

Why Passing the NY HEAT Act Will Protect Utility Customers & Affordability.

New York gas customers are facing an affordability crisis. As more New Yorkers opt for the health and comfort of all-electric appliances, which are becoming increasingly affordable thanks to increased competition and a combination of State and Federal incentives, the age-old gas utility assumption of spreading the cost of billions in gas system spending over an ever-increasing customer base is no longer true. That reality will only accelerate further thanks to the passage of the All-Electric Buildings Act. According to the Building Decarbonization Coalition's new report, "the Future of Gas in New York State," without intervention, New York's most vulnerable communities will shoulder the burden of climbing costs to maintain an aging gas system that could reach as high as \$8,000 per month per customer by 2050.

The New York State Legislature must intervene this session to prevent this affordability crisis and begin an equitable, managed, phased transition off gas by passing the NY Home Energy Affordable Transition (HEAT) Act (A4592/S2016).

Key Findings

1. New York's Climate Law mandated sharp emissions reductions from buildings, which represent 33% of the state's pollution. Yet since its passage, gas utilities have spent \$5 billion to maintain and expand their gas networks and are on pace to incur an additional \$28 billion in capital expenditures through 2043.
2. On average, it costs \$3 to \$6 million per mile to replace gas pipelines, costing \$60,000 per utility customer served.
3. The old-school gas utility model that kept gas cheap no longer works. Thanks to increased competition from electrification and the passage of the All-Electric Buildings Act, gas utilities can no longer spread the costs of gas system investments over many decades and customers.
4. The cost of electrification will continue to drop: the Inflation Reduction Act is expected to inject \$7 to 11 billion into the New York marketplace for energy use in buildings, supplementing State policy support. This transition is happening nationwide: more heat pumps were installed than furnaces in every month of 2022.

5. As the number of gas customers declines, gas bills will skyrocket. If unmanaged, customers will face utility bills upwards of \$1,400 per month if 50% of customers leave the gas system by 2050; monthly bills could reach \$8,000 if 90% of customers leave the system.
6. Without swift, proactive intervention this session, the Governor and Legislature will eventually face an affordability crisis over the widening gap between the costs of infrastructure fewer and fewer people want to use and waning available revenues to safely manage it.
7. Low and moderate income New Yorkers and renters are especially at risk of shouldering the costs of this transition. These customers are least able to electrify, trapping them with higher energy costs as gas rates climb upward.
8. Gas utility proposals substituting natural gas with renewable natural gas or hydrogen are not credible. These plans lack a viable scientific or economic foundation and should be viewed as dangerous efforts to further delay the proactive management of an aging, increasingly outmoded system.
9. New York must take a managed, phased approach to gas system transition. A managed, phased transition—a well-planned strategic downsizing of gas distribution networks that minimizes stranded assets through state and local-level planning and implementation efforts—is necessary to help individuals and communities end reliance on gas without compromising access to safe, affordable, and reliable energy services
10. The legislature must amend current law to end the utility “obligation to serve” and subsidies for gas system expansion that impede a managed, phased transition. This obligation to serve is currently fuel-specific and does not allow for neighborhood-scale decarbonization options. Further, the law provides for a cross-subsidy, which costs existing customers \$200 million per year to defray the cost of extending gas lines to new customers. The NY HEAT Act would correct this outdated law and deliver financial relief by capping the cost of energy bills at 6% of a household’s income.

Prime Recommendation

The Legislature must pass the NY HEAT Act, which will:

- Cap energy burden at 6% of a household’s income
- Update utility laws, including Public Service Law sections 30 and 31 & Transportation Corporations Law section 12, to empower the Public Service Commission to redirect utility spending in line with the Climate Law
- End the “100 foot rule” saving New Yorkers \$200 million per year
- Ends the obligation to serve, enabling neighborhood-scale decarbonization like thermal energy networks

For further recommendations and the full report, see: buildingdecarb.org/the-future-of-gas-in-nys