



## Department of Public Service

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### Public Service Commission

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Commissioners

March 3, 2023

The Hon. Didi Barrett  
Room 724  
Legislative Office Building  
Albany, NY 12248

Re: Case 20-E-0197 – Proceeding on Motion of the Commission to Implement Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act

Dear Assemblymember Barrett:

Thank you for your March 1, 2023, letter regarding the Public Service Commission's (Commission) recent approval of upgrades to transmission lines that distribute power generated in upstate New York. During the regularly scheduled Commission Session on February 16, 2023, the Commission authorized the major upstate electric utilities to develop 62 local transmission upgrades designed to reduce congestion in three upstate regions as called for by the Climate Leadership and Community Protection Act (Climate Act) and the Accelerated Renewable Energy Growth and Community Benefit Act (Accelerated Renewables Act). Unfortunately, some have characterized the Commission's action as unfair to upstate ratepayers when, in fact, the costs for these transmission improvements will be borne equally by all New Yorkers. As explained more fully below, every New Yorker will pay the same rate in their utility bills for these improvements.<sup>1</sup>

The Commission's decision on whether to approve the transmission upgrades was in direct response to the Legislature's enactment of the Climate Act in 2019. Our approval is based upon the greenhouse gas emissions targets and renewable energy program mandates that the Climate Act directs the Commission to implement. The projects approved by the Commission on the 16th are necessary to achieve the statutory requirement for having 70 percent of New York State's energy to come from renewable resources by 2030 and accelerate progress towards a zero-emission grid by 2040. These comprehensive and ambitious projects will deliver on these climate goals by putting them well within reach and by enabling clean, renewable energy to reach all New Yorkers.

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<sup>1</sup> Low-income New Yorkers receive discounted utility bills under Commission policy, so generally pay less for utilities than other ratepayers.

But for the Climate Act, these transmission projects upstate would not be needed. In response to the statewide mandate enacted by the Legislature, the Commission allocates costs equally to all customers in the State. This equitable and cost-effective cost allocation methodology is known as the “load ratio share” approach, meaning that the cost recovery rate for these projects on a cents per kilowatt hour (kWh) basis will be equal for all ratepayers. However, on a percentage basis, the customer bill impact resulting from statewide allocation of these upgrades can vary by utility, customer class, and consumption. Due to these factors, the Commission estimates that increases to customer bills may vary between 3 and 16 percent— the lower the energy bill is currently, the higher the percentage impact. Thus, for example, the *percentage* bill impacts to customers across upstate utilities, which have lower bills relative to downstate utility customers, are projected to be higher than those in downstate. However, on a total dollar basis, downstate customers will collectively pay the majority of the costs of these upstate projects since the downstate area consumes more than 50% of the energy in the state.

This decision to make significant upgrades and additions to the State’s existing transmission and distribution systems will lessen congestion in transmission lines and allow for the integration of new large-scale renewable energy projects into the State’s energy supply. Unaddressed, the congestion will make additional generation projects more difficult to site and more expensive to operate. Additionally, these investments will serve to enhance the benefits of existing renewable energy generation in New York State.

In its decision, the Commission approved the requests of Central Hudson Gas & Electric Corporation, New York State Electric & Gas Corporation, National Grid (upstate), and Rochester Gas and Electric Corporation for authorization to develop 62 local transmission upgrades that will reduce congestion in three existing generation pockets in the Capital Region, the southwest, and northern regions of the State. In total, the 62 projects will facilitate the deliverability of electricity associated with 3,500 megawatts of renewable energy capacity— enough for more than 2.8 million average-sized homes. Rather than upstate ratepayers being responsible for the full cost of these projects, which are necessary to integrate renewable energy into the statewide grid to achieve the Climate Act’s statewide mandate, the costs will be shared statewide.

The lack of transmission capacity in upstate New York negatively impacts ratepayers statewide by increasing the costs of renewable energy resources and curtailing the production of clean energy, among other things. The \$4.4 billion estimated cost of the transmission upgrades to construct leverages at least \$1 billion in direct benefits to New York companies and localities and avoids billions in excess payments to renewable power producers. These projects are aimed at climate mitigation, which benefits all New Yorkers.

The approved proposals originated in the Commission’s ongoing proceeding focused on transmission planning to identify electric grid upgrades that are necessary to support the Climate Act’s renewable energy goals. In a 2021 order issued in that proceeding, the Commission recognized that renewable generation output in the three upstate regions was already being curtailed due to the lack of adequate transmission capacity. In many cases, this means some of the renewable energy produced by generation assets located upstate could not be delivered to New Yorkers. The

Commission also recognized that these areas are likely to see additional renewable generation development in the future. The 2021 order directed the utilities to identify cost-effective transmission upgrades that would address both existing and future congestion on these parts of their systems.

After studying their existing and likely future renewable generation points of interconnection, the utilities proposed local transmission upgrades for each region. These 62 projects include upgrades to existing transmission lines, upgrades to existing substations and construction of three new substations. The utilities plan to complete these projects between 2024 and 2030.

The projects are intended to facilitate statewide compliance with the Climate Act — not to confer a special benefit on a particular area of the State. It is important to note that New York City ratepayers, for example, have contributed significantly to all large-scale clean energy programs, even though most projects, to date, are in upstate New York, including the programs that benefit the State’s nuclear power plants. Further, the State has an interconnected power grid and power injections into the downstate market reduce generation needed from downstate and upstate resources.

The Climate Act cites repeatedly the statewide benefits that are to accrue from implementation of the clean energy and technology mandates specified under the statute.<sup>2</sup> Through the enactment of the Climate Act, the Legislature made clear that the harmful impacts of climate change affect all residents of the State and thus, the cost burdens of climate change should be distributed equally to all residents and businesses without regard to the location of particular projects. As such, the load ratio share methodology is appropriate for large-scale clean energy projects as it fits the intended purpose of the Climate Act; that is, these types of projects directly reduce greenhouse gas emissions across New York and reduce the statewide harm caused by climate change.

New York is committed to achieving the goals of the Climate Act through the build-out of new green energy transmission, offshore wind, solar, and storage that is already being realized throughout the State. In addition to providing clean, reliable energy, these projects result in statewide benefits in the creation of sustainable jobs and pave the way for cleaner air and a healthier future for all New Yorkers, particularly those in our disadvantaged communities who most directly feel the harmful impacts of climate change.

The Commission has embraced its role in implementing the Climate Act, but the only tool at its disposal to pay for the investments necessary to transform the State’s energy systems is utility

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<sup>2</sup> See CLCPA §1(1) (“[c]limate change is adversely affecting economic well-being, public health, natural resources, and the environment of New York” through, *inter alia*, an increase in the “severity and frequency of extreme weather events,” “a decline in freshwater and saltwater fish populations,” “increased average temperatures, which increase the demand for air conditioning and refrigeration among residents and businesses,” and “exacerbation of air pollution”); *id.* §3 (primary purpose of CLCPA is for “New York” to address these impacts by “reduc[ing] greenhouse emissions”).

rate-making power. The Commission does not have taxing authority, bonding authority, or other vehicles to pay for significant infrastructure investments necessary to comply with the Climate Act. To date, the majority of the State's climate investments are being supported by utility ratepayer funds, so it is critical that we work across all branches of government to find the most cost-effective solutions and funding mechanisms for meeting the goals of the Climate Act while continuing to maintain energy affordability, and the reliability and resilience of our energy system. This is especially true now as New Yorkers face rising energy supply costs impacting their utility bills. That is why we are hopeful the Legislature will support the Governor's budget proposal to provide \$400 million in the next fiscal year to support home energy retrofits and utility bill discounts that will help hundreds of thousands of New Yorkers reduce their energy burden. Additionally, Governor Hochul's budget proposal to establish a Cap-and-Invest Program will provide an alternative, new revenue source to fund clean energy investments and establish an annual Climate Action Fund that will be distributed to New Yorkers to mitigate potential consumer costs associated with the Program.

Thank you for your continued partnership in the State's achievement of the Climate Act's goals. Should you have any follow-up questions or would like to discuss this matter further, I and Department Staff stand at the ready.

Sincerely,

A handwritten signature in black ink, appearing to read "Rory M. Christian", with a stylized flourish at the end.

Rory M. Christian  
Chair and Chief Executive Officer

cc: Commissioner Burman  
Commissioner Alesi  
Commissioner Edwards  
Commissioner Howard  
Commissioner Valesky  
Commissioner Maggiore