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Testimony of Zilvinas Silenas
President, Empire Center for Public Policy

Before the Joint Legislative Committee on Environmental Conservation and Energy for the 2027 Joint Legislative Budget Hearing

January 28, 2026

TESTIMONY ON FY 2027 NEW YORK STATE EXECUTIVE BUDGET TRANSPORTATION, ECONOMIC DEVELOPMENT AND ENVIRONMENTAL CONSERVATION ARTICLE VII LEGISLATION, PARTS N, O, P

General remarks

In October 2026 New York had the 8th highest average residential electricity prices in the U.S., exceeding the National average by 50%. Moreover, the gap between New York prices and the national average has been increasing for the past five years (see our *Energy Data Bulletin* in Appendix for details). High energy prices—and especially prices rising faster than in the rest of the country—are a legitimate concern. We are happy to provide assistance and our monthly Energy Data Bulletin in researching this issue.

However, this budget does not address the fundamental reasons why prices in New York are high and rising faster than in most other states. The entire country faces similar challenges, yet most states deliver cheaper energy and slower price increases. Rather than researching whether energy prices are high (as in the proposed Affordability Index) we should investigate market forces and government policies unique to New York, driving prices higher and faster than in the rest of the country.

Better, smarter, and more transparent regulation of utilities is an excellent direction for improving energy policy. However, the executive budget does not introduce smarter or better regulations. Instead, it offers unproven and untested interventions into price regulation and utility operations, which could cause significant harm and provide little benefit. Moreover, they will cost money and create potential security risks and opportunities for corruption.

Detailed remarks on sections N, O, P

Part N, Section 1 (n)

Regulating rate of return by ratio of median earnings of employees to management

Part (n) proposes adjusting the regulated return on equity for gas and electric utilities by introducing a ratio comparing median employee earnings to the compensation of the CEO and other management personnel.

Unclear definition of the ratio. The proposal does not provide guidance on how the ratio of worker pay to CEO and management pay should be calculated, e.g., what constitutes "management position," should it include compensation in stock or similar financial instruments, overtime pay, benefits and many other types of compensation. Without clear definitions, the Ratio will be inconsistent, difficult to audit, and vulnerable to manipulation.

No guidance on how the ratio should be used. More importantly, the proposal does not provide guidance on how the Public Service Commission should interpret the ratio, e.g., should it reward higher values (higher workers' wages and lower CEO pay) or lower values (e.g., lower workers' wages and higher CEO pay).

Potential for higher, not lower, rates. Most importantly, if the goal of this proposal is to lower the utility rates (or slow down their growth), the proposal should aim to reduce the overall expenses associated with provision of gas and electricity, including personnel costs, rather than reward or penalize companies for their personnel strategy.

Furthermore, the proposal could result in situations where some companies are rewarded for inflating personnel costs (directly or through overtime payments), as long as the Ratio remains low (or lower than that of competitors). Empire Center has documented numerous cases of unreasonably inflated pay among New York's public sector entities.[1]

Artificially lowered returns discourage investment in New York's energy sector. Investment in energy production and competition among energy companies are essential for maintaining a reliable supply of energy at competitive prices. If this proposal leads to artificially lowering the regulated return on equity below what

[1]Empire Center, *NYC Employees Receive $300k+ in Overtime - Empire Center for Public Policy*, https://www.empirecenter.org/publications/nyc-employees-receive-300k-in-overtime/

utilities earn in other states—or even other industries—it could discourage investment and create serious risks of underinvestment across New York's entire energy sector.

Part N, Section 1 (o)

Budget constrained proposal

Legislation introduces a "budget constrained proposal" which, in essence means utilities would not be able to increase prices above inflation, even if their actual costs rose faster than inflation (Consumer Price Index - CPI).

Costs might rise faster than inflation. If prices of fuel or energy on wholesale markets rose faster than CPI inflation, this could lead to situations where the revenues utilities receive do not cover costs of operation, or costs of energy. As U.S. Energy Information Administration notes, electricity prices rising faster than CPI inflation is likely:

> *Retail electricity prices have increased faster than the rate of inflation since 2022, and we expect them to continue increasing through 2026, based on forecasts in our Short-Term Energy Outlook.*

And

> *Between 2013 and 2023, electricity prices closely tracked inflation, but we expect increases in electricity prices to outpace inflation through 2026.*[2]

Rates not covering costs could lead to financial problems and even higher rates in the future. When approved rates fail to meet a utility's actual costs, the result can be financial instability and, ultimately, higher rates for customers. During periods in which utilities are required to operate under the constraints of the "budget constrained proposal" and their revenues do not fully cover operating expenses, they may be unable to meet financial obligations to energy suppliers and personnel. They may also be compelled to reduce funding for maintenance or capital investment, which can degrade service quality and lead to increased costs for ratepayers in the future.

Part P, Section 1

Affordability Index

While we welcome research into affordability of energy in New York and comparisons with other U.S. states, we would like to point out that such research already exists,

[2] U.S. Energy Information Administration (EIA), U.S. electricity prices continue steady increase, https://www.eia.gov/todayinenergy/detail.php?id=65284

provided by the U.S. Energy Information Administration Electricity and Natural Gas reports, or private actors, e.g. Empire Center for Public Policy (see our monthly Energy Data Bulletin in Appendix)[3]. We are happy to assist in further research and information on the matter.

If the proposed Affordability index involves not just comparisons of average electricity and natural gas prices, but also how they compare to purchasing power of New Yorkers vis-à-vis residents of other states, note that utilities do not have detailed information on household incomes beyond publicly available data. Such index would require cooperation and sharing of information between utilities, tax authorities and multiple other institutions.

Basing important rate decisions on yet-to-be-created Affordability index is not sound. Sections 2 and 3 propose important decisions (e.g., Affordability Monitor – see below) to be triggered by the Affordability index growing faster than 3 percent. However, the methodology and data sources for Affordability index are not yet determined, the index does not exist, and its shortcomings, biases, robustness and other statistical parameters have not been tested or reviewed. It is unsound, risky and premature to legislate changes to rate regulations based on a non-existent, untested product.

Affordability Monitors

Section 3 establishes the position of "Affordability Monitor", who would work under the Public Service Commission in the utility companies, have access to all documents, meetings, bank accounts. The monitor would also report his findings on costs of drivers and opportunities for savings.

Affordability Monitors are redundant and unnecessary. If Public Service Commission (PSC) acts as an independent regulator of utilities, all information relevant to setting of rates should be available to it without establishing the position of Affordability Monitor. If the current legislation does not give PSC enough access to information, increasing the amount of information necessary for rate decisions would be the appropriate proposal, and does not require Affordability Monitors.

Finally, and most importantly, the idea that an outside person (or body) would be able to identify savings better than the company or the Public Service Commission is unrealistic and places unfounded expectations on the Affordability Monitors.

[3] Empire Center for Public Policy, Energy Data Bulletin, https://www.empirecenter.org/energydata/

Expenses for Affordability Monitors will increase the rates. Legislation explicitly states that the costs of maintaining the Affordability Monitors (e.g., compensation, expenses, etc.) will be covered by the companies, and therefore the ratepayers.

Therefore, while it is far from certain whether the Affordability Monitors will provide any value, it is guaranteed that they will be an expense covered by the ratepayers.

Lack of clarity on the composition of the Affordability Monitor. It is unclear whether the Affordability Monitor is a person, a body of persons, or an institution. It is also unclear whether it will be the same person (or body) for all utilities, or whether each utility will have its own dedicated Affordability Monitor. Given the potential impact of the Affordability Monitor legislation, it is important to provide these details (or at least guiding principles) in the legislation.

Confidentiality requirements of Affordability Monitors need to be addressed. As mentioned, Affordability Monitors will have access to confidential information of companies, including meetings, documents and bank accounts. The Affordability Monitors will gain access to information that might have nothing to do with rates, rate decisions, or operations in New York, creating security risks for energy companies. If proper confidentiality requirements are not imposed it creates risks of leaks of confidential information to rival companies, fraudsters, criminals, foreign adversaries, etc.

The Empire Center is an independent, non-partisan, non-profit think tank located in Albany, New York, dedicated to making New York a better place to live and work by promoting public policy reforms grounded in free-market principles, personal responsibility, and the ideals of effective and accountable government.

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NEW YORK ENERGY DATA BULLETIN

January 2026

Summary and Insights

Electricity. In October 2025, the average residential electricity price in New York was 26.95 cents per kilowatt-hour (kWh), ranking 8th highest in the U.S. and exceeding the national average by 50 percent. New York's prices fell by 1 percent compared to September but remained 7.6 percent higher than 12 months earlier.

Natural Gas. Average residential natural gas prices in New York were $23.93 per thousand cubic feet, ranking 17th highest nationally and 22 percent above the U.S. average. New York's prices fell 10 percent compared to the previous month. However, natural gas prices remained 7.5 percent higher than 12 months earlier, reflecting a broader national pattern.

Compared to the U.S. average, New York's residential consumers pay substantially more for electricity, while natural gas prices remain closer to the national norm.

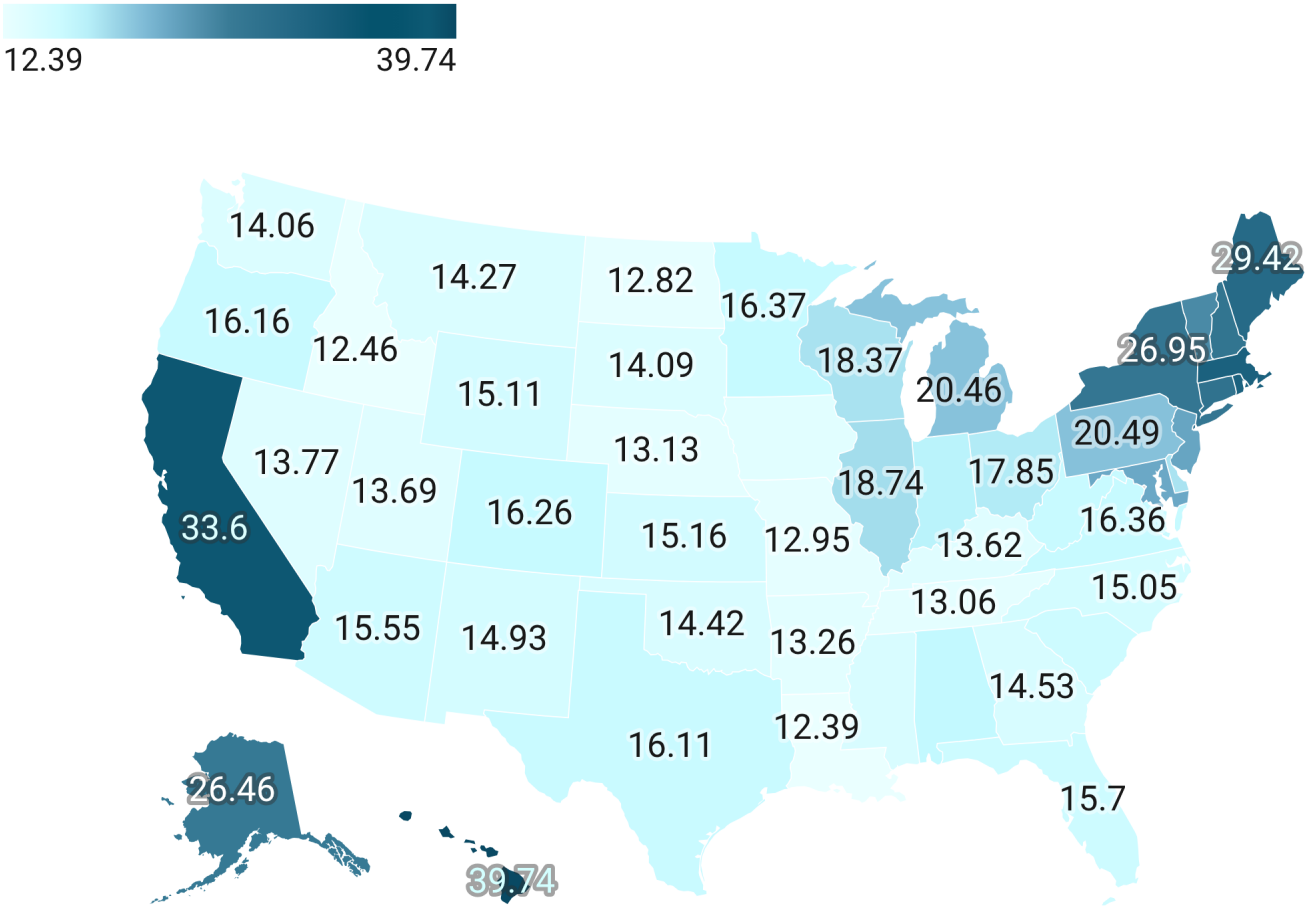
Trends. Historically, New York's average prices for both electricity and natural gas were higher than the U.S. average, but the price differences had been declining over the past two decades. However, since the 2019–2020 period, electricity prices in New York have steadily diverged upward from the national average, reversing the prior trend toward convergence. Notably, this upward movement has not occurred in natural gas prices.

Data. Average residential prices are approximations calculated from revenues and volumes of residential sales, not actual retail prices. See notes at the end of the report for more information.

Online version: EmpireCenter.org/EnergyData

Electricity prices

Average electricity prices for residential consumers, ct/kWh, October 2025



Map: Empire Center • Source: U.S. Energy Information Administration, Form EIA-861M (formerly EIA-826), Monthly Electric Power Industry Report.

In October 2025, New York ranked 8th among all states for highest average residential electricity price. At 26.95 cents per kWh, this was 50 percent above the U.S. average.

New York vs. Largest States. Compared to the largest states, New York's average residential electricity price was significantly higher than in Florida and Texas but lower than in California.

New York vs. Neighboring States. Among neighboring states, New York's price was higher than in New Jersey, Pennsylvania, and Vermont, but lower than in Connecticut and Massachusetts.

Month-on-Month Change. In October 2025, New York's price fell by 1 percent compared to September.

Year-on-Year Change. Compared to October 2024, the price rose by 7.6 percent, faster than the U.S. average. While prices increased even more in Florida, Pennsylvania, and New Jersey, they remain significantly lower than in New York.

Intermediate-term. Since 2019, average prices have risen by 45 percent. This rate of increase is similar to that of neighboring states, but 4.6 percentage points higher than the U.S. average and higher than in Florida or Texas.

Electricity prices and dynamics

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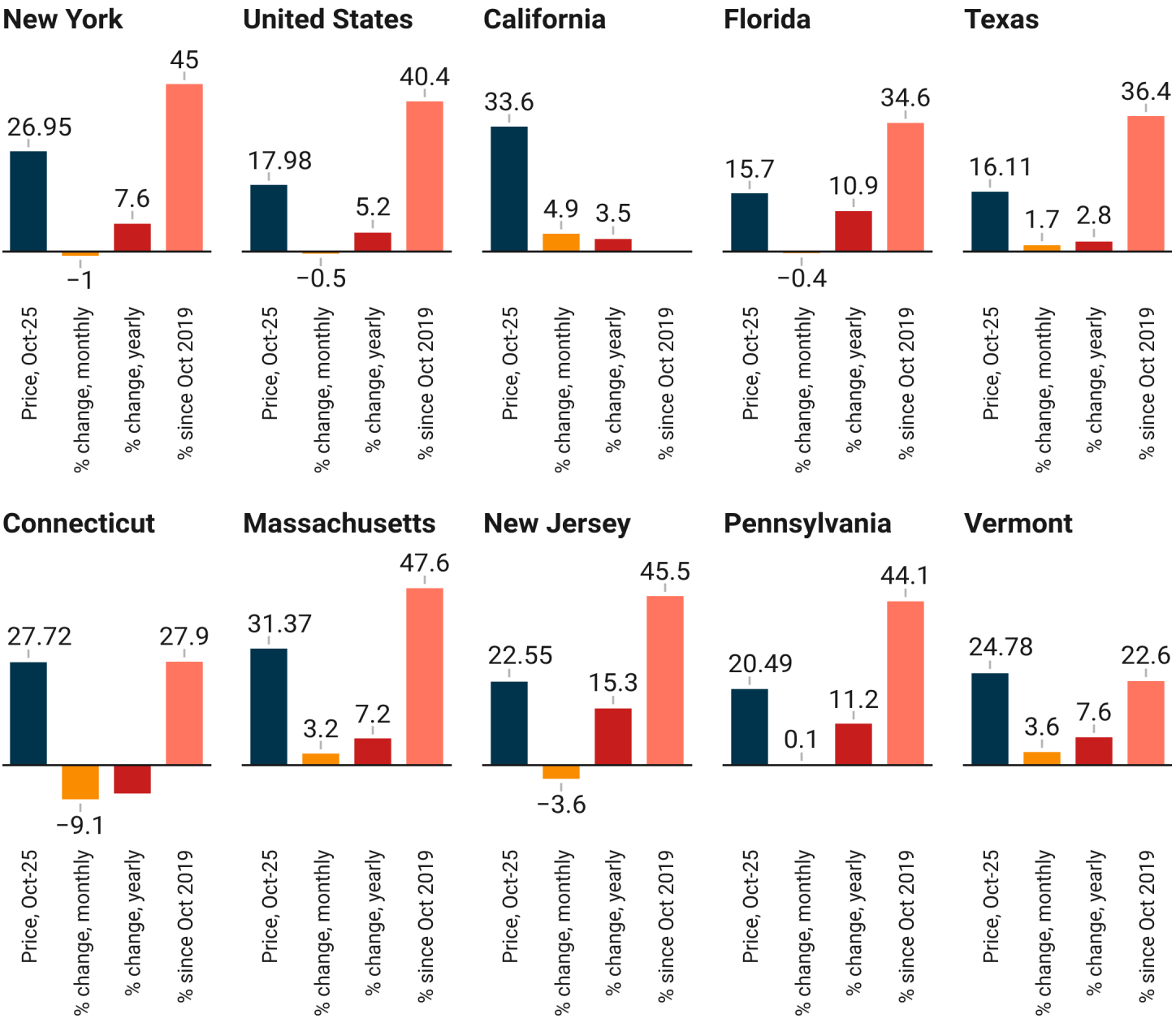
Average electricity prices for residential consumers in neighboring and largest states

- Price, ct/kWh October 2025
- Percent change compared to previous month
- Percent change compared to 12 months ago
- Percent change compared to October 2019



** In October 2019, the average residential electricity price in California was unusually low; therefore, the data point is omitted*

Chart: Empire Center • Source: U.S. Energy Information Administration, Monthly Electric Power Industry Report

Long-term dynamics of electricity prices

Average price of electricity for residential consumers in New York and U.S.

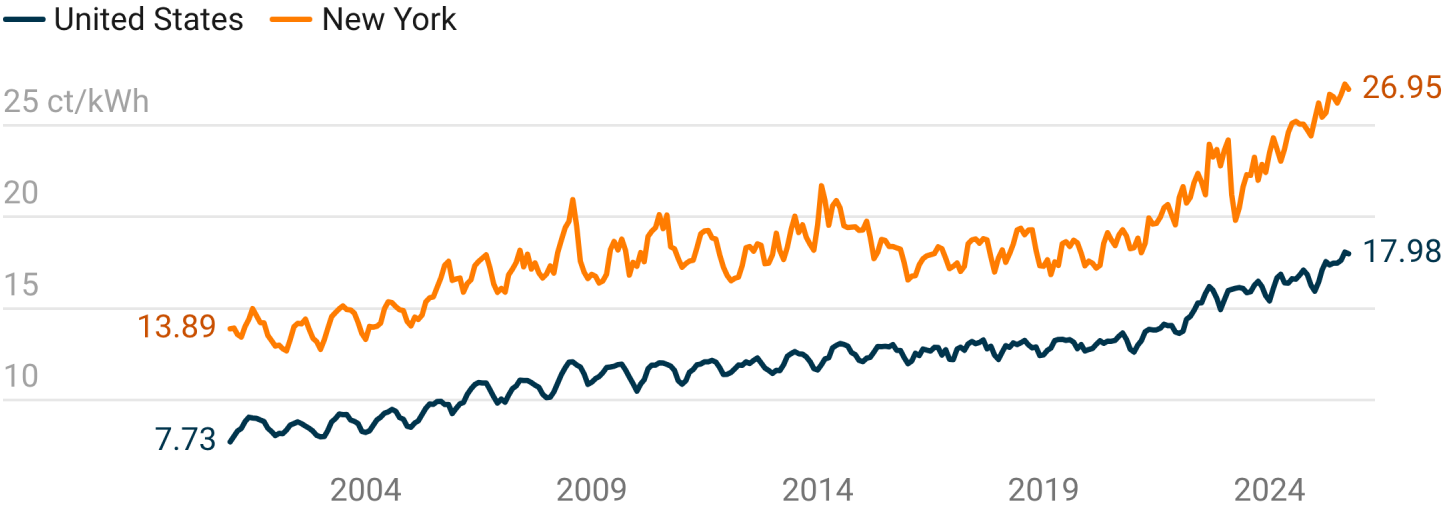
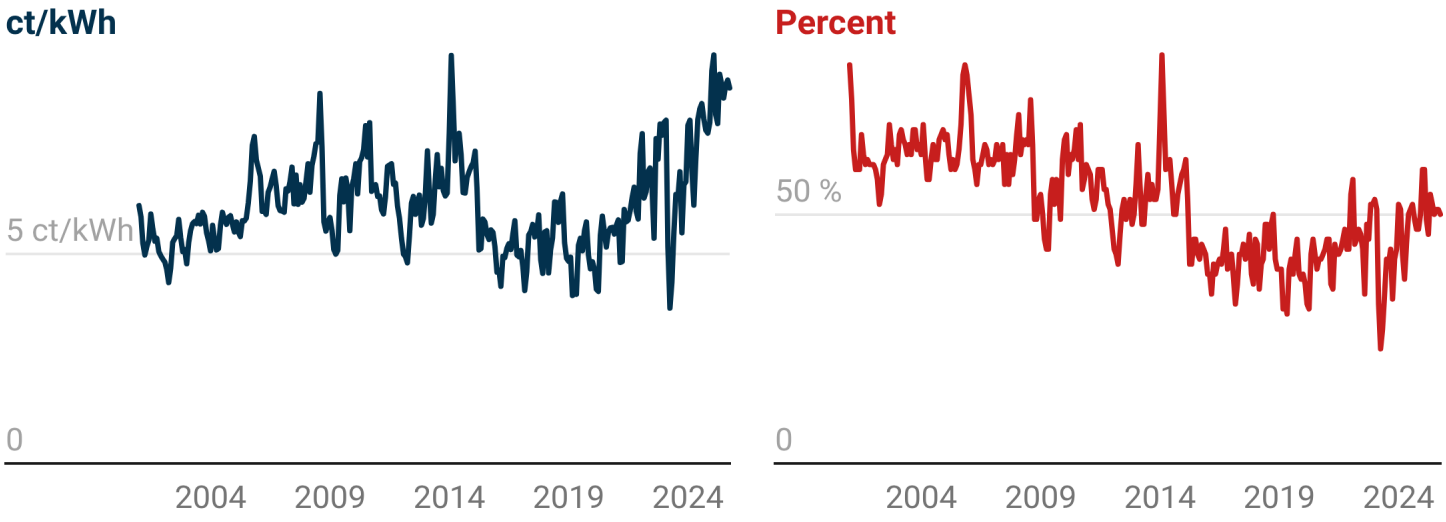


Chart: Empire Center • Source: U.S. Energy Information Administration, Form EIA-861M (formerly EIA-826), Monthly Electric Power Industry Report. • Created with Datawrapper

Price difference

Difference between average residential electricity price in New York and U.S. average



Positive values show how much higher prices in New York exceeded the U.S. average

Chart: Empire Center • Source: U.S. Energy Information Administration

Long-Term Trends. Electricity prices in New York have consistently exceeded the U.S. average. For two decades, the gap narrowed steadily—from 80 percent in 2001 to 40 percent by 2019–2020. Since then, the convergence has reversed. As of October 2025, New York's average residential electricity price is 50 percent higher than the national average. In dollar terms, the gap began widening after 2019–2020 and has nearly doubled since. As of October 2025, the price difference is larger than in 2019 or even 2001.

Long-term dynamics of natural gas prices

Average price of natural gas for residential consumers in New York and U.S.

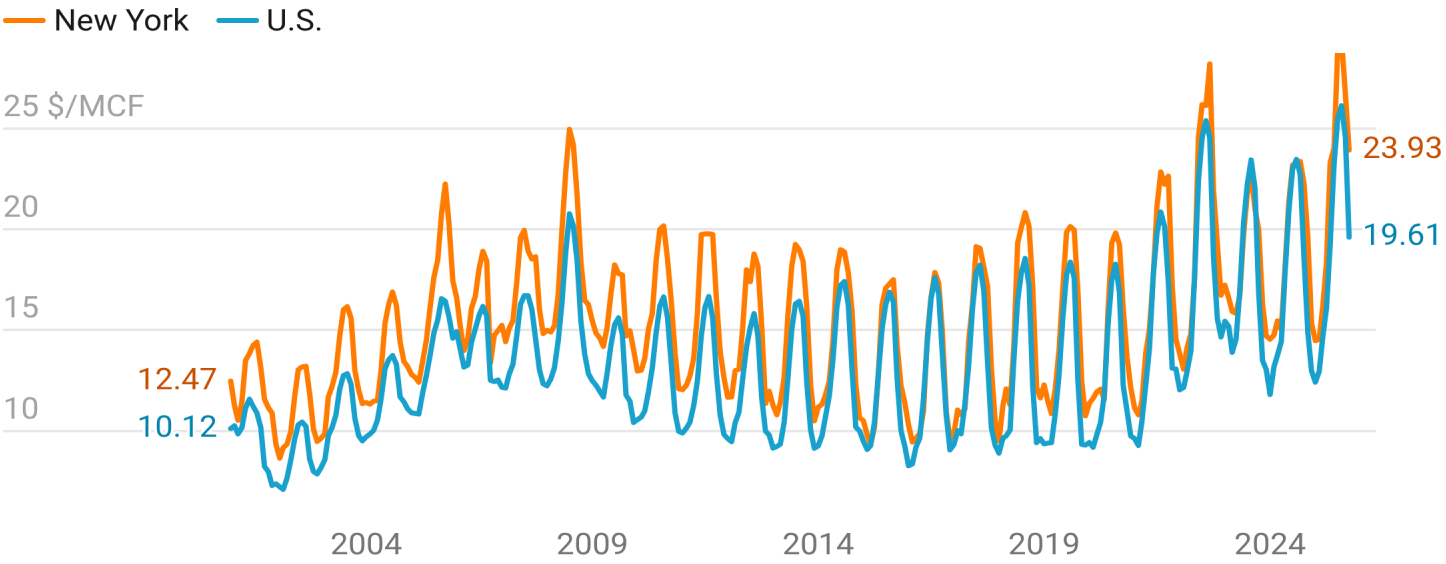
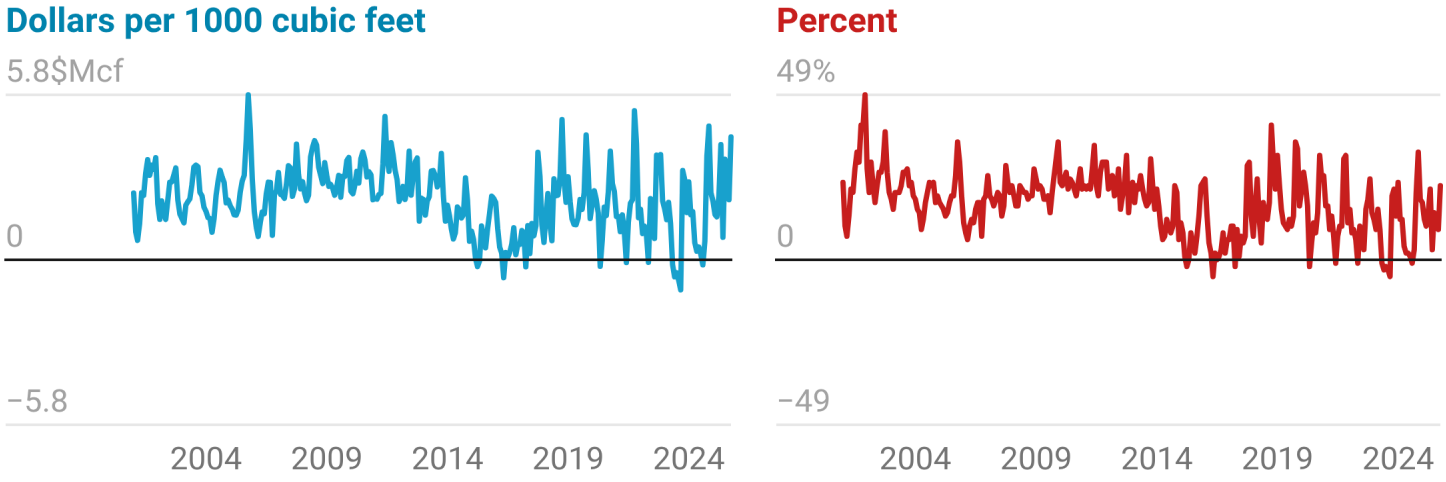


Chart: Empire Center • Source: U.S. Energy Information Administration

Price difference

Difference between New York's residential natural gas price and U.S. average



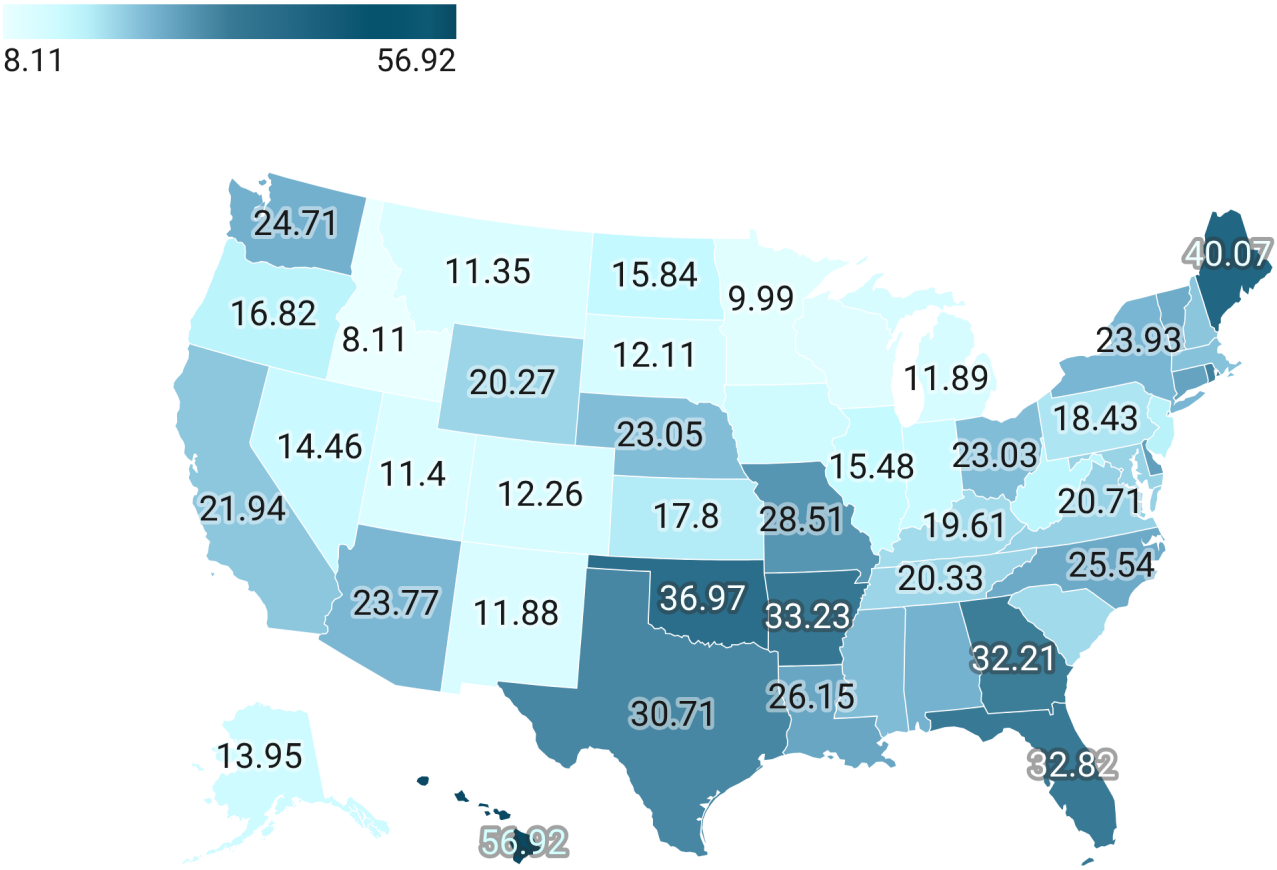
Positive values mean that prices in New York were higher than the US average in a given month. Negative values indicate months than average prices in New York were lower than the US average

Chart: Empire Center • Source: U.S. Energy Information Administration

Long-Term Trends. Overall, average residential natural gas prices in New York remain close to the national average, with a typical difference of about 15 percent. This price gap has narrowed over the past two decades, bringing New York even closer to the U.S. average.

Natural gas prices

Average natural gas prices for residential consumers, October 2025, Dollars per Thousand Cubic Feet



Latest available data rather than October 2025 for California, Connecticut, Florida, Louisiana, Maine, Oklahoma, Rhode Island Washington

Map: Empire Center • Source: U.S. Energy Information Administration, Natural Gas Monthly

In October 2025, New York had the 17th highest average residential natural gas price among the 50 states, 22 percent higher than the U.S. average.

New York vs. Neighboring States. Among neighboring states, New York's price was higher than those in New Jersey and Pennsylvania.

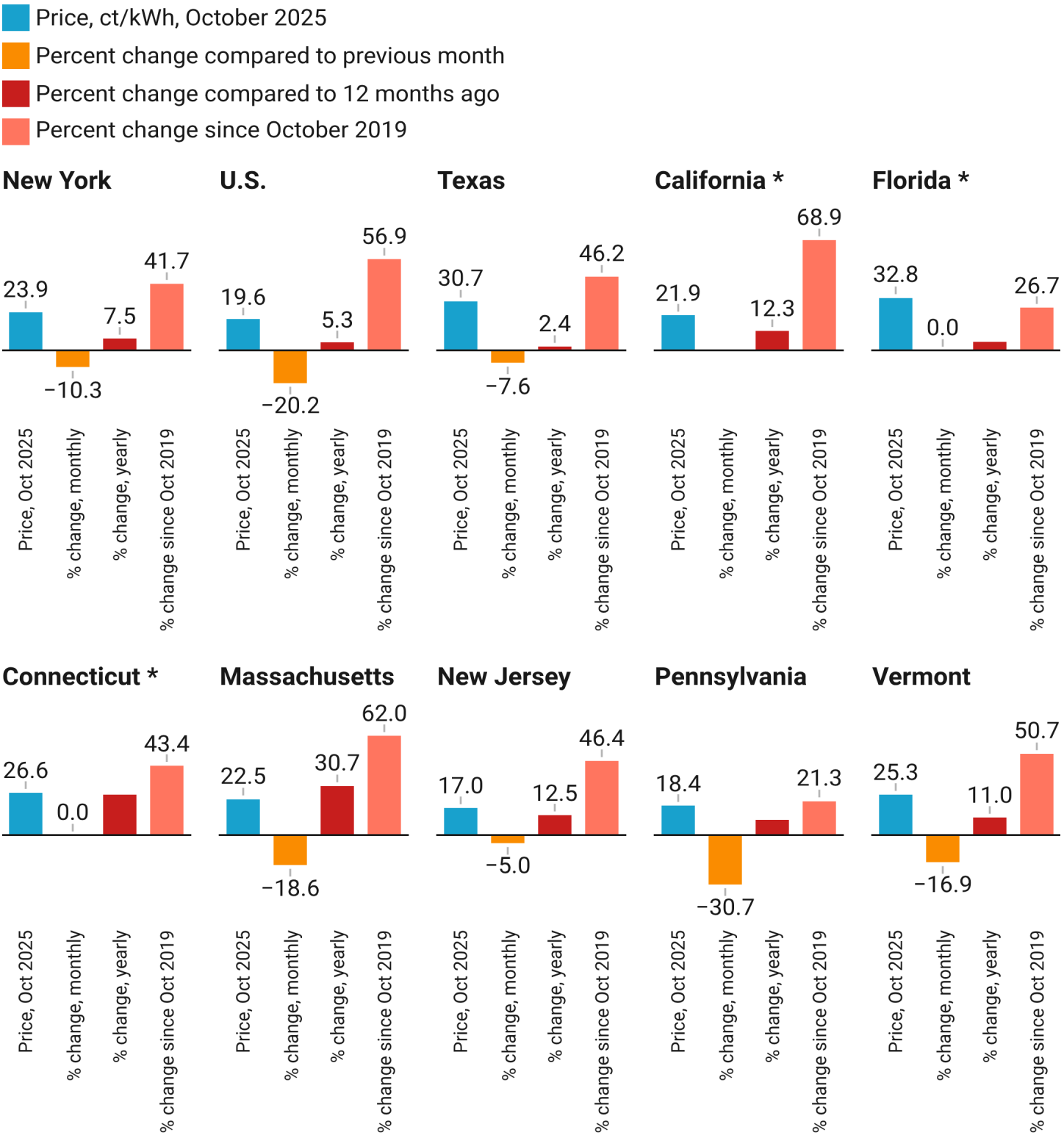
Month-on-Month Change. In October 2025, New York's price fell by 10 percent compared to September, although this was less than the 20 percent nationwide decrease.

Year-on-Year Change. Compared to October 2024, the price rose by 7.5 percent, faster than the U.S. average but slower than in neighboring states.

Intermediate-term. Since 2019, average prices in New York have risen by 42 percent, a slower increase than the U.S. average and slower than in most neighboring states (except Pennsylvania).

Natural gas prices and dynamics

Average natural gas prices for residential consumers in neighboring and largest states



** October 2025 data missing for California, Florida, Connecticut. Using latest available*

Chart: Empire Center • Source: U.S. Energy Information Administration

Data Notes. As mentioned earlier, average residential prices are approximations based on revenues and volumes of residential sales rather than actual retail prices.

As the U.S. Energy Information Administration states, "*EIA does not directly collect retail electricity rates or prices. However, using data collected on retail sales revenues and volumes, we calculate average retail revenues per kWh as a proxy for retail rates and prices. Retail sales volumes are presented as a proxy for end-use electricity consumption.*" Similarly, for natural gas, EIA states, "*Price data are representative of prices for gas sold and delivered to residential, commercial, and industrial consumers. These prices do not reflect average prices of natural gas transported to consumers for the account of third parties or "spot-market" prices… All average prices… are computed by dividing the reported revenue by its associated sales volume.*"