March 18th, 2016

Hon. Thomas P. DiNapoli
Office of the New York State Comptroller
110 State Street
Albany, NY 12236

To the Comptroller:

The Constitution Pipeline is a proposed gas pipeline running from Susquehanna County, Pa. and terminating in Schoharie County, NY. The project would traverse roughly 100 miles of New York land. As such, the project will have significant effects on the communities and residents along its proposed route. The State itself has important interests at stake, including protecting investments in the region by the Empire State Development Corporation.

Supporters of the Constitution Pipeline suggest that the project will have a positive economic impact on the region – by directly creating temporary construction jobs and other employment, by reducing energy costs for local communities along the pipeline route, assuming they obtain access to natural gas carried in the pipeline, and through new tax revenues.

Opponents of the pipeline assert that the project will have an adverse economic impact – by hurting tourism and agriculture and reducing property values along the pipeline route (both adjacent properties and properties seized by eminent domain). Opponents also question whether the project will reduce energy costs because of the potential that gas shipped via the pipeline may be exported. They are concerned about the health impacts of compressor stations on neighboring residents (due to their attendant noise and air pollution), and the long-term impacts of potential increased flooding due to the pipeline’s construction, including potential water contamination.

Given the high stakes for the State and its residents, the Office of the State Comptroller should review the project with an eye toward assessing the net economic impact of the project.
A true accounting of the net economic impact of the Constitution Pipeline would include in its analysis:

- **Risks to local property values and the related effect on tax revenues**
- **The estimated costs in industries (e.g., agriculture and tourism) that may be adversely impacted by the project, including the loss of jobs and revenue.**
- **The risk of environment and emergency costs in the event of leaks or accidents.**
- **The range of possible effects on local energy prices, particularly if gas transported by Constitution Pipeline ends up at export.**
- **The pipeline’s effect on local health and the resulting health costs.**

The Federal Energy Regulatory Commission (FERC) has recently come under fire for conflicts of interest because a significant portion of FERC’s funding is directly tied to approval of pipeline projects. In addition, it has been reported that FERC’s employees and Commissioners regularly rotate between FERC and private sector jobs serving the oil and gas industry, which they are charged with regulating. FERC has adopted procedures that allow projects to be built before judicial review can be completed, and the agency has been sued for conflict of interest and due process violations due to these circumstances. Indeed, since its current funding mechanism was adopted thirty years ago, FERC reportedly has never rejected a pipeline project. As a result of these structural issues, the Comptroller should provide additional input and scrutiny with respect to FERC projects to ensure their worth to our State and its citizens.

In addition, the Comptroller should provide assistance and expertise to families whose properties are subject to taking by private energy companies through eminent domain. Eminent domain is a powerful tool that requires oversight to prevent abuse. Eminent domain would not be appropriate if the primary purpose of the project is actually for export, as the underlying justification for the extraordinary exercise of eminent domain can only be to foster the public good. Where eminent domain is deemed permissible, we must ensure that property owners are in a position to receive appropriate compensation for their sacrifice. Current rules for compensation of landowners are inadequate and in need of revision, because they do not compensate the landowner for the full loss in property value that the entire parcel suffers.

Finally, I urge you to investigate the cumulative impacts – including costs associated with environmental and public health effects – of the construction of new pipeline systems and compressor stations throughout the State and the region. The Massachusetts State Attorney General has recently conducted a review and found that there is no need for the pipeline build-out being proposed in the Northeast. FERC has the power to require a regional review of such projects through what is known as a Programmatic EIS, but has chosen not to do so. The absence of such a crucial analysis requires your review.

Sincerely,
Zephyr Teachout