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Mission Statement

The primary mission of the New York State Department of Public Service is to ensure affordable, safe, secure, and reliable access to electric, gas, steam, telecommunications, and water services for New York State’s residential and business consumers, while protecting the natural environment. The Department, the staff arm of the Public Service Commission, also seeks to stimulate effective competitive markets that benefit New York consumers through strategic investments, as well as product and service innovations.
Message from the CEO ...

The Department of Public Service laid out an ambitious long-term agenda over the past few years, including Fiscal Year (FY) 2015-2016, that reflects the importance of the industries it regulates to ensure the State’s economic and environmental health. I am very proud to report that we accomplished more in the last few years than any time in recent memory.

Top on the FY15-16 agenda was Governor Andrew M. Cuomo’s Reforming the Energy Vision (REV) strategy to redesign the electric industry to ensure economic efficiency through infrastructure investment and competitive market innovation, strengthen and improve consumer supply choice, and protect the natural environment. Throughout the world, New York’s leadership in REV is quickly becoming the gold standard for necessary industry reform.

REV is a groundbreaking proceeding to fundamentally change New York’s $22 billion electricity market through a top-to-bottom makeover of utility planning processes, electricity market structures and rate designs to eliminate barriers that block the deployment of distributed energy resources and hold back the development of clean-energy innovations.

While we work to implement REV, we are also pursuing the implementation of the Clean Energy Standard. Under the Clean Energy Standard, 50 percent of our energy needs will be met with renewable energy by 2050 and our upstate nuclear units will have a fair opportunity to remain operational until the end of their license periods.

The services that all regulated companies provide are essential to the economic welfare of all customers and the State at large. Ensuring universal access at an affordable price will always be a focus of this Agency. Over the last several years we have taken great pride to ensure this happens.

After thoroughly scrutinizing proposed rate increases, the Commission reduced the amount sought by electric and gas utilities by more than $1.05 billion over the past two years, while still ensuring safe, reliable service. We expect to continue those efforts in 2016 and beyond.
To ensure consumers receive the utmost protection and service from regulated utilities, the Department created a Consumer Advocate to strengthen the voice of the consumer for all activities overseen by the Commission. The Advocate ensures all regulated parties adhere to best customer-service practices, especially for low-income consumers, and the Advocate works closely with the newly created Consumer Advisory Council.

Our achievements are already making a difference:

Our electric and natural gas systems are becoming more reliable, more efficient, more affordable, and less polluting.

Our cable and telecommunications companies are making historic investments to deploy advanced technology across the State.

Meanwhile, our water companies are developing innovative solutions to meeting growing demand for water resources and helping meet our clean energy goals.

In 2015, REV moved from the conceptual stage to actual deployment and application. A hallmark of this proceeding has been robust public involvement and participation since the outset. Nearly 300 stakeholders, representing a "who's who" of environmental groups, industry organizations and consumer protection advocates, have participated directly in helping shape REV. The commission has held several REV technical conferences, including one attended by more than 200 people with a record 1,000 people watching on the Internet. The commission also has conducted public hearings across the state.

The Commission took a significant step when it adopted a policy framework for the REV regulatory proceeding and made decisions on critical REV issues. The Commission provided guidance to the industry and laid out REV's implementation framework. Considering the scope of the REV initiative and the effect it will have on millions of electricity customers in the state, REV arguably will have as much as or even greater effect on New York than the restructuring of electricity markets in the mid-1990s.

The Commission is creating tariffs that put a real value on distributed energy resource benefits, such as solar; developing opportunities for virtual community net metering, which will enable consumers to receive financial credit for installed distributed energy resources on properties not their own; setting rules to allow community choice aggregation; and strengthening demand response programs that will allow energy use to be dynamically managed with local energy resources.

To address climate change challenges, the Commission took actions to ensure that the safety of natural gas pipelines included ways to reduce methane leaks, a major contributor to climate
change. The Commission remained committed to reducing pipeline safety risks by pursuing incentive programs to replace deteriorating and leak-prone infrastructure. The Commission pursued rigorous oversight of the utilities' maintenance programs involving leaks and the repair and replacement of pipeline by making sure utilities comply with all safety regulations to protect the public's safety.

New York is leading the nation in creating an attractive environment for businesses to accelerate and expand investment in clean energy technologies while mitigating climate change. Technology, experience and changed economic conditions give the commission an opportunity to focus on customers and look at ways that allow demand management to become an active and market-driven solution to creating an efficient, secure and cost-effective system. Rather than think of demand response as the last resource used to manage price and reliability, managing demand can be the first and most efficient way to operate the system.

The energy world is changing, and the Commission is reforming its regulatory policies to ensure customers benefit from the creation of economically and environmentally sustainable energy markets. The Commission continued to maximize the utilization of resources and reduce the need for new infrastructure though demand management, energy efficiency, renewable energy, distributed generation and energy storage programs

In conclusion, the concrete actions the Commission and Department in FY15-16 have taken will not only ensure affordable, safe, secure and reliable access to electric, gas, steam, telecommunications, and water services for New York State’s residential and business customers, while protecting the environment, they will also stimulate economic growth and job creation.

Audrey Zibelman
Chief Executive Officer
Introduction:

The availability of reliable, resilient and affordable electric, natural gas, telecommunications, and water service is critical to the welfare of citizenry and is essential to New York’s economy. From April 1, 2015 to March 31, 2016, the New York State Public Service Commission continued to fulfill its mission to ensure affordable, safe, secure, and reliable access to regulated utilities for New York State’s residential and business consumers, while protecting the natural environment. It also continued to seek to stimulate effective competitive markets that benefit New York consumers through strategic investments, and encouraged development of new innovations.

To carry out its mission, the Commission actively and proactively pursued several significant initiatives and proceedings (e.g., REV, renewable energy, transmission upgrades, gas safety, repowering, storm hardening, low-income protections, telecommunications mergers, and much more) while addressing such questions and challenges as how to ensure continuing economic growth and prosperity in NYS; eliminate barriers that block deployment of distributed energy resources and hold back development of clean energy innovations; ensure the safety of the natural gas pipeline; and ensure customers benefit from the creation of economically and environmentally sustainable energy markets.

Major Department Initiatives:

I. Reforming the Energy Industry: Governor Cuomo’s REV modernization initiative is now fundamentally transforming the way electricity is distributed and used in New York State. Under REV, New York is spurring innovation to create a power system that uses more distributed, resilient, cleaner, sources of supply to ensure New York customers benefit from cleaner and more affordable electricity.

With lightning speed, REV has moved from concept to deployment and application. Under REV, electric utilities are required to integrate distributed resources to optimize the grid of the future and, in turn, create the right market and pricing environment to fairly financially reward or credit participating customers to encourage these cost-saving and environmentally beneficial activities.

In 2015, the Commission saw results of its clarion call for the private sector to partner with utilities to submit REV demonstration proposals to advance the development of new utility and third-party service or business models and to gain experience with integration of distributed energy resources. In making this request, the private sector was asked to join with the Commission to help design and inform regulatory changes and rate design, and to provide utilities with the opportunity to learn how best to use these distributed resources in system development, planning and operations. The first of these demonstration projects will be an important step in implementing the
expected REV policy changes and will influence decisions with respect to developing new transmission and distribution system functionalities, measuring customer response to programs and prices associated with REV markets, and determining the most effective implementation strategies.

The REV demonstration projects will provide insight on how businesses and innovators can work with utilities to unlock private investment in clean energy and deliver new products and services to customers. These projects, a direct response to the State’s REV regulatory initiative, show how new energy business models are advancing New York’s leadership in building a cleaner, more resilient and affordable energy system for all New Yorkers.

The projects test how new business models and partnerships with third parties can harness the utility platform, expertise, and brand to reduce clean-energy costs and barriers related to marketing, financing, and operations and maintenance. They also demonstrate how the utility platform can open access to new value streams based on the benefits local energy resources provide to the system, which improves project economics for clean-energy developers and customers.

**REV in Motion:** An early example of REV in action is Consolidated Edison’s development of a cutting-edge energy management program, the Brooklyn/Queens Demand Management (BQDM) program, approved by the Commission in late 2013. BQDM incorporates novel customer-side electric usage management programs and other innovative tools to lower overall costs for customers in a fast-growing portion of New York City, saving consumers the cost to build a $1 billion substation. BQDM is notable because it involves a diverse area of the city, both in terms of the population and type of use.

>The Commission is enabling New York’s electric utilities to harness new technology and markets in a customer-centered manner while ensuring safe and adequate service at just and reasonable rates. Offering customers incentives to reduce loads will spur the creation of new services and products that benefit all customers. With this step, many more residential customers will have the chance to participate in these program and get paid. — CEO Audrey Zibelman

A second example is the American Water’s development of a geo-thermal facility in Valley Stream, Long Island. This program has shown how use of geo-thermal can improve the heating and cooling of an elementary school while reducing operating costs and, more importantly, create a learning environment that is better for the students and teachers. In the past year the project saves the school $40,000 a year. American Water saw the opportunity through REV to expand the services that they provide to customers and are now looking to duplicate the experience throughout its territory.
A third example is the deployment of internet-based information portals by utilities that facilitate customer access to understanding their energy usage and provide energy saving opportunities with a click on their system. Central Hudson's CenHub Marketplace is showcase as to how customers can easily find ways to save money on their electric bills.

**Demand Response Efforts:** In June 2015, the Commission approved new rules through which electric utilities will offer customers financial payments to reduce the amount of electricity used during periods of high demand or system stress such as hot summer days. These demand response programs, which mirror programs already been in place at Con Ed, took effect initially in specific high-value areas on July 1, 2015.

These programs will give consumers more options and control over energy bills, while also increasing utilities' ability to manage demand on their systems. These changes are core components of REV. Dynamic load management has the potential to provide substantial benefits to customers, the electric system, distribution utilities, and the State. The benefits of these new program offerings by utilities will support the goals of REV by reducing peak, energy and capacity costs while lessening the need to build new infrastructure. Bottom line — we reduce emissions across the state and help to lower the customer's total utility bill. Given the accelerated timeframe for program development and rollout, some utilities [see note below] are only able to offer the programs in a limited portion of their service territory this summer. The utilities prioritized areas which offered the greatest benefits at the lowest costs, based on factors including system stress and local distribution constraints for accelerated program rollout in summer 2015. Because of the importance of this initiative, the Commission directed the utilities to make all programs available throughout their service territories next summer.

The implementation of dynamic load management programs by all major electric utilities in the State represents a major step forward toward meeting New York's energy, capacity, and reliability goals in a cost effective and environmentally friendly way. Furthermore, as envisioned in the REV initiative, such programs will eventually become commonplace parts of the utility business model in New York as load management is incorporated into everyday operations and planning and the utilities transition from serving static loads to dynamically managing a platform that provides ratepayers with the greatest benefits at the lowest cost, while also maximizing consumer options. Through dynamic load management, utilities can reduce electricity usage when demand is highest, lowering energy and capacity costs, reducing necessary infrastructure spending, and enhancing reliability. These actions can also help reduce harmful emissions, since peaking plants are often dirtier and less efficient than base load power plants.
Advanced Metering Infrastructure: In FY15-16, the Commission approved Con Edison’s plan to bring two-way “smart meters” to New York City and Westchester County, introducing money-saving products, technology, and incentives to help millions of residential and business customers actively manage their energy usage and take control of their monthly bills. The operational savings, new system-wide efficiencies and overall customer savings that will occur as a result of this cutting-edge initiative will be significant. As the first-of-its-kind system in New York State, this is a milestone in REV.

Con Edison estimates a net benefit over more than $1 billion from the Advance Metering Infrastructure (AMI) with additional savings expected as consumers take advantage of new energy-saving products and services. In addition to customer savings and new consumer choices, AMI technology will make the entire Con Edison system more responsive and reliable by using data and two-way communications to manage outages and service connections during storms. The new technology is also expected to provide substantial environmental benefits by reducing overall energy demand and a decrease in greenhouse gas emissions.

The energy demands of the modern economy, and the need for system resiliency caused by climate trends, create an increasing need for utilities to have detailed awareness of their flow of energy along their transmission and distribution systems. At the same time, customers require increased ability to manage their energy consumption and energy bills. AMI is a proven technology that addresses both of these goals.

With a solid track record of success, smart meters allow for two-way communication between customers and the local utility. Starting in 2017, Con Edison will install 3.6 million electric smart meters and 1.2 million gas smart meters over the next five years. In addition, the rollout of the new system will include plans for customer engagement and protection of customer data privacy.

Con Edison is already working on the sophisticated information technology system that will drive its AMI system. Among its expected customer and system benefits are:

- Access to a personalized online portal, accessible through smart phones and smart devices, that will give customers detailed information on how they use energy, including nearly-instantaneous data for more-immediate management of their energy needs;
- Customers will be able to receive alerts about their usage throughout the month, before the billing period is complete. This feature could prove to be useful in managing energy usage and costs;
- Empower customers to manage their bills by participating in energy efficiency, demand response and
Other demand management opportunities presented by a modernized system; utility managers at Con Edison will see conditions on its grid, enabling operation at optimum voltage levels that will reduce energy consumption and greenhouse gas emissions. Con Edison operators will also be able to automatically detect when customers lose power, leading to faster restoration times even without notification from a customer. In some cases, service can be restored remotely, creating a great convenience for customers, while also saving time and money and reducing emissions from company vehicles; and

- Con Edison will be able to integrate more solar power systems and other distributed energy resources, while customers will be able to use a variety of sensors and “smart appliances” such as smart thermostats, washing machines, refrigerators, air conditioners and other computerized energy management systems.

II. Ensuring Affordability and Access to Services: Utility services are essential to the economic welfare of all customers and the State as a whole. Ensuring universal access at an affordable price will always be a focus of this agency. After thoroughly scrutinizing proposed rate increases, the Commission reduced the amount sought by electric and gas utilities by more than $1.05 billion over the past two years, while still ensuring safe, reliable service. We expect to continue those efforts in 2016 and beyond. Consumers are also benefiting from reduction in wholesale power and gas costs. Power costs have dropped dramatically since 2008 by 26 percent, while gas costs have fallen 66 percent. In addition, the Commission reduced State-mandated energy surcharges by $91 million since 2015.

Consumer Protection: In FY15-16, Governor Cuomo announced a comprehensive action plan to protect residential and small commercial consumers from unfair business practices in the retail energy service industry following an industry-wide review conducted by the Commission. This review found that multiple energy services companies, or ESCOs, were overcharging for electric and gas service, as well as failing to deliver on promises for savings and clean energy. The Commission’s actions will both enhance consumer protections and ensure that violators of the Commission’s regulations will not be allowed to operate in the State.

Major Rate Case Decisions FY 2015-2016

Consolidated Edison
- The PSC approved the final phase of a storm-hardening and resiliency plan, calling for a record investment of nearly $459 million in the coming year.
- Electric rates were also frozen for a third consecutive year after Con Ed had initially requested a delivery rate increase of more than $368 million.
- The rate freeze was extended by using available customer credits and other adjustments.

Orange and Rockland
- The PSC granted only half of electric rate increase requested by the utility while also reducing an increase in the delivery charge for gas service.
- The new rate plan also includes increases monthly credits for low-income customers; introduces new technology to reduce power demands and enhances the rebate available for residential customers who switch to natural gas.

PSEG Long Island
- The Department of Public Service recommend a significant cut of roughly 26 percent to the rate proposal submitted by PSEG.
- The Department also urged the Long Island Power Authority to take steps to reduce the debt burden on ratepayers and to ensure safe and resilient service by fortifying critical infrastructure in the power systems of Long Island.

Central Hudson
- The PSC adopted a three-year electric and gas rate plan, modifying a one-year proposal from the utility.
- The PSC also approved a non-wires alternative project that would promote greater use of distributed resources to reduce load.
- The project will provide customers with an opportunity to avoid costs associated with transmission and distribution infrastructure investment in three designated locations within Central Hudson’s service territory.

PSC Quick Fact:

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As part of this effort, the Commission strengthened the process for revoking ESCO eligibility to do business in New York if it is found in violation of State regulations. A "do not knock" rule has been instituted that provides energy customers with the same freedom from unwarranted intrusion as those registered for "do not call" protections and a company's ability to do business in New York will be revoked if they ignore local solicitation rules regulating door-to-door selling at a residence or place of business.

Early in the fiscal year, the Department’s Consumer Advocate, created in response to Governor Cuomo’s efforts to make sure consumers receive the utmost protection and service from energy service companies.
and regulated utilities, announced a detailed investigation into Ambit Energy, one of the largest competitive energy companies in the State. The investigation was prompted by a noticeable spike in customer complaints filed against Ambit, primarily over higher-than-expected charges on electricity bills. The Department’s Consumer Advocate ensures that regulated energy, telecommunications and water utilities, as well as third-party service providers, such as Ambit, adhere to Commission rules regarding the customer services.

The investigation by the Commission’s Consumer Advocate resulted in 1,566 consumers receiving $950,700 in energy refunds from Ambit Energy. Customer complaints related to issues like predatory sales tactics and higher-than-expected prices have more than doubled since 2013 and the Commission’s action is designed to put an end to these dishonest business practices.

Energy service companies such as Ambit are required to comply with the Department’s Uniform Business Practices (UBP) to sell natural gas and electric services in New York. Failure to comply with the UBP may result in a variety of measures, including revoking a competitive energy provider’s eligibility to serve customers in New York. In FY15-16, the Commission took administrative actions against four ESCOs for non-compliance of Commission rules for maintaining their eligibility status. These companies lost their ability to sell electricity or natural gas in New York State.

**Low-Income Consumer Support:** In January 2015, the Commission directed the Department’s Consumer Advocate to conduct a thorough review of utility low-income discount programs, to identify best practices, and to develop a set of recommendations for how best to optimize the implementation of the programs. The report that was issued for public comment recommended a new statewide approach to utility low-income programs that addresses each of the basic elements of program design and implementation, including defining eligibility, enrollment processes, benefit structures and discount levels provided, as well as program budgeting and cost recovery. The proposed program will be strengthened and complemented by the State’s multiple efforts under REV to deliver energy efficiency and distributed energy resources, including solar, to low- and moderate-income customers. The overall goal of these initiatives is to reduce costs to all consumers, including low-income.

And there were other actions taken to benefit consumers. In November 2015, the Commission announced that 3,600 non-residential customers of National Grid’s KeySpan Gas East on Long Island will receive approximately $3.3 million in refunds as a result of being erroneously charged a more-expensive rate for natural gas service. The Commission’s investigation found thousands of Long Island businesses have been
misclassified as heating customers, resulting in higher rates for their natural gas service. After reviewing the billing records of more than 57,000 commercial accounts on Long Island, the Commission uncovered errors dating back to 2008. Restaurants, retail stores and other businesses were wrongly charged the gas delivery rate normally billed to businesses that use natural gas as their primary source of heat. The Commission found that roughly six percent of KeySpan Gas East’s business customers were overcharged.

In April 2015, the Commission selected an auditor to conduct comprehensive management and operations audits of Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc., relating to their respective electric, gas and steam businesses.

In May 2015, the Commission approved National Grid’s implementation plan to improve the efficiency and effectiveness of its New York gas utility operations. The plan addresses specific recommendations related to corporate governance, system planning, load forecasting, and supply procurement. The implementation plan stems from an audit ordered by the Commission.

**Energy Affordability:** In June 2015, the Department’s Office of the Consumer Advocate issued a proposed plan to reduce the energy burden for low-income utility customers across New York State. At the direction of the New York State Public Service Commission, the proceeding complements Governor Cuomo’s REV initiative. The creation of the Office of Consumer Advocate was recommended by Governor Cuomo in January.

On average, New Yorkers’ total energy bills as a percentage of income are below the national average, however, low-income households struggle to pay energy bills. The

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**PSC Quick Fact:**

**Number of Public Statement Hearings**

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To ensure public input, the PSC increased the number of public hearings.

**Safeguarding Consumer Interests:** The 2013-2014 Budget strengthened the oversight and enforcement mechanisms of the Commission to ensure that major electric and gas utility companies remain accountable and responsive to the Commission and to customers. Management and operations audits provide recommendations that benefit both ratepayers and utilities by expanding the focus on long-range planning, capital expenditures, decision making and execution of projects/programs, supply procurement, and corporate governance.
grim reality of the situation is very troubling: more than 1 million residential customers are more than 60 days in arrears, owing nearly $800 million to utilities; and over the past year, nearly 300,000 residential customers had utility service disconnected for non-payment, with low-income customers experiencing a disproportionately high amount of these arrears and service terminations for non-payment.

To improve energy affordability for low-income utility customers, the Office of the Consumer Advocate proposed a standard statewide approach that sets a goal to reduce the energy burden for low-income customers to 6 percent of their income, a far lower number than what many low-income families currently pay. The report issued for public comment recommends a new statewide approach to utility low-income programs that addresses each of the basic elements of program design and implementation, including defining eligibility, enrollment processes, benefit structures and discount levels provided, as well as program budgeting and cost recovery.

**Telecommunications Improvements:** The Commission’s efforts do not end with energy utilities. In June of 2015, the Commission issued for public comments a comprehensive assessment on the state of telecommunications. According to the assessment, the rapid evolution of technology spurred by the development of the Internet and broadband is profoundly changing the fundamental concept of communication services in New York State. As a result, the Commission is reviewing the state of the industry, as well as its oversight role, to ensure consumers are being well-served, have sufficient protections, and that its practices are aligned with statewide public policy goals. Following issuance of the assessment, the Commission held 15 public statement hearings in nine locations across the State with over 1,200 attendees, and approximately 100 making statements on the record.

In FY15-16, the Commission instituted a proceeding to investigate Verizon’s customer service quality programs and processes. Verizon’s service quality plan has been in place for six years and there is concern that the company’s total customer service quality initiatives has declined, especially at it relates to its copper network.

As a result of continued economic growth in New York, the Commission had to approve the creation of two new area codes in New York State. In November 2015, the Commission established an all-services area code overlay as the appropriate means of providing numbering relief for the 212/646/917 area code in Manhattan. The new area code will be 332 once implemented.

Meanwhile, the Commission approved an area code overlay in the 315 area code region serving all or part of 18 counties in central New York. The addition of a new area code in central New York was prompted by
strong demand for additional telephone numbers. In making its decision, the Commission determined that the best way to meet demand for new telephone numbers in the region and minimize customer impact was to overlay a new area code over the existing area code. In July, the PSC also announced that the North American Numbering Plan Administrator (NANPA) had assigned 680 as the new area code for Central New York.

In July of 2015, the Commission announced that residential, business and wireless customers within the existing 631 area code in Suffolk County should be preparing for the introduction next year of the new 934 area code. To ensure a continuing supply of telephone numbers, the new 934 area code will be added to the 631 area code region which serves all the communities in Suffolk County, New York. The new 934 area code will be “overlaid” or superimposed over the same geographical area as the 631 Area Code. Beginning July 16, 2016, customers in the 631 area code region requesting new service, an additional line, or in some cases moving their service, may be assigned a number in the new 934 area code. The Commission ordered an Area Code Overlay for the area served by 631 in 2014.

In November, at the request of Governor Cuomo, the Department announced it was investigating recent telephone network disruptions affecting 911 emergency service to more than 400,000 Verizon New York and Frontier Communications customers in the lower Hudson Valley, including portions of Sullivan, Putnam, Ulster and Westchester counties on Thursday, Nov. 12. The public relies on 911 service as a lifeline to ensure they get fast and immediate assistance should any kind of life-threatening or other safety emergency occurs. The investigation sought seek to determine the root cause of the outage and other underlying facts in an effort to understand how this occurred and help prevent future outages.

**Cable Mergers:** In January, the Commission approved the merger of Time Warner Cable and Charter Communications, which will dramatically improve broadband availability for millions of New Yorkers and lead to more than $1 billion in direct investments and consumer benefits. The Commission’s
merger requirements will deliver broadband speed upgrades to 100 Mbps statewide by the end of 2018, and 300 Mbps by the end of 2019. This benefits two million Upstate broadband customers. The highest speed offered by Time Warner Cable north of New York City is 50 Mbps so customers will experience significant speed upgrades. The merger conditions further required that Charter offer high speed broadband to 145,000 unserved customers who currently have no high speed broadband at all.

In November, 2015, the Commission commenced its review of the $17.7 billion purchase of Cablevision Systems Corp. by Altice N.V., a European telecommunications company. The Commission is expected to complete its review of the proposal in June of 2016.

Cablevision, based in Bethpage, Nassau County, has about 1.9 million voice, broadband and video customers in New York with more than 220 cable franchises in Long Island, New York City and the lower Hudson Valley. Altice is a multinational cable and telecommunications company with operations in Western Europe, Israel, the French Caribbean, the Dominican Republic and regions of the Indian Ocean.

**Water Rates and Services:** In December, 2015 the Commission directed Suez, Inc. to move forward and submit a three-part strategic plan to better manage Rockland County’s water supply over the next decade by using conservation, leak control, and incremental new supply measures. The Commission also determined the utility’s plan to construct a desalination plant on the Hudson River is no longer needed, and denied calls to re-examine the prudence of the utility’s original decision to pursue the desalination project. Concerns about the long-term sustainability of Rockland County’s water supply have been growing over the past two decades. The current proceeding arises from a Commission decision in 2006 recognizing that a new water source would be needed by the end of 2015. In January 2007, the company responded with a proposal to build a new water intake pumping station and water treatment and desalinization facility in the Town of Haverstraw, capable of scaling up to 7.5 million gallons a day of potable water from the Hudson River for Rockland County customers. The decision concludes a proceeding initiated in 2013 to re-assess the need for a new long-term water supply source based on new circumstances.

> It is our obligation to ensure the company takes all appropriate action to provide a clean and reliable water supply. The record demonstrates that circumstances have changed since the Commission first asked the company to develop a new long-term water supply in 2006. The development of a comprehensive water conservation plan by the utility and the community will help meet the needs of the community for the next decade. — CEO Audrey Zibelman

**III. Strengthening Reliability and Public Safety:** Two high profile natural gas incidents heightened public awareness regarding the
safety of the natural gas distribution system in New York State. The Commission directed utilities to increase leak prone pipeline replacement, and have deployed innovative new approaches that improve safety and minimize impacts to the public. Public Service Law has been strengthened to make electric and gas utilities more accountable and more resilient.

In April, the Commission, as part of its continuing efforts to strengthen the safety and reliability of the State’s extensive natural gas distribution network, reduce climate change emissions, and manage consumer costs, commenced a proceeding to accelerate removal and replacement of aging natural gas infrastructure that could be prone to leaking. The Commission also required utilities to enhance their public education and outreach efforts to promote gas safety.

To ensure utilities focus efforts on replacing leak-prone pipe, they must meet prescribed replacement targets for leak prone pipes or face significant financial penalties. Over the past five years, all of the State’s gas utilities have significantly increased the amount of gas pipe being replaced, but there remains a substantial backlog of more than 12,000 miles of leak-prone pipe statewide.

In a separate proceeding, the Commission directed each gas utility to file revised public education plans which, among other things, describe how the utility will use innovative messaging and social media, include specific descriptions of the education activities, messaging, delivery methods, schedules, budget, and evaluation methods, and incorporate best practices for gas safety education identified by a collaborative of gas utilities.

Reliability and Safety: In FY15-16, Department of Public Service staff that assessed the major utilities in terms of their performance in a number of key areas, including electric reliability service, gas safety, electric safety, and customer service. As a signal of efforts being made, all the major utilities were able to meet their reliability targets, with the exception of Orange and Rockland. Orange and Rockland, with some 220,000 customers, had an average customer outage duration of 2.44 hours for the year, well above its target of 1.85 hours. As a result, Orange and Rockland will forgo $1.2 million in future revenues, which will be used as a credit for the benefit of customers in future rate cases.

Orange & Rockland was not able to meet its outage duration target largely because of a failure at a transmission substation on Dec. 5, 2015. This single event, impacting more than 45,000 customers, accounted for 20 percent of the customers interrupted in 2015 and 43 percent of the year’s hours of interruption. Following the incident, staff performed an investigation into the cause of the event and corrective actions have been taken by the utility to prevent a similar event in the future.

Four utilities – Con Edison, National Grid, Rochester Gas and Electric and Orange and Rockland — saw their reliability
performance stay the same or improve in 2015 as well as remain in line with historical averages.

Meanwhile, three electric utilities — New York State Electric and Gas, Central Hudson, and PSEG-LI — saw a greater number of outages in 2015 than the previous year, as well their five-year averages. When excluding major storms, the statewide interruption frequency, or number of times a customer lost electricity for five minutes or more, was slightly worse in 2015 than the statewide five-year average.

_The overall statewide duration, or the length of time power was out including major storms, was one of the lowest in the past 10 years. As part of Governor Andrew M. Cuomo’s strategy to ensure overall State preparedness for major storms, Department of Public staff worked closely in 2015 with the utilities to ensure sufficient staffing and equipment availability for major storms. Despite several significant storms, all outages were restored in less than 72 hours._ — CEO Audrey Zibelman

Staff reported that natural gas local distribution companies’ performance in 2015 in two areas pertaining to safety — emergency response and leak management — have improved from a year ago. Damage prevention, emergency response times, and leak management all have improved significantly since 2003.

The data indicates that utility performance has substantially improved across the State over the 13-year period staff has been reporting gas utility performance to the Commission. As utilities continue their outreach efforts, adopt better practices in responding to leak and odor calls, and work to replace leak-prone infrastructure, Staff expects further improvements will occur.

Preventing damage to underground gas pipes is critically important. Damage to buried facilities caused by excavation activities is a leading cause of pipeline failure and accidents nationwide. Staff reported that for the first time in the report’s history, the total damage prevention measure showed a slight decline in performance from a record year; however, it was still 72.5 percent better than it was in 2003 and in fact the majority of the State’s natural gas system operators improved their performance related to damage prevention but one did not. Department staff work interactively with the system operators to analyze the root cause of any degradation in performance and address it as quickly as it is found.

_PSC Quick Fact:_

The 30-minute emergency response time has improved from 76.8 percent in 2003 to 83.1 percent in 2015 and the year-end backlog of potentially hazardous leaks has decreased 94.7 percent, from 1,154 to 61.

Leak management, which seeks to keep potentially hazardous leaks to a minimum, is another example of how utilities can ensure public safety. For leak management, the statewide year-end 2015 backlog improved when compared to 2014, and is down 94.7
percent when compared to 2003. For total leak backlogs, the statewide year-end 2015 backlog was reduced by a total of 2,513 leaks, or 11.5 percent from year-end 2014, and is has been reduced by 26 percent when compared to 2010. All electric utilities are in compliance with the 2015 testing requirements and goals established by the Commission’s electric safety standards. Stray voltage testing was performed on approximately 1.3 million facilities across the State last year. The utilities are also in compliance with the inspection requirement for the first year of the third inspection cycle; in total, approximately 855,000 facilities were visually inspected in 2015.

Since all of test and inspection requirements were met, no revenue adjustments are being imposed by the Commission. The electric utilities have met the requirements of the safety standards in each year since they were established by the Commission in 2005.

Customer Service: In FY15-16, the Commission found that all of the major electric and gas utilities in New York provided a satisfactory level of consumer service in 2015 and were meeting or exceeding the standards for performance on the measures of customer service established for their individual operations, with one exception: Rochester Gas and Electric missed its target for estimated meter readings; the company will forfeit $300,000 in revenues as a result.

To ensure utilities provide good customer service, the Commission adopted strong customer service standards and linked millions of dollars of shareholder earnings directly to performance. Overall, these mechanisms encourage companies to make the quality of service to customers a corporate priority.

**PSC Quick Fact:**

*Department staff continue to press third-party excavators to follow rules when digging near gas pipelines. Over the past five years approximately 1,585 citations have been issued, which has led to training sessions being completed by excavators with both New York 811 and Dig Safely NY; approximately $920,528 in penalties having been collected. Last year, a record 932,936 tickets were issued against companies for failing to comply with dig-safety rules, up 2 percent from a year ago.*

For the most part, the electric and gas utilities’ performance has steadily improved over the last several years, and this trend continued in 2015. For example, NYSEG’s performance has improved from the 2014 levels; and National Fuel Gas had only one complaint that needed Commission intervention in that year. In addition, St. Lawrence Gas and Corning Gas had no such complaints.

As a group, major utilities face up to $93 million in negative revenue adjustments if they fail to meet service quality standards. According to staff’s report, electric and gas utilities’ performance on measures of customer service quality in 2015 was
satisfactory, with the exception of RG&E’s estimated meter readings. Staff performs a variety of activities throughout the year to monitor the quality of customer service provided by utilities, and to help ensure the fair and appropriate treatment of utility customers. Currently, service quality mechanisms are in place for all of the state’s major energy utilities.

To ensure utilities treat customers fairly, we have put in place strong standards for performance and millions of dollars of shareholder earnings at risk in the event of nonperformance. Overall, these mechanisms have been effective in encouraging companies to make the quality of service to customers a corporate priority and providing criteria for ensuring that the quality of customer service remains at satisfactory levels. We will continue to monitor customer service quality and promote performance-based ratemaking strategies relating to customer service quality in conformance with Commission policies. — CEO Audrey Zibelman

Storm Hardening and Monitoring: Last January, the Commission approved a storm-hardening and resiliency plan for Con Edison. In response to Commission directives, Con Edison is investing $459 million for storm-hardening and resiliency projects. The projects are related to the company’s coastal networks, overhead system, substations, transmission structures and power generation facilities. Superstorm Sandy caused billions of dollars in property damage and plunged more than two million New Yorkers into darkness. The investments will add to the tremendous progress Con Edison has been making to better protect New Yorkers from the harmful consequences to New Yorkers’ health, safety and well-being along with the huge economic losses of such catastrophic outages.

Under Governor Cuomo, utility regulations and oversight have been tightened and additional state and federal funding secured to better prepare and react to extreme weather events. As a result of these efforts, Long Island electric customers are already benefiting from a $730 million storm-hardening program, protecting key substations from potential outages and a new modern outage management system to better track outages and communicate with customers.

Con Edison’s storm-hardening work included:

- Strengthening the electric system by making improvements to the coastal network, strengthening overhead distribution and transmission lines, as well as fortifying generating stations;
- Hardening the natural gas system, including replacing mains in flood zones, and installing vent-line protection devices; and
- Fortifying the steam system by fortifying certain critical steam production facilities, installing isolation and remote-operated valves, and reinforcing the system in flood zones.
In February, the Commission approved three decisions to manage energy costs and ensure customers continue to have a reliable power system. Specifically, the Commission rejected a proposal that would have New York State Electric & Gas Corporation customers pay to refuel the Cayuga coal power facility by adding natural gas, while also approving the construction of an electric transmission line and authorizing the sale of the Cayuga and Somerset coal facilities to a new owner. The Commission found that NYSEG’s proposed transmission projects in Cayuga and Onondaga counties were necessary to ensure the reliable operation of the power grid.

Gas Safety: In November, the Commission directed Con Edison, New York City’s largest electric and natural gas utility, to respond to a Department of Public Service staff report that it violated State safety regulations leading up to and following the natural gas explosion that occurred on March 12, 2014 in East Harlem, New York. Eight people died and more than 50 people were injured in the tragic explosion.

The Department’s investigation also identifies a contributing factor of the East Harlem incident was undermining of the utility’s natural gas pipes that were near municipal sewer facilities, which had gone unrepaired for several years. According to the staff report, groundwater washed soil from underneath the gas pipe, which suffered from an incomplete plastic fusion at a critical joint. Staff concluded that the physical stress created by eroding soil under the pipe and extra road asphalt on top of it eventually forced apart the inadequate plastic fusion, which caused the gas leak that led to the explosion.

A utility’s job first and foremost is to safeguard life and property. We will not shirk nor shy away from demanding all New York utilities meet that requirement each and every day. Ensuring public safety is a fundamental responsibility of the utilities, and assuring the utilities fulfill this important obligation is our core mission.
— CEO Audrey Zibelman

State law requires all utilities to provide safe and adequate service. The Commission’s stringent gas safety regulations ensure that the infrastructure, the underground pipes that transport and deliver gas to consumers, are properly maintained and secured. Utilities face financial penalties if they fail to adhere to the safety regulations. Previously, the Commission was authorized to seek penalties only in civil court. Reforms put forth by Governor in 2013 strengthened the enforcement mechanisms of the Commission to ensure that major electric and gas utility companies are held accountable and responsive. The Commission is now able to pursue penalties that reflect a percentage of the utility’s gross revenues after a hearing. Financial penalties imposed under both of these processes are the responsibility of utility shareholders.

Until recently, utility plans to replace leak-prone pipe were examined largely in major rate filings, which typically provide a
multiple-year rate schedule covering a gas company’s entire capital spending program. The Commission is now allowing gas utilities to petition to recover the costs of accelerated leak prone infrastructure

*The Commission has consistently pressed natural gas utilities to eliminate leak-prone pipe from their distribution networks, given the significant safety, reliability and environmental concerns of such pipe. The time is right to consider a new cost-recovery mechanism for gas utilities in order to accelerate pipe replacement on their networks. – CEO Audrey Zibelman.*

replacement, incremental to what is already approved in their rate plans. To ensure utilities focus efforts on replacing leak-prone pipe, they must meet prescribed replacement targets for leak prone pipes or face significant financial penalties.

Over the past five years, all of the State’s gas utilities have significantly increased the amount of gas pipe being replaced, but there remains a substantial backlog of more than 12,000 miles of leak-prone pipe statewide. Because the current cost of capital is relatively low, an opportunity exists for utilities to further accelerate the replacement of leak prone pipe with reasonable impacts on ratepayers. The Commission’s goal is to reduce the statewide average replacement timeline to 20 years.

**IV. Protecting the Environment:** The 2015 New York State Energy Plan provides a roadmap to build a clean, resilient, and affordable energy system for New York State. By 2030, the plan proposes that the State achieve a 40 percent reduction in greenhouse gas emissions from 1990 levels, have 50 percent of the State’s electricity generated from renewable resources, and decrease energy consumption in buildings by 24 percent.

**Clean Energy Fund:** In FY15-16, Governor Cuomo announced the Commission's approval of a 10-year, $5 billion Clean Energy Fund to accelerate the growth of New York's clean energy economy, address climate change, strengthen resiliency in the face of extreme weather and lower energy bills for New Yorkers. Additionally, the fund will attract and leverage third-party capital to support the Governor's aggressive Clean Energy Standard, one of the nation's most ambitious goals to meet 50 percent of our electricity needs with renewable resources by 2030.

This unparalleled $5 billion investment will leverage more than $29 billion in private sector funding and open the door to new clean energy opportunities for years to come. The $5 billion Clean Energy Fund, to be administered by the New York State Energy Research and Development Authority, builds on the progress the state is already making in developing a robust clean tech sector.

The fund is projected to result in more than $39 billion in customer bill savings over the next 10 years through innovative projects and private-public partnerships focused on
reducing greenhouse gas emissions, making energy more affordable through energy efficiency and renewable energy, and mobilizing private-sector capital. In addition to the $39 billion in overall customer savings, as a result of the Commission’s action, consumers and businesses are expected to see lower costs of $1.5 billion over the next 10 years, including an immediate reduction of $91 million from 2016 electric and gas costs compared to 2015.

The fund will operate four major portfolios:

- **Market Development ($2.7 billion):** NYserda will undertake a variety of activities to stimulate consumer demand for clean energy alternatives, energy efficiency while helping to build clean energy supply chains to meet that growing customer demand. At least $234.5 million must be invested in initiatives that benefit low-to-moderate income New Yorkers during the first three years of the fund;

- **NY-Sun ($961 million):** The fund finalizes the funding and confirms the long-term commitment for NY-Sun and for the growing solar electric market and industry in New York State, by supporting rapid and continued cost reduction. This will continue to make solar energy more affordable and accessible for residential and commercial solar customers, and will drive the growth of the solar industry in New York, which currently employs more than 7,000 people across 538 solar companies in the state;

- **NY Green Bank ($782 million):** To leverage private sector investment, expand the availability of capital and increase confidence in lending for clean energy projects, the fund will complete the capitalization of the innovative NY Green Bank. The fund will increase the NY Green Bank’s total investment to $1 billion and will leverage an estimated $8 billion in private investment;

- **Innovation and Research ($717 million):** As New York State moves to a cleaner, more efficient, and more widely distributed energy system, the Clean Energy Fund will help spur innovations through research and technology development that will drive clean-tech business growth and job creation while providing more energy choices to residential and business customers.

**Clean Energy Standard:** In FY15-16, Governor Cuomo directed the Department to design and enact a new Clean Energy Standard mandating that 50 percent of all electricity consumed in New York by 2030 result from clean and renewable energy sources. As noted by Governor Cuomo, climate change is one of the defining issues of our time, and we must act now. With one of the most aggressive renewable energy goals of any state in the nation, we are leading by example to ensure the possibility of a bright future for generations to come. The Clean Energy Standard provides a cost-
effective, efficient, and enforceable mandate to meet the goal of ensuring clean, resilient, and affordable energy for all New Yorkers. It will result in lower costs for renewable energy and create new opportunities to scale large renewable energy projects.

Additionally, Governor Cuomo directed the Department to develop a process to prevent the premature retirement of safe, upstate nuclear power plants during this transition. As New York State continues to aggressively add new renewable resources, it cannot lose ground in the fight to reduce carbon pollution through the unnecessary retirement of safely operating nuclear power plants in upstate New York.

The early closure of those plants would result in increased carbon pollution from fossil fuel generators, reduced fuel diversity and unstable electric prices, as well as job losses and economic distress in Upstate communities. Support for nuclear plants is separate and distinct from the 50 percent renewable energy mandate.

**Increasing Renewable Resources:** In FY15-16, the Commission announced new regulations making it faster and easier for solar energy, microgrids and other distributed generation projects to connect to the electric grid and advance the development of renewable power under the state’s new Clean Energy Standard.

The new regulations make it easier for distributed generation developers to work with utilities to find the best places to connect innovative solar power projects that will protect the environment, lower energy costs and improve the efficiency and reliability of the electric grid.

The Commission’s order increases the size of distributed generation projects (from 2 MW to 5 MW) that may apply under the State’s “standardized interconnection” process and dramatically lowered up-front costs to developers. The Commission also amended its rules to enable utilities to more-easily process and analyze the large numbers of applications filed by solar and other power developers.

**PSC Quick Fact:**

> From 2012 -2015, New York has seen an increase of 575 percent in the amount of solar power installed and in development, which has also generated a significant increase in the number of solar-related jobs across the State. New York’s solar industry is now the fourth largest in the nation and currently employs more than 8,250 workers, an increase of more than 3,000 jobs since 2013. In 2016, double-digit job growth is expected to continue with another 1,000 additional jobs created as a result of the state’s robust solar project pipeline.

While other states have recently slowed solar development through regulatory actions, New York has strongly embraced the development of renewable power as it considers changes to encourage and promote the financing and installation of solar and other clean-power sources. The overall goal for these modifications is to enhance and speed up the interconnection
application and review process, as well as the overall interconnection process. Given the significant increase in interconnection applications, improvements in the overall process are needed and further modifications may be needed as additional lessons are learned and technology evolves.

This success is helping New York meet its ambitious target under the Governor’s Clean Energy Standard which would develop enough renewable power to meet half of the State’s electricity needs by the year 2030.

**Net Metering Changes:** In April 2015, the PSC adopted a transition plan to create a more equitable payment program for new renewable energy projects seeking to allocate net metering payments from a remote site to another site. The plan balances the expectations of sponsors of projects in development while protecting all consumers from unnecessarily paying more for electricity generated from renewable resources. The plan facilitates the move from monetary to volumetric crediting at remote net metered sites where non-demand rates are in effect, while removing obstacles to the development of meritorious solar and other net metered projects. The Commission also extended the term for retention of the monetary crediting methodology to a minimum of 25 years to better match existing contractual obligations between project developers and customers.

**V. Modernizing Infrastructure:** Each year New York’s regulated companies invest billions in maintaining their complex systems. It is critical for the State that these investments are done in a way that is both cost effective and takes advantage of newer and smarter technologies. The Commission is creating new incentives so utilities will pursue actions that accelerate adoption of smarter solutions and reduce costs to customers. In addition to these new approaches, the Commission has taken several steps to ensure safe, secure and reliable electric, water, gas, and communication networks. Some of these efforts include:

**Transmission Upgrades:** In December, the Commission voted to further its Alternating Current Transmission Proceeding, advancing it to a competitive process managed by the New York Independent System Operator (NYISO). The Commission’s action limited the new transmission lines to replacement and upgrading of existing lines within existing rights-of-way, and adding new substation facilities at several locations, which will reduce or eliminate adverse environmental, landowner, and economic impacts. The proposed project provides $1.20 in benefits for every dollar that it costs. The state-of-the-art improvements proposed for 156 miles of high-voltage transmission lines, representing the backbone of the State’s electric transmission system running west to east and north to south, will provide numerous benefits including reducing grid congestion and allowing lower-cost electricity and renewable electricity being produced in upstate New York to flow to millions of downstate customers. Upgrading the
**Article VII Cases Approved in FY15-16**

**Bluestone Loop:** A 2.28 mile natural gas pipe loop in the Town of Sanford, Broome County approved Feb. 26, 2016. (15-T-0701)

**Cody Road Substation:** A 1 mile 115 kV transmission line to connect a substation in the Town of Fenner, Madison County approved Sept. 18, 2015. (15-T-0384)

**Sturgeon Pool Substation:** A 1 mile 115kV transmission line to connect a substation in the Town of Esopus, Ulster County approved July 21, 2015. (15-T-0165)

**State Street-Elbridge:** A 14.5 mile 115kV transmission line to connection substations in the City of Auburn, Cayuga County and the Town of Elbridge, Onondaga County approved on Feb. 25, 2016. (13-T-0235)

**Dunbar Compressor Upgrade:** Authorizing expansion of an existing compressor station in the Town of Windsor, Broome County approved Oct. 16, 2015. (10-T-0350)

**Laser Pipeline Loop:** A 9.5 mile natural gas pipe loop in the Town of Windsor, Broome County approved Oct. 16, 2015. (13-T-0538)

**Dover-Pleasant Valley:** A 14.6 mile, 345kV line from a power plant in the Town of Pleasant Valley, Dutchess County, and reconductoring a 3.4 mile, 345kV line in the Town of Dover, Dutchess County approved April 20, 2016. (13-T-0585)

**Columbia County Transmission:** An 11.1 mile, 115kV line in the Towns of Chatham, Ghent, and Stockport, Columbia County stipulated July 30, 2015. (12-T-0248)

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Backbone of the State’s transmission system was called for as part of Governor Cuomo’s Energy Highway Blueprint initiative. It is also an important building block under REV.

**Public Policy for Transmission Lines:** In July, the Commission adopted a public policy requirement related to the potential need for additional transmission capability in Western New York. The adoption of the new requirement stemmed from an ongoing proceeding to establish procedures for the identification of public policy requirements that would be factored into future energy infrastructure planning. In its decision, the Commission determined transmission projects in Western New York that fulfill such public policy requirements would become eligible for cost recovery through the NYISO tariff if they are selected by the NYISO as the more efficient or cost-effective solution. Transmission projects will still need to obtain necessary approvals for siting, construction, and operation, as appropriate. The Commission retained its jurisdiction to approve a non-transmission project over a transmission proposal, if it finds a generation or demand-side solution is preferable.

**Energy Efficient Street Lighting:** In November, the Commission, as part of its continuing effort to lower municipal energy costs across the State, approved separate requests to sell utility-owned streetlights to three municipalities: Town of West Seneca (Erie County); the Village of Horseheads
(Chemung County); and the Town of Clarkstown (Rockland County). With the change in ownership, the municipalities take control of the lighting on their own streets and have the opportunity to install their own state-of-the-art energy efficient lights to lower costs to taxpayers and protect the environment, if they so choose.

Approximately 1.4 million municipal streetlights across the State have the potential to be addressed by a strategic street lighting strategy. This number includes both utility- and customer-owned streetlights. A recent study on the latest energy efficiency lights, known as LED or light-emitting diodes, found that LED-technology uses significantly less energy than traditional street lighting. The adoption of LED-lighting can save municipalities up to 60 percent of their electricity costs for street lighting.

In August, the Commission approved a plan by Central Hudson to provide energy-efficient street lighting to municipalities that are interested in having them installed. Under the proposal, municipalities in Central Hudson’s service territory will now have the option to switching to cost-effective LED street lighting as a means of reducing their power expenses, carbon footprint and improving public safety. In 2010, the Commission approved an additional option to Central Hudson’s tariff to offer an LED street light that would be owned and maintained by the municipality. With approval of the new LED options, Central Hudson will be able to offer municipal customers who use utility-owned street lights the option to convert to LED street lights that Central Hudson will own and maintain.
APPENDIX

Budget Highlights

The Enacted 2015-16 Budget totaled $92.2 million for the Department, an increase of $2.0 million from the 2014-15 budget. This growth reflects an increase in the Federal Pipeline Safety Program to fund program expansion enhancing the safety of all New Yorkers. The Budget also recommended a workforce of 525 employees for the Department, an increase of 12 employees from 2014-15 levels.

ALL FUNDS APPROPRIATIONS
(Dollars)

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Note: Most recent data as of 06/06/2016

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