

## National Grid Rate Hike - Talking Points for Filing a Comment

### Summary:

National Grid wants to raise their prices on electricity and gas by almost \$100 per year for the average customer. During any given time an increase in the cost of gas and electricity is controversial as thousands of customers are already behind on these bills. However we aren't just in any given time, COVID-19 has left many people in this community without jobs. National Grid's CEO John Pettigrew makes \$6,848,349 a year (that's more than \$3,000 per hour!), while the luckiest of us struggle to afford working or learning from home.

Climate Change is a real threat, and everyday we are working against the clock to fight it. Allowing a rate increase means more money going into a system that is killing our planet and ourselves. Last year NY state passed the Climate Leadership and Community Protection Act. The CLCPA says that we must reduce greenhouse gas emissions by at least 85% before 2050. The gas rate hike proposed by National Grid would fund \$41.8 million in new gas delivery infrastructure, in just one year alone, continuing to harm us instead of helping us.

### Talking Points and Background:

→ **We can't afford another rate hike right now.** National Grid is proposing to charge \$141.8 million more from customers next year.

- As of September 2020, 236,162 National Grid customers in upstate New York were 60 days or more behind on their bills, collectively owing \$253,856,685. Before the pandemic and economic crisis, people were already struggling to pay their high energy bills, but now utility debt is growing. We cannot afford to pile more costs onto struggling families right now.
- Tens of thousands of families in National Grid's service area are already paying more than they can afford for housing costs -- meaning they spend more than 30% of household income on rent and utilities (via [2018 ACS](#))

<b>Housing Cost Burden in National Grid Service Area (2018)</b>				
<b>City</b>	<b>All Households</b>	<b>Households without a mortgage</b>	<b>Households with a mortgage</b>	<b>Households that rent</b>
Buffalo	36.12%	10.35%	20.95%	50.51%
Syracuse	33.89%	15.79%	24.19%	42.77%
Albany	42.29%	13.00%	26.27%	53.85%

Source: [https://data.census.gov/cedsci/table?q=housing%20costs&g=330M400US160\\_1600000US3611000&hidePreview=true&tid=ACSDP1Y2018.DP04&t=Housing&vintage=2018](https://data.census.gov/cedsci/table?q=housing%20costs&g=330M400US160_1600000US3611000&hidePreview=true&tid=ACSDP1Y2018.DP04&t=Housing&vintage=2018)

- Unemployment is nearly three times higher than it was when National Grid was last awarded a rate hike

<b>Unemployment Rates in National Grid Service Area (March 2018 vs. August 2020)</b>		
<b>City</b>	<b>March 2018 Unemployment</b>	<b>August 2020 Unemployment</b>
Buffalo	6.30%	16.30%
Syracuse	5.60%	14.40%
Albany	4.50%	12.20%

Source: <https://labor.ny.gov/stats/LSLAUS.shtm>

**→ We cannot afford to make National Grid’s executives and shareholders richer while our communities struggle to survive.**

- National Grid pays its executives millions of dollars per year and billions in profits go to National Grid’s shareholders -- all on the backs of utility customers. We are in a recession with no end in sight. Now is the time for the utility that serves us to give back, not to take more money from our pockets to make the rich even richer.
- *2019-20 Executive compensation:*
  - John Pettigrew (CEO): \$6,848,349
  - Nicola Shaw (Executive Director, UK): \$3,242,736
  - Dean Seavers (President, through 12/31/19): \$3,219,573

- Andy Agg (CFO): \$2,208,148
- \$14.6 billion in dividends to shareholders since 2015

<b>National Grid PLC Dividends Paid to Shareholders (2015-2020)</b>							
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>Total</b>
Dividends paid to shareholders (millions of GBP)	829	1,160	4,487	1,463	1,337	1,271	10,547
Exchange rate	1.2868	1.3504	1.3578	1.2767	1.4744	1.58	–
Dividends paid to shareholders (millions of USD)	1,066.7 6	1,566.4 6	6,092.4 5	1,867.8 1	1,971.2 7	2,008.1 8	14,572.9 3
<i>Source: <a href="#">National Grid PLC annual reports</a></i>							

**→ National Grid must do its part to help customers during the Covid-19 pandemic and economic crisis.**

- Outside of this rate case National Grid is proposing to move up to \$50 million of *our money* to bail out customers and businesses that have been affected by the COVID-19 pandemic. We do need to help our struggling neighbors, but funds for utility bill relief should come from National Grid's profits. Dividend payments to shareholders and investors should be halted until the company provides relief to its customers first. The utility shutoff moratorium has helped protect thousands of New Yorkers from suffering a loss of basic gas and electricity services during the pandemic. Customers struggling to pay utility bills in full, on time, or at all, have accumulated substantial utility debt that should be canceled. National Grid should pay for the cancelation of customer utility debt incurred during the pandemic.

→ **We cannot afford to keep building fossil fuel infrastructure.**

- The gas rate hike proposed by National Grid would fund \$41.8 million in new gas delivery infrastructure, in just one year alone. The proposal would replace unsafe gas pipelines as well as extend National Grid's gas system to new customers. The methane gas delivered by National Grid is a major contributor to the climate emergency. It's time for National Grid to change its business model, rather than keep changing the climate. Old and leaking gas infrastructure should be retired, not replaced, and customers should be provided with modern, renewable heating technology like heat pumps. Further, National Grid should stop marketing gas to new customers and should help the owners of new buildings put in heat pumps, rather than gas lines.

→ **We cannot afford to build redundant and climate destroying pipelines like the Albany Loop Pipeline.** National Grid should cancel this project once and for all.

- In February of 2019, in a separate proceeding from this rate case, National Grid sought from the Public Service Commission ("PSC") a permit (formally called a "Certificate of Environmental Compatibility and Public Need") to construct the "Albany Loop" pipeline, a 7.3 mile natural gas pipeline which will rely on fracked gas. The PSC has issued no ruling on the permit request or any of the issues in the case.
- National Grid justified its request for approval of Albany Loop in the permit proceeding on two grounds: 1) the pipeline was allegedly needed to accommodate an anticipated increase in gas demand in its service territory; and 2) the alleged danger of a potential gas "supply disruption."
- National Grid admitted in its initial submissions in this rate proceeding that there are adequate supplies to meet anticipated consumer demand in its service territory "in the near term." **So**

**clearly, the pipeline is not needed to meet the supply needs of current or future customers.**

- **However, National Grid provided almost no support for its claim that the project was needed for reliability either.** For example, the company said that it was afraid of a “supply disruption” on colder days with average temperatures of 5 degrees Fahrenheit or below. Yet, National Grid did not provide evidence as to, for example, the number of days in an average year that a supply disruption could be expected due to cold weather, or how many times in the recent past that National Grid had experienced a shortfall in its natural gas supply or might in the future. The Capital District experiences temperatures this cold just a few days a year at most. And, National Grid did not establish whether alternative measures exist other than building an expensive new pipeline could be taken to address this potential supply disruption.
- Despite the lack of a demonstrated need for the pipeline, National Grid is seeking additional funding in this rate proceeding of \$.75 million in FY 2022 to “continue project development and in-progress engineering,” and \$79 million from FY 2023 to FY 2025 “if the project is determined to be required for future reliability.” And, funding to construct the pipeline was approved in a prior rate case.
- **Given: 1) the National Grid’s recent admission the pipeline is not needed to make customer needs; 2) the lack of justification the company has provided for the project from a reliability perspective; and 3) that it has received funding for this white elephant in a previous rate case, the PSC clearly should not approve the roughly \$80 million National Grid seeks for the project.**
- This is especially true, given that the expansion of any pipeline capacity in New York State is contrary to the Climate Leadership and Community Protection Act (CLCPA), which mandates a massive reduction in greenhouse gas emissions in New York State by 2050.

**→ The Public Service Commission through this rate proceeding must ensure that National Grid practices are in compliance with the Climate Leadership and Community Protection Act (CLCPA).**

- National Grid proposes to collect \$41.8 million next year from customers to invest in and expand its gas delivery infrastructure, including to accommodate new customers. In addition, the company seeks roughly \$80 million over several years to construct the Albany Loop pipeline, even though the company admits that there is at present no need to build the pipeline to meet the short term gas supply needs of its customers. According to National Grid's request, these funds will be accessed if the company believes the pipeline is later needed "for future reliability."
- The California wildfires and numerous storms in the Gulf region are just the most recent dramatic examples of how the climate crisis is upon us. Annual average temperatures are rising, heat waves and precipitation are intensifying nationally, and sea levels along New York's coastline are roughly one foot higher than they were in 1900. Addressing climate change must be among New York State's highest priorities, including stopping and retiring fracked gas pipelines and other fossil fuel facilities.
- In response to climate change, in 2019, New York State enacted the Climate Leadership and Community Protection Act (CLCPA), which became effective on January 1<sup>st</sup> of this year. The CLCPA has mandates concerning both the reduction of global warming-causing greenhouse gas emissions and the greening of our electric grid. Specifically, the CLCPA provides for a statewide greenhouse gas emissions reductions of 85%, which the Intergovernmental Panel on Climate Change says is needed to avoid catastrophic climate change, by 2050. It also provides for a goal of "net zero" emissions by that year. And 70% of electricity provided to residential customers and other "end users" must be renewable by 2030 – less than ten years from now.

- The CLCPA also has provisions requiring all state agencies, including the Public Service Commission, to address climate change. All agencies must consider whether their decisions concerning permits, licenses and other approvals, including rate proceedings, are inconsistent with or interfere with achieving the CLCPA's greenhouse gas emissions limits, and if so, identify alternatives or measures to mitigate emissions.
- It is hard to imagine how any expansion of the fossil fuel infrastructure could be consistent with the CLCPA. At a time when New York State is mandated to rapidly reduce its greenhouse gas emissions, the PSC should not permit any ratepayer funds to be used for the construction of Albany Loop or any other expansion of gas infrastructure, as National Grid proposes. Nor should the PSC authorize contingent funding for any fossil fuel project, as National Grid proposes in the case of the Albany Loop Project. This would incentivize utility companies like National Grid to increase reliance on natural gas to heat our homes and businesses, including through hooking up new customers to natural gas. Instead, in compliance with the CLCPA, National Grid should meet any demonstrated heating and cooling needs with alternatives in compliance with the CLCPA, such as increased energy efficiency measures, or renewables, such as heat pumps and geothermal.

→ **We cannot afford false climate solutions like so-called “Renewable Natural Gas” and Hydrogen Blending.** It's time to invest in real renewable energy solutions. The future of heat is electrification.

- National Grid is proposing to take customer money and invest it in helping developers connect “Renewable Natural Gas” to the National Grid system. Renewable Natural Gas (RNG) comes from landfills, wastewater systems, and concentrated animal feeding operations (CAFOs). RNG is methane and poses the same threats as natural gas when leaked or combusted. Methane is a potent greenhouse gas, estimated to be more than 80 times more potent than carbon

dioxide (CO<sub>2</sub>) on a 20-year time frame.

- The potential supply of RNG is a small fraction of gas demand. This shortfall would need to be supplemented with fossil natural gas.
- Replacing fossil natural gas with RNG is extremely costly (4-17 times more costly) due to high production costs.
- RNG feedstocks (production facilities) can exacerbate localized water and air pollution, and may result in increased methane emissions where methane is *intentionally* produced.
- National Grid is also proposing to spend ratepayer money on the development of “power-to-gas” investments. Power-to-gas is a process of using electricity to synthetically produce hydrogen or methane through hydrolysis, which splits water into hydrogen and oxygen. The hydrogen can be either injected directly into the gas distribution system or combined with carbon monoxide or carbon dioxide to produce synthetic methane.
- When injected directly into the gas distribution system, the appropriate hydrogen blend concentration needed to avoid negatively impacting the natural gas infrastructure or customer appliances is currently unclear and may vary depending on pipeline materials and types of appliances. Additionally, degrading durability of metal pipes when exposed to hydrogen may result in increased maintenance costs and infrastructure upgrades.
- Even when a power-to-gas facility is powered by renewable energy, using hydrogen to produce synthetic methane is costly, energy intensive, and wastes much of the renewable power. Synthetic methane can also result in methane emissions through leakage.
- The use of heat pumps is a cheaper, and less risky method of heating homes while reducing greenhouse gas emissions from buildings. Heat pumps heat and cool buildings and water using thermal energy from the air (air-source heat pumps) or the ground

(ground-source heat pumps, also known as geothermal heat pumps) and they run on a relatively small amount of electricity, which can be generated from renewable sources. Heat pumps are an example of “beneficial electrification,” a concept of moving from fossil fuel combustion to electric appliances that use less energy and can be powered through renewable energy. Efficient, all-electric buildings eliminate on-site carbon emissions and methane leakage. Building electrification also eliminates the health impacts of burning gas indoors, and reduces safety hazards from gas leaks and explosions.

**→ We cannot afford stranded assets.**

- Building new fossil fuel infrastructure is VERY expensive. It cannot all be paid up front. Utilities generally plan on (our) paying for that infrastructure over 60 years. According to the CLCPA, New York must reach 85 percent emissions reduction by 2050. That is in 30 years. Therefore we won't be using those pipelines (and therefore collecting fees for them) for half of the time that should be used to pay for the infrastructure. At that point these pipelines will be "stranded assets." (A stranded asset is something — a piece of equipment or a resource that once had value or produced income but no longer does.) What happens to that debt? Who will pay for it? At this time there is no point in building assets that take 60 years to pay for when we expect not to use them for 60 years.
- Stranded assets are now generally accepted to be those assets that at some time prior to the end of their economic life (as assumed at the investment decision point), are no longer able to earn an economic return (i.e. meet the company's internal rate of return), as a result of changes associated with the transition to a low-carbon economy (lower than anticipated demand / prices). Or, in simple terms, assets that turn out to be worth less than expected as a result of changes associated with the energy transition.  
[\(https://carbontracker.org/terms/stranded-assets/\)](https://carbontracker.org/terms/stranded-assets/)

- In the case of gas infrastructure, particularly on the distribution side for residential and commercial customers, the state approved these assets expecting that they would be needed and would meet the “used and useful” standard throughout their useful lifespan. However, with the policy goal to decarbonize buildings by decreasing gas demand and increasing building electrification, the number of customers demanding gas will decrease, which in turn will reduce the usefulness or the need for the asset. If the state is successful in its electrification efforts and no more throughput, for example, is needed to be delivered through a given gas line, that line is no longer “used and useful” even if it technically still had the potential for useful life. It is at this point that the asset could be considered “stranded.”  
([https://www.edf.org/sites/default/files/documents/Managing\\_the\\_Transition\\_new.pdf](https://www.edf.org/sites/default/files/documents/Managing_the_Transition_new.pdf))
- See also this 41 minute podcast titled: The Stranded Asset Threat to Natural Gas.  
<https://www.greentechmedia.com/articles/read/the-stranded-asset-threat-to-natural-gas>

**→ We cannot afford to waste money on Leak Prone Pipe Replacement when we can eliminate gas infrastructure.**

- National Grid has more than 500 miles of older, leak-prone pipes in its upstate NY distribution system. The utility is proposing to systematically replace all of these pipes over the next 14 years at a cost of \$1.4 million per mile or approximately \$70 million per year. This represents a total investment of approximately \$720 million in a pipeline system that will need to be phased out over the next 30 years to comply with the Climate Leadership and Community Protection Act.
- There are better – and cheaper – solutions. Rather than replacing *all* pipes, the Company should focus on replacing those that are actually leaking or unsafe. For the remaining pipes, the Company

should pursue non-pipe alternatives such as electrifying buildings to obviate reliance on an outdated and leaky pipeline distribution system. Electric heat pumps are a highly efficient, safer, healthier, and more cost effective way to heat and cool our homes. Let's not waste hundreds of millions of dollars refurbishing a system that we can and must be phasing out by 2050.

**→ National Grid must make energy efficiency accessible to all customers.**

- We need to address the root causes of energy affordability at the same time we set out to achieve the climate goals set out in the CLCPA. Weatherization and energy efficiency are regarded as the least-cost options for reducing energy bills and mitigating greenhouse gas emissions from heating and cooling our homes. However, weatherization and energy efficiency improvements remain out of reach for too many poor and working class New Yorkers because of high upfront costs, barriers to accessing safe and affordable financing, and insufficient grant funding to meet existing needs. To help meet the state's new energy efficiency goals and increase access to the benefits of weatherization for all of its customers, National Grid should implement *inclusive financing* where weatherization and energy efficiency services are offered to utility customers at no upfront cost and no credit checks. The energy savings realized through the installation of high efficiency clean heating and cooling systems, insulation, and air sealing measures are then used to repay the costs of the improvements over time right on a customer's utility bills.

**→ National Grid must support the use of Electric Vehicles**

- Rapidly reducing emissions from the transportation sector will be essential to achieving New York's Climate Leadership and Community Protection Act climate targets. In addition to reducing vehicle miles traveled, it will be necessary to increase reliance on

electric vehicles (EVs). Utilities have an important role to play both in supporting deployment of needed charging infrastructure and managing new electric load from EVs to maximize benefits to all electric customers.

- Niagara Mohawk's proposal to provide rebates to offset a portion of the installation costs for fast charging stations will facilitate the deployment of a robust public charging network. Data from other states show that, absent utility support, investment in public fast charging stations remains low. Yet these stations are critical both to providing range-confidence to EV drivers for making long-distance trips and as a source of convenient charging options to drivers who lack designated off-street parking.
- In addition, Niagara Mohawk's innovative managed charging program breaks new ground in managing the load from electric vehicles. The program enables the utility to manage the timing of charging of vehicles parked at home overnight to reduce strain on the electric grid and minimize the costs of integrating EVs onto the system.

*This document was created collaboratively by Alliance for a Green Economy (AGREE), Citizen Action of New York: Capital District Chapter, Community Advocates for a Sustainable Environment (CASE), Pace Climate and Energy Center, People United for Sustainable Housing (PUSH) Buffalo, Sierra Club, and Stop NY Fracked Gas Pipeline.*