

New York State Senate Standing Committee on Energy and Telecommunications

Testimony of Robert Loughney, on Behalf of Multiple Intervenors

October 19, 2010 Hearing

First, I would like to thank you, Senator Maziarz, for the opportunity to come here today and talk about the impact of energy costs on New York businesses. It is a bleak picture that, hopefully, will be addressed at all levels of the State government.

Multiple Intervenors is an association of large industrial, commercial and institutional energy consumers with manufacturing and other facilities located throughout New York State. Its members, collectively, represent a diverse cross-section of New York's business community and employ tens of thousands of New Yorkers. On behalf of its members, Multiple Intervenors advocates in regulatory and judicial initiatives at the State, regional and national levels for access to reliable energy supplies at the lowest reasonable cost.

Multiple Intervenors' members have invested tens of millions of dollars and substantial other resources to increase the energy efficiency and lower the "carbon footprint" of their respective facilities. Despite these efforts, Multiple Intervenors' members have significant concerns regarding the ability of their respective operations in New York to remain competitive and viable given the multiple competitive pressures facing them. A major contributing factor to this concern is the high cost of energy in New York.

New York consumers currently pay some of the highest electricity prices in the entire country. In fact, the State's electricity consumers pay, on average, nearly 70 percent more than the national average for electricity. This price disparity places an undue burden on all State consumers and places New York businesses at a significant competitive disadvantage with respect to businesses in other regions and nations. The competitive disadvantage is especially

harmful to manufacturers and other energy-intensive businesses, many of which are struggling to maintain operations in the State when lower-cost alternative locations are readily-available in this country and worldwide.

The Niagara Mohawk electric rate case currently pending before the New York State Public Service Commission, if adopted as filed, would allow the utility to recover approximately \$400 million of additional revenues beginning on January 1, 2011. If adopted, the delivery portion of electric bills for large commercial, industrial and institutional entities would increase by 39% to 75%, depending on the service classification under which each business receives electric service. Such massive increases would widen the competitive disadvantage that I described a moment ago, thereby making it even more difficult for the State's large industrial and commercial businesses to maintain operations within the State.

Multiple Intervenors has participated actively in the Niagara Mohawk rate case, and addressed a number issues arising from the rate filing, including:

(1) Niagara Mohawk's request for an 11.1% return on equity, or ROE. The requested increase in the ROE makes up tens of millions of dollars of the company's proposal;

(2) Niagara Mohawk's inadequate response to the Commission's call for the implementation of austerity measures;

(3) Niagara Mohawk's objectionable proposal to extend the recovery of certain stranded costs that the company has been recovering from its customers for over a decade. Under its proposal, Niagara Mohawk would raise delivery rates by a substantial amount, but offset that increase with a corresponding decrease in the amount of stranded costs recovered from customers. Niagara Mohawk asserts that, if its proposal is approved, there will be no net increase of delivery rates. Despite its superficial appeal, the rate mitigation proposed by Niagara

Mohawk effectively would mask enormous delivery rate increases and ultimately cost customers much more than if the stranded cost charges are eliminated in full at the end of 2011. Customers have been paying these stranded costs for over a decade and they should be allowed to terminate, as agreed to almost a decade ago; and

(4) the assignment of costs associated with services provided to Niagara Mohawk by the National Grid service companies. On this issue, Multiple Intervenors fully supports the Public Service Commission's recent decision to institute a new proceeding for the purpose of investigating the propriety and allocation of National Grid service company expenses to Niagara Mohawk customers.

The Niagara Mohawk rate request soon will be decided by the Commission, and Multiple Intervenors is confident that the Commission will adequately reflect the concerns of large customers. The delivery rate increases sought by Niagara Mohawk and other utilities, however, are not the only actions forcing electricity prices higher. State energy and environmental policies have played a large role in forcing electric and gas rates higher. On the electric side, we estimate the Systems Benefits Charge, Renewable Portfolio Surcharge, Energy Efficiency Portfolio Surcharge and the Section 18-a surcharge already comprise approximately 17 percent of a large customer's bill, and the projections are for significantly more spending on these initiatives.

As I mentioned earlier, Multiple Intervenors members are leaders in their respective industries in implementing energy efficiency measures, and have made the "smart" metering and other investments necessary to manage their usage in the most cost-effective manner. While Multiple Intervenors has no quarrel with sound, cost-beneficial investments in energy efficiency and renewable energy, the question that has to be asked is: can we afford this seemingly unbridled spending during a horrific economic recession? This significant program spending, as

well as hidden taxes such as the Section 18-a surcharge, add to the rate burden that New York businesses, and residents, must shoulder, and make it more difficult for those businesses to remain competitive. The impact of these charges on customers' bills must be fully accounted for when decisions are being made to adopt, or enhance, these programs, and harmful hidden taxes, such as the Section 18-a surcharge, should not be enacted and, if enacted, they should be repealed.

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