilities in New York. Assuming the JP is approved and Central Hudson's customer charge for residential electric customers is reduced to \$19.50 over the three-year period, it will still be higher than the customer charges of NYSEG and RG&E, National Grid, and Con Ed, and only slightly less than O&R's current customer charges.³

Connecticut, another state with high customer charges, has sought to reduce them through implementation of a law passed in 2015 that defines a limited set of costs eligible for recovery through a monthly fixed charge.⁴ Applying this new approach, sometimes described as a definitional cap, the Connecticut Public Utilities Regulatory Authority (CT PURA) has decreased the residential customer charge for United Illuminating, one of two major utilities in the state, from \$17.25 per month to \$9.67 per month and for Eversource, the other utility in the state, from \$19.25 to \$9.21.⁵

² Direct Testimony of Jennifer Metzger at 15.

³ O&R has commenced a rate case seeking an increase in its current customer charges for residential electric customers from \$20 to \$22. *See* Cases 18-E-0067 & 18-G-0068.

⁴ *See* Conn. Gen. Stat. §16-243bb(b); *see also* CT PURA Docket No. 17-01-12, Final Decision (Dec. 20, 2017) (generic proceeding setting residential fixed charge formula for application of 2015 fixed charge law).

⁵ *See* CT PURA Docket No. 16-06-04, Final Decision (Dec. 14, 2016) (United Illuminating rate case) and CT PURA Docket No. 17-10-46, Final Decision (April 18, 2018) (Eversource rate case).

III. High Residential Customer Charges are Inconsistent with State and Commission Environmental Policies

Although Acadia Center supports the JP because it modestly reduces Central Hudson's customer charges for residential electric customers over the next three years, the Company's customer charges are still high compared to other utilities in the state and continue to be significantly higher than utilities in neighboring states. In general, high customer charges discourage customers to invest in distributed energy resources (DER) and energy efficiency, are inconsistent with the goals of the state's Reforming the Energy Vision (REV) proceeding, and disproportionately impact low-usage customers who tend to be low income.

A. High Fixed Charges Reduce Residential Customer Incentives to Invest in DER and Energy Efficiency

Electricity rates for residential customers are comprised of two basic parts – the monthly customer charge and a volumetric per-kilowatt hourly charge. Because utilities have a fixed revenue requirement, higher customer charges necessarily lead to lower volumetric charges. By reducing the value of a kWh saved or self-generated, a high customer charge directly reduces the incentives for customers to invest in energy efficiency or DER, which hurts the economics of an investment in energy efficiency or renewable energy. In contrast, decreasing the customer charge and increasing the volumetric charge results in the same revenue for a utility but sends improved price signals to residential customers and results in lower monthly bills for customers who use lower than average amounts of electricity.

High customer charges also make it more difficult for New York to meet its climate and clean energy goals. New York's current efforts to increase statewide energy efficiency are insufficient to meet the state's Clean Energy Standard, which requires state utilities to procure 50 percent of the state's electricity from eligible clean energy sources by 2030 and which assumes

600 trillion BTUs in energy efficiency gains by that date.⁶ That equates to incremental savings of roughly 1.37 percent of 2015 load each year.⁷ However, the American Council for an Energy-Efficient Economy estimates that in 2016, New York energy efficiency programs (including NYPA, LIPA, NYSEERDA and utility efforts) saved only 1.09 percent of total load.⁸ To ramp up the state's efforts to improve energy efficiency, Governor Andrew Cuomo recently announced the development of a comprehensive statewide energy efficiency plan, including a 2025 energy efficiency savings target of 185 trillion BTUs (British thermal units) below forecasted energy use.⁹ The continued use of high residential customer charges by utilities runs directly contrary to the Governor's plan and makes reaching such a target much more difficult.

B. High Customer Charges Are Contrary to the Goals of the State's Reforming the Energy Vision

The Commission's Order Adopting Regulatory Policy Framework and Implementation Plan, issued February 26, 2015,¹⁰ listed six REV objectives:

- Enhanced customer knowledge and tools that will support effective management of the total energy bill;
- Market animation and leverage of customer contributions;
- System wide efficiency;
- Fuel and resource diversity;
- System reliability and resiliency; and
- Reduction of carbon emissions.

⁶ New York State Energy Planning Board. *The Energy to Lead, 2015 New York State Energy Plan* at 112 (Dec. 2015), available at <https://energyplan.ny.gov/Plans/2015.aspx>.

⁷ See Case 15-E-0302, Staff White Paper on Clean Energy Standard, Appendix B, p. 2 (Jan. 25, 2016) (setting the target eventually used in the Clean Energy Standard order by assuming annual incremental savings through energy efficiency of 2,227 GWh, with total load in 2015 of 162,858 GWh). $2,227 \text{ GWh} / 162,858 =$ roughly 1.37 percent.

⁸ American Council for an Energy-Efficient Economy, *The 2016 State Energy Efficiency Scorecard* at 29.

⁹ See <https://www.governor.ny.gov/news/governor-cuomo-announces-new-energy-efficiency-target-cut-greenhouse-gas-emissions-and-combat>.

¹⁰ Case 14-M-0101 – Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision.

High customer charges are directly contrary to at least four of these objectives. First, high customer charges deprive customers of the “knowledge and tools that will support effective management of the total energy bill” because they greatly reduce customers’ ability to effectively manage their energy bill by taking steps to conserve energy and install DER. Second, high customer charges discourage “customer contributions” to achieving REV goals by conserving energy and by investing in DER because, as explained above, it reduces the value of a kWh saved or self-generated. Third, high customer charges discourage “fuel and resource diversity” by reducing the incentive for customers to invest in DER. Finally, high customer charges inhibit “reductions in carbon emissions” by decreasing the incentive to invest in energy efficiency and DER. High customer charges are ultimately incompatible with the energy future envisioned by REV, a process which has as its goal high rates of distributed energy resources and increased energy efficiency.

C. High Customer Charges Penalize Low-Usage Customers Who Tend to be Low Income

Low-income customers tend to have smaller homes and fewer appliances, and as a result generally use less electricity than higher-income customers. Thus, they tend to benefit from lower customer charges. This is confirmed by data from the National Consumer Law Center (NCLC), which has shown that in New York, median residential electricity usage is highly correlated with income.¹¹ For example, in 2009, households with incomes below \$25,000 consumed about 4,000 kWh of electricity on an annual basis, while households with incomes between \$25,000 and \$49,000 consumed slightly more than 5,000 kWh of electricity. In contrast, households with incomes between \$75,000 and \$99,000 consumed about 6,500 kWh of electricity annually, while

¹¹ Exhibit JM-CLP-5.

households with incomes at or above \$100,000 consumed the most electricity—more than 8,000 kWh annually, twice the amount of households below \$25,000.¹² In addition, NCLC’s data shows that residential electricity usage also varies by age, with individuals over 65 consuming an average of 4,000 kWh per year, while individuals under 65 consuming an average of over 5,500 kWh per year. The median income for individuals over 65 is \$38,929, which is slightly over the State’s low-income threshold of 60% of state median income. While data on average electricity usage by all low-income customers in Central Hudson’s territory is not available,¹³ lowering the customer charge to \$19.50 will reduce the energy burden on those who use lower than average amounts of electricity, which typically include low-income and elderly households.

Data also show that a subset of Central Hudson’s low-income customers who participate in the Company’s Bill Assistance Program have higher average consumption in January compared to July,¹⁴ which suggests that these customers use inefficient electric resistance heating. Programs to help low-income customers replace electric resistance heating with efficient and clean alternatives, notably efficient electric heat pumps, would help address this issue. This issue could also be productively addressed by implementing seasonal kWh rates, with higher charges in the peak summer months and lower charges in other months. Seasonal kWh rates both provide improved economic incentives, but also mitigate any impacts on low-income customers with high bills due to electric resistance heating.

¹² *Id.*

¹³ The only data that is currently available is the 8,500 low-income customers who participate in Central Hudson’s Bill Assistance Program, and which show that these customers use higher than average amounts of electricity. However, this is not a fair statistical sample since it constitutes less than 10% of the approximately 90,000 low-income customers in the Company’s territory. Moreover, it is fair to assume that low-income customers with higher than average monthly usage rates would participate in such a program.

¹⁴ Metzger Testimony at 18.

Respectfully submitted,

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