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For some users, cheap electricity in high-priced New York



New York City just before dawn. (AP Photo/File, George Widman)

By Bill Sanderson 5:06 a.m. | May. 1, 2015

This will shock every New Yorker fed up with high electricity prices: there’s a class of electric customers in the Empire State that has sharply lowered its costs to below national averages, thanks to effective lobbying and sympathetic state policy.

Industrial power users, mostly upstate, pay per-kilowatt hour prices that are one-third what the state’s residential customers pay, a Capital New York analysis of U.S. Energy Information Administration data shows.

Industrial power users buy electricity at prices that are 3.8 percent below national average rates. Compare that to the woes of commercial and residential electric customers, who pay rates that are around 50 percent higher than the national averages.

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- Industrial power users—defined by the Energy Information Administration as “facilities and equipment used for producing, processing, or assembling goods”—saw prices drop from about 10.14 cents per kilowatt-hour in 2008 to 6.58 cents per kilowatt-hour in 2013. That’s a decline of 35.1 percent.

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- Industry uses 12 percent of the electricity sold in New York, but provides only 5 percent of electric utilities' revenue. By comparison, residential customers—homeowners and renters—use 34 percent of the power sold in New York, but provide 42 percent of utility company revenue.
- Another sign that consumers get short shrift in state policy: E.I.A.'s national data shows that the average residential price in 2013 was 77.2 percent more than the average industrial price.

But in New York, residential customers paid 185.6 percent more per kilowatt-hour than the state's industrial users.

- Commercial businesses have been left out of the rate advantages enjoyed by industrial businesses. The average price paid by retail stores, office buildings and other commercial users was 15.35 cents per kilowatt-hour in 2013, 49.3 percent more than the national average for commercial users and 133.3 percent more than what was paid by New York industrial users.

Advocates for low-income New Yorkers say the industry benefits at the expense of residential electricity customers, who have long been stuck with some of the nation's highest prices.

"It is very much not fair," said Richard Berkley, executive director of the Public Utility Law Project. "What it amounts to is a result where the most vulnerable populations pay a disproportionate share of the state's energy bill."

Bill Ferris of AARP, which has been lobbying for the establishment of a state utility consumer advocate office, does not begrudge the state's industrial sector its success in lowering its electricity costs. But he thinks consumers deserve a break too.

"There has been a concerted effort in New York state to lower prices for industrial users and business users," Ferris said. "We would like to see the same effort by the state to lower the rates of residential ratepayers."

The advantages enjoyed by industrial power users is a win for upstate. Industrial customers account for only 0.5 percent of Con Edison's usage in New York City and Westchester County. But in National Grid's vast upstate service area, industry uses 8.1 percent of the electricity delivered by the company, the E.I.A. numbers show.

Albany has long sought to draw manufacturing jobs to New York by lowering businesses' costs.

Governor Andrew Cuomo supports low industrial power prices, which have helped "attract and retain more than 400,000 good-paying manufacturing jobs statewide," said Public Service Commission spokesman James Denn. "It is the availability of low-cost electricity coupled with targeted state programs that can make the difference between jobs growing here or going elsewhere."

Industrial power users can buy cheap electricity from the New York Power Authority's ReCharge New York program, which sells power at cut rates to industries and nonprofits.

“That drives down the overall average for industrial customers quite considerably,” said Darren Suarez, director of government affairs for the Business Council of New York State.

Upstate industrial and nonprofit users have also banded together to argue for lower prices in rate cases before the Public Service Commission. Multiple Intervenors, an unincorporated coalition of nonprofit and industrial electric customers, regularly files papers in National Grid rate cases. One sign of Multiple Intervenors’ focus on upstate issues is that it is has not been a party to Con Ed’s most recent rate cases.

Most members of Multiple Intervenors’ board of directors are organizations that have benefited from lower prices. It includes Alcoa, Corning, chemical maker Olin Corp., paper maker Burrows Paper Corp., and Cornell University, which, as a nonprofit, is eligible to buy power at low rates.

Industrial power users have other advantages that have little to do with regulation or rate cases. Because they buy such big amounts of electricity, they can negotiate better prices with the state Power Authority and generating companies who provide power delivered by utilities. And they can avail themselves of technology that allows them to better manage their power use than homeowners and owners of retail stores or small businesses.

On top of that, it costs utility companies less to serve a handful of big customers than it does to serve big numbers of residential consumers.

But Berkley says that utilities’ lower costs serving industry do not explain “the radical spread” between residential and industrial prices.

Ferris hopes the Public Service Commission will address the issue in a proceeding announced in January aimed at studying the adequacy of the rules for low-income utility customers.

“There needs to be an affordable rate for all residential ratepayers in the state,” he said. “The state needs to be as committed to that as the state has been committed to lower prices for business.”

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