

News : Natural gas phaseout plan divides NY legislature during budget negotiation

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- Budget proposals differed on the transitioning away from natural gas
- Assembly took a moderate approach on removing the right to gas service

Budget proposals from the New York State Senate and Assembly differed on a key matter of energy policy: Whether to overhaul the state's foundational utility law in order to facilitate an orderly transition away from natural gas use.

The upper house incorporated legislation that would grant the New York State Public Service Commission (PSC) new authority to phase out gas use and roll back long-standing subsidies for new gas hookups. However, for a second year in a row, the lower chamber declined to include nearly all of the bill — the NY Home Energy Affordable Transition (HEAT) Act — in its spending proposal.

The divergence cast uncertainty over the policy as the two chambers move toward resolving their proposals in negotiations with Gov. Kathy Hochul, who included a version of the NY HEAT Act dubbed the Affordable Gas Transition Act in her own budget bill.

The Assembly included one provision of the NY HEAT Act, which would establish a state goal of limiting low- to moderate-income customers' energy cost burden to 6% of their income.

However, it left out major policy shifts outlined in the NY HEAT Act and the Affordable Gas Transition Act that would remove New Yorkers' statutory right to gas service.

That removal of the right to gas service underpinned a suite of other policies in the NY HEAT Act and the Affordable Gas Transition Act, including capping the expansion of gas distribution systems beginning in 2026 and giving the PSC new authority to decommission parts of the system, provided that the commission determines that retirement is necessary to achieve New York's emission reduction and climate justice goals.

Assembly leans moderate again

Democrats control both chambers of the legislature, but the Assembly has taken a more moderate approach to gas transition policies than the Senate.

During the 2022 budget process, the Assembly opposed a statewide ban on gas use in new construction. That policy ultimately passed in the 2023 budget bill, but the Assembly and Hochul left the NY HEAT Act out of their spending proposals that year. The Senate supported the gas ban in 2022 and the NY HEAT Act in 2023.

National Fuel Gas Co. President and CEO David Bauer, an outspoken critic of electrification mandates, recently said the PSC's approach to hybrid heating and alternative fuel proposals in the company's long-term planning proceeding demonstrated "a more reasonable approach to the energy transition."

"While it wasn't exactly what we wanted, the level of support we received from the very agency that oversees utility reliability and affordability lends credence to the notion that if policymakers are rational and consider the facts, natural gas utilities can very much be part of a permanent solution that achieves the state's emission reduction goals," Bauer said during a Feb. 8 earnings conference call.

Several environmental groups called on Hochul and New York Senate Leader Andrea Stewart-Cousins to press Assembly Speaker Carl Heastie to incorporate the NY HEAT Act into the final budget.

"Speaker Heastie continues to prioritize the corporate gas utilities, who are hiking our bills and polluting our futures, over meaningful climate action and families and seniors who need immediate relief," a coalition of climate groups called Renewable Heat Now said in a March 12 statement. "Without a managed transition off gas, future costs will spiral out of control."

New York lawmakers face an April 1 deadline to hammer out a budget deal, but negotiations often stretch beyond that date.