



PROPOSED HUDSON VALLEY POWER AUTHORITY TAKEOVER COULD RAISE CUSTOMER BILLS UP TO 36%

At the request of the Protect Our Power Coalition, Concentric Energy Advisors conducted a cost analysis of the proposed takeover of Central Hudson Gas & Electric by the Hudson Valley Power Authority (HVPA). The findings of the study show that the takeover costs could be as high as \$12.2 billion. A further analysis of these findings indicates that the takeover could increase customers' delivery bills by as much as 36%.

OVERVIEW

In January 2025, the New York State Assemblymember Sarahana Shrestha and New York State Senator Michelle Hinchey introduced legislation to establish HVPA, granting the State broad authority to take over Central Hudson—among other actions—and eventually phase out its natural gas infrastructure. Concentric's initial analysis is based on Central Hudson's financial forecasts through June 30, 2028, and considers the complexity of municipalizing an electric and gas utility. Given the protracted nature of municipalization via condemnation proceedings, a municipalization start date may be well after this date.

KEY COST DRIVERS

The acquisition of an electric and gas transmission and distribution system, such as Central Hudson's, is operationally and financially complex.

The estimated costs fall into three major categories:

- **Asset Costs:** Fair market value of Central Hudson's electric and gas systems
- **Startup Costs:** Expenses for new facilities, staffing, and financing
- **Transaction Costs:** Legal, engineering, consulting fees, and debt-related expenses needed to complete the process of transferring ownership of Central Hudson to the Authority

These estimates are based on a combination of the Concentric study, Company data, data on market valuations, and forecasts on inflation. The cost estimates are preliminary and provide a range expressing some, but not all, of the uncertainty around the estimate. These preliminary estimates do not include yet to be considered costs, such as labor and other contracts, stranded assets, unrecovered regulatory assets, debt refinancing, long-term system upgrades, or ongoing municipalization costs.

ASSET COST ANALYSIS

The purpose of this cost study was to determine the fair cost for the Hudson Valley Power Authority to take over Central Hudson's physical assets, such as substations, transformers, and other equipment, through a condemnation proceeding.

Concentric approached this valuation using "fair market value" principles, designed to estimate what a third-party buyer would pay for these assets in a competitive arms-length market solicitation. This approach applies market-based sales comparison approach to develop multiples, which are then applied to the existing book value of the utility's assets plus investments made during the period prior to financial closing.



GAS CONVERSION IMPACT

The HVPA legislation requires a study of phasing out natural gas within two years. Concentric estimates that converting all gas customers to electric service **could cost at least \$2.6–\$5.2 billion** by 2028, based on current assumptions. Actual costs may be higher due to inflation, system upgrades, decommissioning expenses, stranded costs, and additional electrification infrastructure costs.

The Assembly Bill states that the HVPA must “conduct a study within two years of its creation to create a timeline for the phaseout of its gas infrastructure. As a simplified approach to assess the cost impact of converting all Central Hudson’s gas customers to electric service, Concentric estimated the cost of converting all Central Hudson’s gas customers to electric service as of June 30, 2028, using assumptions from the Company’s 2024 Final Gas System Long Term Plan. Using the simplified assumptions that per-home conversion costs in 2024 were approximately \$51,000, including a \$4,000 bonus incentive, Concentric escalated these costs to June 30, 2028, based on an annual assumed inflation of 3.0 percent to develop a per-home cost of \$57,113 as of June 30, 2028. Applying this per-home conversion cost to Central Hudson’s estimated 90,761 gas customers in 2028 results in total conversion costs estimated at \$5.2 billion as of June 30, 2028.

Note, however, that the Long-Term Plan estimate is a conservative estimate for total conversion costs.

The Plan modeled only partial electrification, so actual costs may be higher. Further, given that gas conversions would likely occur over time, costs may be higher due to inflation and other factors. This figure, however, only covers the costs to convert gas customers to electric service. In addition to this, the gas conversions would render the entire gas system stranded assets that customers would likely still need to pay for. In addition, Concentric has not estimated the costs to the electric system of absorbing the considerable increase in electric demand associated with converting gas customers to electricity. Such costs would include increased takeovers of energy and capacity in the wholesale markets and expansion of T&D capabilities. Further, Concentric has not estimated the decommissioning costs associated with retiring the gas system, if the Authority determines that it is necessary to retire the gas system and move all gas customers to electric service. As a low-end estimate, Concentric estimates that only half of Central Hudson’s gas customers are converted, or an estimated \$2.6 billion.

CONCLUSION

Creating a new public power authority is operationally and financially complex. While the proposed takeover aims to reshape energy delivery in the Hudson Valley, Concentric’s analysis suggests it could come at a steep cost to customers.

Concentric estimates the upfront costs of acquisition to be approximately \$6.0–\$7.5 billion, plus an estimated \$2.6–\$5.2 billion in potential gas conversion costs. This estimate focuses on the immediate takeover price and direct expenses associated with acquiring the electric and gas transmission and distribution system owned by CH Energy Group and the costs of converting gas customers to electricity.

- **Takeover Costs:** \$6.0 – \$7.5 billion
- **Gas Conversion Costs:** At least \$2.6 – \$5.2 billion

These figures underscore the significant financial and operational challenges of creating a new public power authority.