Energy

The Governor once again provides a patchwork of energy proposals in his SFY 2006-07 budget. He provides a three-month extension of Power for Jobs and other energy cost savings benefits so that they expire on the last day of the upcoming fiscal year.

The Governor proposes a deficiency appropriation of $50 million for the Low-Income Home Energy Assistance Program (HEAP). Skyrocketing heating costs over the past several years have caused applications for HEAP assistance to rise significantly, and the $50 million proposed by the Governor is insufficient to meet the needs of low income HEAP recipients. The Legislature has provided $50 million in additional assistance to ensure that the program will continue to operate throughout the current heating season.

Once again, the Governor provides no comprehensive energy plan, but instead proposes a commission to address long-term energy issues that will report to the Legislature in November 2006. In this budget, the Governor also makes an attempt to deal with the State's over-reliance on foreign oil through tax incentives and grant programs.

New York families and businesses are still burdened with sky-high energy costs, and continue to pay the highest electricity rates in the continental United States. According to data from the U.S. Energy Information Administration, New York consumers paid 67.7 percent more than the national average for electricity in 2003. That is up from 60.5 percent above the national average when Governor Pataki took office in 1995. New York residential and commercial electricity customers were also paying higher prices per kilowatt-hour than customers in neighboring states in 1995 (New Jersey, Pennsylvania, Connecticut, Massachusetts and Vermont), and that gap has grown larger too. New Yorkers' paid between 5.3 percent and 39.5 percent per kilowatt-hour more than our neighbors paid in 1995. By 2003, overall average electricity rates ranged from between 13.3 percent and 55.9 percent per kilowatt-hour higher, respectively, than in neighboring states. These high rates burden households and put New York at a competitive disadvantage to its neighboring states and the rest of the country – especially when competing for job-creating economic development projects.

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Heating costs in particular have risen sharply, and are expected to continue to rise during this winter heating season. The U.S. Energy Information Administration expects that the average household using natural gas in the northeast will pay

> *"Heating costs are once again expected to rise by more than 20 percent this year."*

$1,309 this heating season, up from $1,029 last heating season, an increase of 27.2 percent. Households using heating oil are expected to pay an average of $1,487 this year compared with $1,237 last year, an increase of 20.1 percent.

Adding to an already unstable energy climate, New York relies on a greater percentage of foreign oil than does the rest of the nation. In 1995, New York received 77.4 percent of its oil from foreign sources versus 51.5 percent for the nation as a whole. Under Governor Pataki, this figure has increased to 86.7 percent for New York in 2003, versus a national average of 62.6 percent. Furthermore, New Yorkers rely on petroleum to generate 13 percent of its electricity, while the nation as a whole relies on petroleum for only 3 percent of its electric generation. This relatively high reliance on petroleum – particularly imported petroleum – continues to put New York consumers at a greater risk of volatile price fluctuations and service disruptions that are typically caused by natural disasters or political instability and conflict.

"With all the Governor's rhetoric about reducing our reliance on foreign oil in the State of the State, this problem has only worsened under his watch."

As evidenced by the data, the Governor's failed strategy of deregulating energy markets without legislative approval in New York has not provided the price relief that was originally intended or promised. According to the Public Service Commission (PSC) Order that originally implemented deregulation, one of the goals was that increased competition among alternative energy supply companies would decrease utility rates. The electricity rate relief associated with deregulation, however, has yet to materialize in New York. In fact, as of September 2005, only 7.6 percent of customers statewide have migrated to an alternative energy supplier. While large, sophisticated customers may have been able to take advantage of the choices available through a deregulated energy marketplace, residential and low income New Yorkers may not have the expertise to wind their way through the maze of complicated utility billing mechanisms.

To compensate for his failed deregulation strategy, the Governor has attempted to address New York's over-reliance on petroleum and other non-renewable sources of energy through efficiency programs and incentives for renewable energy. The Systems Benefit Charge (SBC) – a tax on energy consumers without legislative approval -- was initiated through a PSC Order in 1998 to encourage investments in energy efficiency. A separate PSC Order in September 2004 created the Renewable Portfolio Standard (RPS), in which the Governor established a goal that by 2013 New York consumers will purchase at least 25 percent of their energy from renewable sources. To fund them, however, the Governor has placed assessments without legislative approval onto consumer utility bills at a time when energy prices in New York are among the highest in the nation. These assessments, like the Governor's failed deregulation scheme, have been fully authorized and ordered administratively, and without legislative approval.

Last year, the Legislature required that spending through the SBC and RPS programs be placed on-budget in order to ensure appropriate public oversight. The Governor vetoed the legislation, and continues to arbitrarily fund these programs outside of the budget process without legislative approval. The SBC, which was set to expire in June 2006, has been reauthorized through another PSC order for another five-year period. In total, the SBC and RPS programs could end up costing New York ratepayers more than $2.6 billion. With the Governor's energy deregulation scheme failing to fulfill its promise of lower utility rates, and with energy prices in New York among the highest in the nation, these additional assessments add a burden for rate payers.