

A Public Takeover Won't Lower Costs – It Introduces New Risks

Energy costs have been going up everywhere, and the 350,000 households served by Central Hudson have been no exception. Local activists are pushing for the Hudson Valley Power Authority (HVPA) as an alternative to investor-owned utilities. They claim it will lower rates, increase reliability, and improve renewable energy adoption.

The truth? Their plan is deeply flawed, and at best, would result in a lost decade of bureaucratic jockeying and confusion. At worst, it could create a firestorm of affordability, labor and governance issues that ratepayers and local governments would be on the hook to pay for.

Don't be misled by the hype. Here's what you need to know before your city council or town board considers a resolution in support of HVPA.

How much will it cost to take over Central Hudson?

In a meeting with the Kingston Common Council, the [author of the bill](#) claimed that the Center for Public Enterprise created a memo that estimated a \$1.2B price tag for the acquisition. However, that estimate has not been shared with the public, and a FOIL request for the memo was denied.

Who bears the cost of the acquisition?

The HVPA claims that the acquisition will be financed using bond debt, meaning that ratepayers (not taxpayers) will bear the cost. However, that simply means that the acquisition is going to be repaid through residents' energy bills; a mandatory payment much like a tax. The costs are ultimately borne by residents; surcharges or even additional payments from local governments may have to be used to pay the full costs.

Are property taxes affected?

In Ulster County alone, Central Hudson is the [second-largest taxpayer](#), so making sure that taxes are still paid is of utmost importance. Although the bill states that the HVPA will make payments-in-lieu of taxes (PILOTs) equal to what municipalities would have received, PILOT agreements can change over time. If the HVPA struggles financially, or there is political pressure to not raise rates, PILOTs could be re-negotiated to relieve pressure. There is no guarantee that PILOTs will be permanent, automatic, and equal to property taxes indefinitely.

The Long Island Power Authority [recently challenged assessments](#) on its property.

Will the HVPA lower rates?

When asked about this, Assemblymember Shrestha's Chief of Staff Ben Wolcott said [that they don't know](#) how this bill will affect rates.

“One thing that's a little unclear, and I think it's a little challenging to model, is how much your rates would go down relative to what your rates would do if we stayed with Central Hudson. And over what time period the savings you would see... how much your rates will change over time is harder to model.”

The HVPA coalition often points to the story of Massena, NY's public utility takeover. The problem is that example is not remotely applicable to us in the Mid-Hudson Valley. Massena is a densely populated town of 11,000 people in 44 square miles, and home to the Moses-Saunders Power Dam, a massive 912 megawatt power plant that far exceeds the power consumption of the local population. By comparison, Central Hudson serves at least 700,000 people spread out across 2,600 miles.

Massena's customers are facing a proposed [tripling of their electric rates](#), and there are [dozens of posts](#) on Facebook of customers being surprised by massive bills. The fundamental problems facing ratepayers are the same in both the public and private sector.

How will taking profit out of the equation change things?

It is true that maintaining a small profit margin while servicing debt for Central Hudson is part of our utility costs. But public utilities sometimes struggle with credit ratings in their early years, meaning HVPA could face higher borrowing costs than assumed.

Is large-scale public power viable in an uncertain political environment?

The American Public Power Association and Large Public Power Council [recently wrote](#) that public power utilities struggle with financial uncertainty, can no longer access energy tax credits under the Inflation Reduction Act, and are lobbying for changes to IRS rules. Public utilities, just like private ones, face economic pressures, borrowing constraints, and operational risks, which create pressure to negotiate PILOTs, raise rates or defer maintenance.

Who will make decisions about the utility?

The proponents of the HVPA often use the term “energy democracy” to describe their ideal utility. But given that the HVPA does not have the support of the actual unionized workers who currently do all of the work for the utility, that term rings hollow.

HVPA’s leadership structure, which could have engineers and experienced utility experts outnumbered by climate activists, college professors, and indigenous rights and environmental justice experts, could result in the utility being mismanaged, leading to higher than expected costs.

Questions or feedback? Contact New York Energy Alliance at info@nyenergyalliance.org.