

## **Cuomo: 'Transition plan' needed amid natural gas shortage**

By Marie J. French

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ALBANY — Gov. Andrew Cuomo on Friday acknowledged the looming shortage of natural gas supply in the New York City area and said the state needs to “sequence” its transition off the fossil fuel.

“You need a transition plan. You need to transition to renewables, which we’re working on — we have the most aggressive plan in the United States of America, but that doesn’t mean you can turn off gas today, either,” Cuomo told reporters.

Environmental advocates have pressed Cuomo to block a proposed pipeline that would supply gas to Long Island, which National Grid has said is necessary to hook up new customers safely. The advocates argue that adding new gas customers instead of directing residents and business to alternatives, such as electric heat pumps, will stymie achievement of New York’s net-zero emissions goal by 2050.

The governor was initially skeptical of National Grid’s claims of a need for the proposed Williams Northeast Supply Enhancement pipeline, but has since turned his ire to the utility and the Public Service Commission he controls for not planning for alternatives.

“I believe we do have a supply problem long-term,” Cuomo said when asked whether National Grid’s claim of shortages is valid. “I believe National Grid is using fear and tactics and frankly using customers and people to make their case for a new pipeline. And I think it’s repulsive in many ways. Is there a long term supply issue? Yes, there is.”

National Grid abruptly imposed a de facto moratorium on new gas service after the state rejected a key permit for the pipeline. Caught up in the decision — which has resulted in more than 3,000 applications for gas being put on hold — were some residents and small businesses that turned off their service while performing renovations.

The PSC ordered National Grid to hook up roughly 1,000 customers it said the utility had refused to reconnect and who had not increased their demand for gas.

Cuomo has directed the PSC to examine potential alternatives to a pipeline, including using barges and trucks to import gas into the region. The commission has yet to publicly released a report on downstate gas constraints that was due July 1.

The Williams pipeline is awaiting a water quality permit decision from the state Department of Environmental Conservation, which cannot legally weigh supply issues. New Jersey also has a permitting role since the pipeline would run through the state. The developer withdrew some applications to allow the state more time for review last week.

The uproar over National Grid's moratorium on new gas service highlights the challenges of achieving the state's ambitious goal of essentially eliminating all emissions from home heating by 2050. In the past, switching customers off oil or kerosene to gas was a fairly uncontroversial way to reduce emissions. Utilities were authorized to provide incentives for such "fuel switching," and local and state policies provided support.

Cuomo has previously called gas a "bridge fuel," but did not use that term on Friday when discussing the need for a transition plan, which the state does not have.

"You need to sequence both — using gas until you have a replacement for renewable. If you run out of gas, that's the worst situation ... Because then you have to use oil, you have to use electricity," he said. "Electricity is much more expensive. Oil is more expensive and worse for the environment.

"So it's not a black and white issue," the governor said. "You have to coordinate the sequencing of moving off gas when you have the renewables to satisfy that demand, otherwise you go to oil and electricity which is worse."

#### **Comment from NY-GEO member Bob Wyman**

An "ideal" transition from gas to heat pumps might link the depreciation of gas assets to investments in utility-owned geothermal district heating assets. As the capital invested in gas assets is returned to the utility through ratepayer's paying for depreciation expense, that capital should be re-invested in non-gas assets. For every dollar of gas assets retired, the utility should invest a dollar in non-gas assets. If they did this, they would be able to keep their capital fully invested and continue to return a reasonable profit to their shareholders. As long as they do those things, their cost of capital will remain reasonable. A scheme like this would ensure a significant source of funds to support heat pump deployment.

There are a number of issues here. First, it seems that gas utilities aren't allowed to be "thermal utilities" under current law. We must change that law. Second, current law requires that gas utilities provide new service on demand and that they provide the first "100 feet" for free. Thus, they are forced to invest in gas assets... Third, current depreciation rates are too slow. In many cases, the utilities depreciate over 85 years assets which will be stranded after 30 years (before 2050). We need a solution to the stranded asset problem... More later.