



NEW YORK STATE SENATOR

Liz Krueger

Krueger, Senators Oppose Bailout Of Cayuga Coal Power Plant

LIZ KRUEGER August 20, 2015

| ISSUE: **ENERGY, ENVIRONMENT, RENEWABLE ENERGY, ELECTRICITY, GOING GREEN**

New York – Today, State Senator Liz Krueger was joined by Senators Breslin, Dilan, Hamilton, Hoylman, Latimer, Parker, Perkins and Serrano in submitting comments to the state Public Service Commission opposing the ratepayer-funded bailout and repowering of the Cayuga Lake coal power plant in Lansing, NY, in favor of transmission upgrades. The full text of the comments can be read below and is also [available here](#).

The Public Service Commission (PSC) is currently weighing competing proposals to address electricity grid reliability concerns for Upstate residents. Upstate New York Power Producers, the owners of the Cayuga plant, are seeking a ratepayer funded bailout costing more than \$145 million over the next 10 years. Cayuga is already receiving a similar bailout of nearly \$4 million a month through 2017. As an alternative, PSC is considering a proposal by electric utility NYSEG that would address reliability by upgrading transmission lines at a cost of around \$55 million. The public comment period on the competing plans closes on August 24th.

“Given the many costs facing electricity customers and the urgent need to move away from dirty sources of energy, it simply doesn’t make sense to ask ratepayers to bailout a failed coal power plant,” said **Senator Krueger**. “We cannot set such a bad precedent if we are going to meet our future energy needs, maintain a reliable grid, protect our climate and local environment, and do so at an affordable cost to tax- and rate-payers. We need long-term solutions for New York’s communities, and repowering Cayuga is an investment in the past, not the future.”

In opposing the bailout option, the Senators cited the high cost to ratepayers with no guarantee that the plant will achieve economic viability when subsidies end, setting a bad precedent and risking the need for future subsidies. In addition, the Senators were critical of the environmental implications of forcing ratepayers to subsidize dirty energy production, particularly in light of Governor Cuomo’s ambitious State Energy Plan, which includes a commitment to reducing carbon emissions 80% by 2050. The Senators also argued that there are more cost-effective ways to provide transition support for plant workers and the local economy, including investing in clean energy, and cited the work of local community leaders to anticipate and address the effects of the coal plant’s closure.

Senator Brad Hoylman, Ranking Member of the Senate Environmental Conservation Committee, said: "It is unacceptable that New York ratepayers continue to foot the bill for dirty, outdated coal plants like the Cayuga Power Station. Rather than bailing out 19th-century technology that contributes to global climate change and pollutes our air and water, we should be focused on 21st-century clean energy solutions that provide long-term reliability without

jeopardizing our environment or health. I join my colleagues in urging the Public Service Commission to end the bailout of the Cayuga coal plant, and thank Senator Krueger for her leadership on this issue."

"There's a reason coal-fired plants are on the decline," said **Senator Martin Malavé Dilan**. "From a market standpoint, they cost more to build and more to maintain. As for their environmental impact, they account for less than 20 percent of the country's energy consumption and a third of carbon dioxide emissions. Asking rate payers to bail out the most costly, inefficient and dirtiest of our energy producers is bad policy. We need safe and reliable energy production and delivery alternatives in New York. It's what the market dictates, it's where the jobs are, and it's what the people deserve."

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Audrey Zibelman, Chair
Kathleen Burgess, Secretary to the Commission
New York State Public Service Commission
Empire State Plaza
Agency Building 3
Albany, NY 12223-1350

Dear Chair Zibelman and Secretary Burgess,

Please accept these comments for filing in PSC **Case No. 12-E-0577** - Cayuga Transmission/Repowering and **Case No. 13-T-0235** - Joint Application of NYSEG and National Grid.

As members of the New York State Senate, we write to oppose the continued ratepayer bailouts of the dirty, uneconomical and unnecessary Cayuga coal plant and instead strongly recommend that the Public Service Commission ("Commission") move forward with transmission reinforcements that would provide safe and reliable power at one-third of the cost to New York electric customers. The owners of Cayuga are currently receiving an out-of-market ratepayer bailout costing New York electric customers nearly \$4 million a month until 2017. Now Cayuga's owners, Upstate New York Power Producers, are seeking another bailout on the backs of New York families and businesses, which would cost over \$145 million over the next 10 years without guaranteeing a long-term reliability solution.

According to the utility NYSEG, transmission upgrades are a more cost effective solution that would provide reliable power to the area and allow for the plant to responsibly retire. In fact, NYSEG argued in its February 2015 filing, "*while the magnitude and nature of these alleged 'societal and market' indirect benefits remain subject to challenge, the direct costs of repowering the Cayuga Facility remain millions of dollars higher than the transmission alternative for customers.*" And, "*NYSEG recommends that the Commission: 1) find that further pursuit of a largely customer-subsidized Cayuga Facility repowering is not in the public interest; 2) allow NYSEG to move forward with its transmission reinforcement projects; and 3) close this proceeding.*"

The bailout of the Cayuga plant is a short-term solution that risks the need for future ratepayer subsidies. The plant owners acknowledge that there is nothing to guarantee the plant will not retire after ratepayer subsidies dry up. By contrast, the transmission upgrades resolve grid reliability issues without further jeopardizing New Yorkers' pocketbooks.

In addition to the economic impacts to New York families and businesses, Cayuga's proposal would retain the plant's ability to burn coal indefinitely despite the significant air and water contamination that the plant causes. Continuing to burn coal is making New Yorkers sick by emitting dangerous air pollutants that can trigger asthma attacks and cause a host of other respiratory illnesses, and by poisoning our drinking water and streams with heavy metals including arsenic, mercury, and lead. The consequences of this pollution are borne disproportionately by the most vulnerable members of our society, including children, the elderly and low-income families.

Repowering the Cayuga plant with natural gas is also an untenable choice. New York State provided national leadership by banning hydrofracking due to concerns about the associated health impacts. Forcing ratepayers to subsidize the use of fracked gas at Cayuga will inevitably result in communities outside New York bearing the burden of negative health impacts that have been deemed too dangerous for New Yorkers. Additionally, natural gas, which is primarily made up of methane, contributes significantly to climate change. Methane is considered to be 80 times more potent as a greenhouse gas than CO₂ over the next critical 20 years, and its release into the atmosphere is an inevitable part of the fracking and transport of natural gas.

A 10-year bailout for the Cayuga coal plant is inconsistent with the Commission's ambitious Reforming the Energy Vision (REV) initiative. Through the REV, the Commission seeks to increase clean distributed generation, demand response, microgrids and energy efficiency, with the stated goal of reducing greenhouse gas emissions. The REV goals complement Governor Cuomo's State Energy Plan, which commits New York to reducing carbon emissions 40% by 2030 and 80% by 2050. A decision by the Commission to allow a 10-year bailout for the Cayuga plant undermines REV's stated goals and Governor Cuomo's state energy policy. Locking New York into a decade more of dangerous climate pollution would represent a resounding step in the wrong direction.

It is our understanding that the repowering option will still result in a loss of 30 jobs at the facility, whereas closing the plant will lead to a loss of 60 jobs. Although the loss of any jobs is cause for concern, bailing out the plant at a cost of roughly \$4.8 million per job, with no guarantee of long-term economic sustainability, is not a viable solution. Surely there are more cost-effective ways to provide employment transition opportunities, and local community leaders have been extremely active in creating those opportunities.

New Yorkers' money would be better invested in renewable energy and energy efficiency, and New York must begin this transition by making the right decisions now to support the transition to cleaner energy sources. Coal and dirty fossil fuels are not a long term economic development solution for New York. The jobs and economic benefits of a clean energy economy for New Yorkers are immense. And, NYSEG itself has recognized that the development of distributed generation, micro-grids and clean generation can assist the local economy in the wake of retiring the coal plant. In NYSEG's February 2015 filing it stated that:

"NYSEG understands if Cayuga elects to mothball the Cayuga Facility following expiration of the existing Reliability Support Services Agreement 2 ("RSSA 2") (through June 2017) there could be a negative economic impact to the Lansing area similar to when any other private employer closes for economic reasons. During this transition period, NYSEG is open to discussions with applicable state agencies to identify other development opportunities that might ease the transition for the Lansing area while further supporting New York State's Reforming the Energy Vision ("REV") goals for distributed generation, micro-grids and clean generation development."

We urge the commission to protect New Yorkers from unnecessary coal bailouts and move forward with transmission

solutions that will provide safe and reliable power while avoiding unnecessary subsidies and saving New York electric customers money. We urge the Commission to begin now to implement the goals of REV, the Clean Energy Fund and the State Energy Plan, and position New York to be a clean energy economic powerhouse, one that creates jobs and new economic opportunities, protects the health of New Yorkers, and combats climate disruption.

Thank you for the opportunity to comment.

Sincerely,

Liz Krueger
Senator, 28th District

Neil D. Breslin
Senator, 44th District

Martin Malavé Dilan
Senator, 18th District

Jesse E. Hamilton
Senator, 20th District

Brad Hoylman
Senator, 27th District

George Latimer
Senator, 37th District

Kevin S. Parker
Senator, 21st District

Bill Perkins
Senator, 30th District

José M. Serrano
Senator, 29th District