<table>
<thead>
<tr>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>MISSION STATEMENT</td>
</tr>
<tr>
<td>From the Chief Executive Officer</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Department Initiatives</td>
</tr>
<tr>
<td>Reforming the Energy Industry</td>
</tr>
<tr>
<td>Storage</td>
</tr>
<tr>
<td>Solar</td>
</tr>
<tr>
<td>Value of Distributed Energy Resources (VDER)</td>
</tr>
<tr>
<td>Energy Efficiency</td>
</tr>
<tr>
<td>Community Choice Aggregation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protecting the Environment</td>
</tr>
<tr>
<td>Clean Energy Fund</td>
</tr>
<tr>
<td>Clean Energy Standard</td>
</tr>
<tr>
<td>Offshore Wind</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring Affordability and Access to Services</td>
</tr>
<tr>
<td>Consumer Protections</td>
</tr>
<tr>
<td>ESCO Oversight</td>
</tr>
<tr>
<td>Energy Affordability and Low-Income Consumer Support</td>
</tr>
<tr>
<td>Telecommunications Improvements</td>
</tr>
<tr>
<td>Cable Mergers and Expansion of Service</td>
</tr>
<tr>
<td>Water Rates and Services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening Reliability and Public Safety</td>
</tr>
<tr>
<td>Siting</td>
</tr>
<tr>
<td>Gas Safety</td>
</tr>
<tr>
<td>NYC Subway Power Reliability</td>
</tr>
<tr>
<td>Storm Response</td>
</tr>
<tr>
<td>Indian Point</td>
</tr>
<tr>
<td>Streetlighting</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modernizing Infrastructure</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMMISSION RATE MAKING PROCESS</td>
</tr>
<tr>
<td>Major Rate Case Decisions</td>
</tr>
<tr>
<td>Corning Natural Gas</td>
</tr>
</tbody>
</table>
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.
Thoughtful and robust energy policies are central to our health and safety, and to our economic growth and security. The Department of Public Service, of which I am the CEO, coordinates and consults with the Governor and every level of state government to ensure that the development and deployment of the state’s energy policy priorities and objectives are being met. The Department serves at the staff arm of the Public Service Commission, which I chair. As a key member of the Governor’s energy team, I am very proud of the outstanding achievements we have made to make our energy delivery system cleaner, safer, resilient and more affordable and this could only have happened through a multi-agency approach.

The 20th-century power system was economically and environmentally unsustainable. Rising energy prices, aging infrastructure, more frequent extreme weather events, and the environmental imperative to reduce carbon emissions require us to reinvent how we produce, deliver, and consume energy. Governor Andrew M. Cuomo’s ambitious energy strategy recognizes that clean energy provides a transformational opportunity to build a stronger economy and foster a healthier environment.

In 2014, Governor Cuomo announced the Reforming the Energy Vision (REV) strategy, an ambitious and comprehensive plan that will make a more clean, resilient, and affordable energy system a reality, while actively spurring energy innovation, bringing new investments into the State, and improving consumer choice. Through regulatory overhaul, REV is remaking New York’s utilities to encourage the cleanest, most advanced, and efficient power system. To ensure we achieve these ambitious goals, in 2016, New York State enacted a Clean Energy Standard, mandating that renewable sources will provide 50 percent of the State’s electricity by 2030. In his 2018 State of the State Address, Governor Cuomo unveiled a host of aggressive proposals to further our progress in reducing greenhouse gas emissions, hardening our infrastructure, and developing renewable and energy efficient technology.

A major goal of REV is to ensure low- and moderate-income customer participation in the clean-energy economy and help expand access to affordable sources of clean energy. On average, this policy limits energy costs for low-income New Yorkers to no more than approximately 6 percent of household income. As a result of this policy, low-income households are seeing bill reductions by as much as 55 percent. Affordability, however, cannot be accomplished through rate discounts alone. Through REV, the Commission is identifying more cost-effective utility investments to maintain reliability at lower overall cost.

By reducing a utility’s costs, REV directly benefits consumers. The Commission is working with local communities, energy consultants and Energy Service Companies (ESCOs) to develop another REV concept, Community Choice Aggregations (CCAs). Through a CCA, a city, town or village can make bulk purchases of electricity or natural gas for residential or small business customers. Not only can a CCA negotiate a lower price for electricity or natural gas, it can provide customers with greater control over their energy bills and energy choices. They do this by taking advantage of renewable energy choices or money-saving services thanks to the leverage that results from bulk purchasing. Thirty-seven communities from Westchester to the Finger Lakes joined CCAs and more are expected to join or create their own. In addition, the Commission has approved advanced metering infrastructure investments in Con Edision and Orange & Rockland that will give customers greater control over their energy usage.
Under REV, reformed price signals and compensation structures will reward investments that improve overall system efficiency, such as managing loads to reduce peak demand, engage the private sector to invest in clean energy opportunities, and place clean and distributed energy at the core of the utility business model. New York is working to align the regulatory system to catalyze and leverage innovation, technology advancement, and private investment.

Our efforts are bearing fruit. Since 2011, New York’s solar industry has grown 1,000 percent. This growth has leveraged $2.8 billion in private investment, encompassing nearly 80,000 projects fueling 12,000 jobs across the State. We are implementing an offshore wind plan of 2.4 gigawatt by 2030 with procurements of at least 400-megawatts in 2018 and 2019; and $440 million in Green Bank commitments is driving $1.6 billion in total investments in the State. Additionally, in his 2018 State of the State Address, Governor Cuomo announced a host of aggressive new initiatives, including the deployment of 1,500 megawatts of energy storage by 2025, employing 30,000 New Yorkers in this industry.

New York now ranks seventh in residential electricity prices, down from what it was several years ago. Our industrial rates are 7 percent below the national average and we are more efficient than any other state, using less energy per capita. The Commission’s goal is to keep New York residential electric bills at or below the regional average and to keep industrial rates competitive with national averages. Keeping the average New York residential customer electric bills and industrial rates competitive with other states requires a concerted effort given the fact that replacing and upgrading New York’s aging energy infrastructure will require additional investment over time.

The Commission ensures that rates are just and reasonable. In FY 2018, the Commission decided six major rate cases and it cut the proposed rate increases by over 81 percent — approving only $70.1 million versus the $388.4 million requested. A large percentage of these rate increases goes toward the maintenance of an aging energy infrastructure – a systemwide and statewide problem that is estimated to cost nearly $30 billion.

We continued to focus on gas safety, among our most important responsibilities. We have strengthened our gas safety regulations, accelerated the replacement of older pipelines, and continued our vigorous oversight of gas utilities.

In the telecommunications sector, we continued our oversight of substantial investment in the State’s broadband build-out. In 2016, the Commission approved Charter’s acquisition of Time Warner Cable Inc. As part of this approval, we required substantial investment in broadband infrastructure, increased broadband speeds, and new low-income broadband programs throughout New York. In September 2017, the Commission approved a $13 million settlement agreement with Charter Communications Inc. after the cable company failed to build-out its cable network as required in the 2016 approval.

Likewise, we continued to pursue a broad, in-depth investigation into ESCO practices to determine what, if any, new regulations or actions are necessary to protect all consumers. Hearings into ESCO practices began after the Commission determined that retail markets have not provided sufficient competition or innovation to properly serve mass-market consumers. Furthermore, the Commission prevailed in two major legal proceedings in our efforts to rein in ESCOs.

We are maintaining our commitment to evolve our complaint handling process and our public outreach efforts to maximize public involvement in our proceedings. Last year, our agency answered more than 67,000 complaints, including more than 55,000 calls. We received and reviewed nearly 20,000 written public comments — more than 384 a week on average. We held 34 public statement hearings that were attended by thousands of people. Transparency and public involvement remain an integral component of our work.
In conclusion, the continuous actions the Commission and Department have taken in FY 2018 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.

Sincerely,

John B. Rhodes, Chair and CEO
August 7, 2018
INTRODUCTION

Availability of reliable, affordable electric, natural gas, water, steam, telecommunications and cable services is critical to the welfare of the State’s citizenry and essential to New York’s economy. The Department of Public Service and the Public Service Commission were statutorily established to oversee these natural monopolies to ensure their essential services are safe and reliable, provided at just and reasonable rates, and are protective of natural resources. From April 1, 2017 to March 31, 2018, the New York State Public Service Commission continued to this mission. It also continued to seek to stimulate effective competitive markets that benefit New York consumers through strategic investments, and encouraged development of new innovations.

The staff of the Department is the investigative and advisory body to the Commission relating to the State’s utilities, and provides a similar function with respect to applications to construct and operate generating facilities before the New York State Board on Electric Generation Siting and the Environment (Siting Board) pursuant to Article 10 of the Public Service Law. In addition, the Department administers policies, rules, and regulations promulgated by the Commission, including service and operating standards for utilities. The Chair of the Commission is the chief executive officer of the Department and the chair of the Siting Board.

The Department’s responsibilities include advising the Commission on all decisions it must make in matters such as rate determinations, utility financing, consumer protection, safety and reliability of utility services, and siting of gas and electric transmission facilities. The Department also represents the Commission in State and federal proceedings which impact New York ratepayers or have a bearing on State legislative mandates concerning utility services or Commission policies. Staff develops and implements State regulatory and energy policies; inspects utility equipment necessary for rendering service to the public; conducts and participates in hearings; oversees management and operations audits; and receives, investigates and resolves complaints regarding billing, services, and other utility or energy service companies’ practices.

Major Department Initiatives

Reforming the Energy Industry

Governor Cuomo’s REV modernization initiative is 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.

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 provide fair financial rewards or credits to participating customers to encourage these cost-saving and environmentally beneficial activities.

Reforming the Energy Vision (REV) is Governor Andrew M. Cuomo’s comprehensive energy strategy for New York. REV helps consumers make more informed energy choices, develop new energy products and services, and protect the environment while creating new jobs and economic opportunity throughout the State.

In 2016, the Commission saw results of its 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 will 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 will 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.

**Storage**

Energy storage technology has great potential to enhance efficiency of the electric grid and to better integrate variable renewable resources such as wind and solar. In his 2018 State-of-the-State, Governor Cuomo announced an initiative to deploy 1,500 megawatts of energy storage by 2025 and employ 30,000 New Yorkers.

The 1,500 megawatt commitment represents the largest such commitment per capita by any state. To implement the Governor’s directive, Department and New York State Energy Research and Development Authority (NYSERDA) staff began work on an Energy Storage Roadmap that will identify the means to achieving the Governor’s energy storage target, as well as provide analysis to support the adoption of a 2030 goal by the Commission as required by the energy storage legislation that Governor Cuomo signed in December 2019.

Additionally, the Governor directed the energy agencies and authorities to generate a pipeline of storage projects through utility procurements, advance regulatory changes in utility rates and wholesale energy markets, incorporate storage into criterial for large scale renewable procurements and reduce regulatory barriers.

In FY 2109 stakeholders will have the opportunity to provide public comments when Commission staff issues its “Energy Storage Roadmap” for public comment, which is anticipated in the second quarter. The white paper will present the range of actions the State can facilitate, including those that require Commission action, along with associated costs and benefits.

**Battery Storage Innovation for New York City**

The Commission approved new actions to advance the energy-saving goals of REV by allowing large commercial batteries in New York City to feed the electric grid. Additionally, every utility in the state was directed to study the impacts of allowing the export of battery storage systems to the grid under the existing Dynamic Load Management programs.

In addition to customer savings, using batteries to manage energy demand can also makes grid operations more reliable and resilient. These actions will also allow utilities to gain experience with energy storage
technology, setting the stage for wide applications including connecting electric vehicles to feed the grid.

Consolidated Edison was granted permission to allow battery storage systems to export electricity to the grid, located at a select number of commercial locations, under a successful program to lower electricity demand in growing areas of Brooklyn and Queens and under any future Non-Wires Alternative (NWAs) projects it pursues. Under the program, customers will be able to use installed battery storage systems to export power to the electric grid to respond to Con Edison’s calls to reduce peak load conditions in the area.

Battery storage developers have expressed interest in working with Consolidated Edison and other utilities to expand the use of battery storage. Partnerships between utilities and third-party developers is the result of REV creating new markets and new services that will benefit New York ratepayers.

Battery Storage Systems for Con Edison’s Customers Approved

The Commission approved an innovative plan that will allow Con Edison to significantly expand the use of battery storage systems in its service territory. The approval represented a step forward in the overall effort to expand battery storage to more effectively harness and utilize the renewable energy being produced.

Con Edison’s plan encourages owners of private energy storage systems to export the electricity they produce to Con Edison’s electric distribution systems, fulfilling another component of Governor Andrew M. Cuomo’s REV strategy. Expanding the smart use of energy storage is key to creating the electricity grid of the future, one that is cleaner, more resilient, and more affordable.

The new rules for Con Edison significantly increase energy storage technologies’ ability to export power to Con Edison’s primary and secondary voltage distribution systems while maintaining power quality and safe and reliable operations. These new rules are only the first step toward encouraging deeper penetration of energy storage technologies in Con Edison's service territory, and that further developments to support these technologies will be considered in future phases.

Solar

In February 2018 Governor Cuomo announced that solar power in New York increased more than 1,000 percent from December 2011 to December 2017, leveraging more than $2.8 billion in private investment into New York's growing clean energy economy. Solar is critical to achieving the Governor's mandate for half of all electricity consumed to come from renewable energy sources by 2030 and cements New York as one of the national leaders in clean energy growth.

"Solar is a vital part of this state's clean energy future and we have experienced unprecedented growth in this new sector. We will continue to support the development of solar, helping to spur economic growth, creating new jobs and helping to build a cleaner, greener and more sustainable New York for all."

Governor Andrew M. Cuomo

Solar investments are a part of New York's strategy to boost renewable energy while creating jobs of the future. The dramatic growth in Solar in the state over the last six years was supported by NYSERDA through the $1 billion NY-Sun program, the New York Power Authority, and Long Island Power Authority. 972 megawatts (78,323 solar projects) were installed through the end of December 2017, compared with 83 megawatts (8,989 projects) through the end of 2011. The projects produce enough
electricity to meet the needs of more than 159,000 average homes.

**New York Utilities Directed to Expand Use of Solar Power for Street Lighting**

The Commission approved a money-saving plan that will allow municipalities to use remote solar farms to offset the cost of their street lights. The plan was requested by the City of Beacon, Dutchess County, and its partners, Sunlight Beacon LLC and BQ Energy LLC. As part of the agreement, the city will be compensated for the value of solar electricity produced at a solar farm planned for the city’s closed landfill. The 2 megawatts of electricity generated by the solar farm — enough for approximately 1,600 average homes — will be used to offset the cost of lighting the municipality’s streets and roads.

To further the development of this valuable initiative, the Commission’s order directed New York’s utilities to file plans so that other localities can follow Beacon’s environmentally friendly street-lighting efforts. In its decision, the Commission said municipalities should not be subjected to unnecessary barriers in supporting clean-energy objectives and meeting their energy needs and local energy and environmental interests. Until now, municipal street-lighting accounts were not eligible for solar-generated, net metering credits.

Street lighting is often the most-expensive cost on a city’s overall electricity bill and thousands of dollars can be saved. As an example, the cost of street lighting in Beacon represented 40 percent of the municipality’s electricity costs.

**Value of Distributed Energy Resources (VDER)**

In March 2017, the Commission created a new compensation structure to more accurately and efficiently value distributed energy resources (VDER) installed in New York State. The order enabled traditional renewable energy systems such as solar power, and other small, local clean-energy systems, to grow faster across New York, while assuring increased fairness for non-participating New Yorkers.

VDER compensation replaces net metering for all larger customers and provides much more precise and dynamic compensation to encourage the best location and time for power injections from clean distributed resources. VDER also allows for the expansion of compensation to Community Distributed Generation (CDG), whereby a large “host” clean generator can be used to provide bill credits to remotely located small customers who, in the past, were unable to participate in net metering due to housing or small business circumstances. The response to CDG under the VDER tariff has been positive, and the details continue to be improved through ongoing stakeholder working groups.

VDER is a successor policy that is moving the State beyond net metering to compensate solar projects fairly and adequately for the value they provide, while also assuring fair and acceptable impact on customers who may not be able to install a renewable energy system. Many homeowners, for example, are not eligible for rooftop solar panels due to their roof’s orientation, shade, or structure. VDER also compensates projects based on where they are located on the grid, thereby reducing cost shifting while still providing solid returns to solar projects. VDER, however, does not affect residential rooftop solar projects only larger, more sophisticated solar projects.

As work continues to achieve more accurate and fair compensation for New York’s rapid development of solar power and other forms of distributed generation, CDG projects continue to advance. In the past few months, 112 CDG projects — totaling 316 megawatts — have paid 100 percent of their initial development costs, while 94 additional projects totaling 263 megawatts have also taken steps toward construction. VDER is crucial to the actual transition to a true distributed, transactive, and integrated electric system.
“Expanding access to cost-effective, clean energy is a primary goal of New York’s Clean Energy Standard, which will create enough renewable energy to meet half of the state’s electricity needs by 2030. This new compensation mechanism will spur the development of solar power, energy storage and other localized forms of electric generation.”

Commission Chair John Rhodes

Long-Term Commitments

In the area of alternative investment planning, our Distribution System Implementation Planning (DSIP) process has produced over 50 “Non Wires Alternative” (NWAs) projects that can postpone or avoid expensive utility investments by relying on portfolios of distributed clean energy projects, usually under longer term contracts. These NWA proposals are at various points in the solicitation, procurement, and evaluation stages of the process for each proposed situation (The Brooklyn Queens Demand Management (BQDM) being the furthest along).

Short-Term Commitments

Demand Response tariffs, for both “peak shaving” (day-ahead notice) and contingency response (2-hour notice) are in place for all utilities, affording customers with behind-the-meter means to reduce system demand at important times to participate and be compensated according to the value provided. We also have “Direct Load Control” programs under which small customers are paid a reservation fee to allow the utilities to moderate their air conditioning use on days when the system is stressed.

Continuing Net Metering

Residential and small commercial customers continue to have access to net metering, but also have the option to switch to the VDER tariff if they find that to be more beneficial. The multi-stakeholder VDER working groups are also working on an improvement to the net metering default for small customers, to be presented as a proposal to the PSC by the end of 2018, or early 2019, for consideration, with expected implementation in 2020.

All of these programs are important to providing a balanced transition toward a cleaner, more cost-efficient electric sector that recognizes the changing technology, availability, and costs of alternative resources.

Expanding Access to Clean Energy

In September 2017, the Commission approved a refined compensation system for solar power and other distributed energy. Specifically, the Commission approved an implementation plan for this mechanism, including plans to increase the size -- and reduce the development costs -- of community solar projects.

To ensure a smooth transition to the new value-based compensation model, solar and other distributed energy systems installed before March 9, 2017 will continue to receive net energy metering compensations and receive net metering credits that they had received in the past for the life of their system. Homeowners and small commercial customers that install solar or other small, distributed systems between March 9, 2017 and January 1, 2020, will be compensated through net energy metering for a period of 20 years. All other systems installed after March 9, 2017 will be placed onto the new VDER compensation system after the utilities file final calculations and tariffs, which took effect on November 1, 2017.

The Commission also took the next steps towards expanding the size of solar projects (from a maximum of two megawatts to five megawatts) to help lower development costs and increase the competitiveness of the emerging community solar market.

Building on the tremendous growth in solar energy – nearly 800 percent since 2011 under the leadership of Governor Cuomo – the implementation plan also:
- Established the first compensation values for energy storage (battery) systems when those systems are combined with eligible forms of DER. The order also required utilities to work with the state to integrate storage into the electric grid;
- Required CDG developers to send customers regular reports summarizing the value and benefits of their membership in a CDG system, including their share of the kilowatt hours produced and the total bill credits they received; and,
- Reduced costs and membership fees for CDG customers.

The order establishes the first phase of a multi-year effort to create a more market-driven approach to optimizing the use of clean, distributed energy systems.

**Clean Energy Program Eligible Projects Increased from 2 megawatts to 5 megawatts**

In February 2018, the Commission expanded New York’s clean energy program by allowing larger projects to participate, expanding the number of renewable energy projects which will be built while driving down overall costs for consumers.

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**The primary goal of the Clean Energy Standard is to expand access to cost-effect, clean energy; which will create enough renewable energy to meet half of the state’s electricity needs by 2030.**

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In its decision, the Commission increased the maximum rated capacity for projects from 2 megawatts to 5 megawatts, a move supported by several key stakeholders, including the Coalition for Community Solar Access, the Alliance for Clean Energy New York, the Natural Resources Defense Fund, Pace Energy and Climate Center, New York Solar Energy Industries Association, Solar Energy Industries Association, and Vote Solar.

**Energy Efficiency**

Energy efficiency is a cornerstone of New York State’s national leadership on clean energy and climate. From the Clean Energy Standard to new energy efficiency targets under REV. We are helping to grow energy efficiency markets through the 10-year $5 billion Clean Energy Fund. New York is also helping to expand energy efficiency through utility procurements of energy efficiency. Utilities annually invest in energy efficiency with Energy Efficiency Transition Implementation Plans (ETIPs) which are approved by the State. Statewide investments for electric customers totaled nearly $180 million and saved 548,687 megawatts, while more than $61 million was targeted for energy efficiency for gas customers with a targeted savings of 1,737,607 dekatherms.

In his 2018 State-of-the-State Address, Governor Cuomo directed DPS and NYSERDA to engage stakeholders in the public and private sectors in order to craft a comprehensive and far-reaching energy efficiency initiative by Earth Day, April 22, 2018. These agencies are also working together propose a new 2025 energy efficiency target, and the agencies held a well-attended stakeholder technical conferences on February 23, 2018 and March 5, 2018.

**Energy Efficient Street Lighting**

The Commission approved New York State Electric & Gas Corporation (NYSEG) and Rochester Gas and Electric Corporation (RG&E) plan to offer company-owned light-emitting diodes (LED) street lighting options for municipal customers. Street light conversions empower communities to have more say over their energy use and have the potential to result in $5.8 Million in taxpayer savings.
Governor Cuomo has championed municipal government efficiency and encouraging municipalities to have greater control over their energy usage. Implementing LED street-lighting options can play an important role in helping the State achieve its clean-energy goals. NYSEG and RG&E are encouraged to continue to look for additional ways to help improve their customers’ energy efficiency opportunities.”

Commission Chair John B. Rhodes

Historically, municipalities could only pursue LED street lighting through their willingness to take over ownership of the street lights from the utility, an expenditure and responsibility many communities found they could not afford or take on. With this decision, NYSEG and RG&E will now offer company-owned LED street-lighting options, enabling municipalities to achieve meaningful cost reductions while NYSEG and RG&E retain the responsibility for maintaining the street lights.

For an average municipality, street lights may account for up to 40 percent of total local government electric energy consumption. Pursuing conversions allows local governments to lower municipal energy expenditures while also advancing the State’s efforts to lead on climate change by lowering overall emissions.

Community Choice Aggregation

In 2016 the Commission approved the Community Choice Aggregation (CCA) Framework Order allowing New York City and other municipalities to form associations to purchase power for residents and small businesses in a single neighborhood or an entire borough. CCAs offer residential and small non-residential customers an opportunity to receive more favorable energy supply terms through the bargaining power that bulk purchasing provides, the expertise provided by municipal or consultant experts, and the competitive public process for choosing an energy supplier. CCAs foster cooperation among municipal officials, community leaders, environmental organizations and business professionals to produce the best energy solutions for their region. These community-led initiatives are a key tool in achieving Governor Cuomo’s Clean Energy Standard, a mandate to generate enough renewable power to meet half of the state’s power needs by 2030. CCAs will also meet other key goals of REV: creating a greater number of small, local, clean power plants throughout the state and increasing the benefits of retail competition for residential and business customers.

“Community Choice Aggregations enable communities to take greater control of their energy choices through a transparent and competitive process driven by the consumers themselves. Residential and small business ratepayers can reduce their energy bills, take advantage of renewable energy choices and enjoy other money-saving services thanks to the leverage enabled by bulk energy purchasing by these community-based associations.”

Commission Chair John B. Rhodes

Community Choice Aggregations Approved for City of Elmira and Six Other Towns and Villages in Broome, Otsego, Schuyler and Chemung Counties

In January 2018, the Commission approved an implementation plan to allow the City of Elmira (Chemung County) and the towns of Oneonta (Otsego County), Montour (Schuyler County), Horseheads (Chemung County), Union and Binghamton (Broome County), as well as the Village of Montour Falls (Schuyler County) to purchase electricity on behalf of their residents and small businesses. The Commission order also allowed additional municipalities to form Community Choice Aggregations (CCAs) in the future. Call centers will be established to provide customer service and to respond to
any complaints related to each municipality’s CCA program.

Community Choice Aggregations Approved for the Central New York and Capital District Municipalities

In March 2018, the Commission approved a new State CCA program to serve the Central New York villages of Fayetteville and Minoa, along with the Village of Coxsackie and the towns of Cairo and New Baltimore in the Capital District. This CCA program is organized by the nationwide energy consultant Good Energy, L.P. While these were Good Energy’s first CCA programs in New York State, the company has helped create CCAs for more than 60 communities in other states, serving nearly 400,000 households and providing 3.3 billion kWh annually.

While CCAs can result in lower energy prices, Good Energy will also help municipalities determine whether renewable or clean energy products can be included as part of the CCA program. Some of these cutting-edge, clean energy options, include:

- **Energy Storage:** Due to advances in energy storage technologies, there is a growing opportunity for energy consumers to reduce energy costs and improve reliability through investments in such energy storage systems. The CCA Program may consider ways to support customer-sited energy storage systems and will ensure that third-party electricity supply complies with established storage regulations;

- **Distributed Generation:** The CCA Program may establish a program that allows CCA Program customers with designated on-site generation (e.g., photovoltaics) to sell excess energy to the CCA Program at rates that reflect the market prices of electricity. The CCA program may also establish an offering for larger facilities directly connected to the transmission system in which the municipality can procure long term supply under a set rate; and,

- **Green Power:** As an option, the municipality may select that the electricity will come from 100 percent renewable resources, such as wind, and will be provided in the form of a fully-bundled electricity product, possibly secured through the purchase of renewable energy certificates.

Protecting the Environment Clean Energy Fund

The Clean Energy Fund (CEF) was designed to deliver on New York State’s commitment to reduce ratepayer collections, drive economic development, and accelerate the use of clean energy and energy innovation.

The CEF supports Governor Cuomo’s Clean Energy Standard (CES) mandate that requires 50 percent of the State’s electricity to come from renewable energy sources by 2030, while reshaping energy efficiency, clean energy, and energy innovation programs.

Through March 2018, 56 Market Development (MD) and Innovation and Research (I&R) initiatives were developed by NYSERDA and filed with the Public Service Commission, and 43 of these initiatives have launched. In this portfolio, NYSERDA included the introduction of 31 new initiatives, pivoting the organization’s focus toward a market transformation model. In the early years of the CEF, these new initiatives will operate alongside 12 resource acquisition transition initiatives — a purposeful portfolio mix intended to introduce a greater proportion of market-enabling activities without disrupting existing market momentum that may be based on more traditional NYSERDA and utility approaches.

Clean Energy Standard

On August 1, 2016, the Commission issued an order adopting the CES which is consistent with the State energy goal that 50 percent of the electricity consumed by New Yorkers is to be generated by renewable sources by 2030 as part of a strategy to reduce statewide greenhouse gas emissions.
by 40 percent by 2030. The CES is divided into a Renewable Energy Standard (RES) and a Zero-Emissions Credit (ZEC) requirement. The RES consists of an obligation on every load-serving entity (LSE) to serve their retail customers by procuring new renewable resources, evidenced by the procurement of qualifying Tier 1 Renewable Energy Credits (RECs) or by making Alternative Compliance Payments (ACPs). The RES also includes a Tier 2 maintenance program to provide support to those “at risk” eligible facilities that have demonstrated that, if not for the support, they are economically inviable. The ZEC requirement consists of an obligation that LSEs purchase ZECs from NYSERDA in amounts proportionate to load served.

Offshore Wind

In his 2018 State-of-the-State 2018 Governor Cuomo called for a New York State Offshore Wind Master Plan. guide the responsible and cost-effective development of 2.4 gigawatts of offshore wind by 2030, enough to power up to 1.2 million homes with clean energy. To spur the development of renewable resources, the Governor announced that the State would issue solicitations in 2018 and in 2019 for a combined total of at least 800 megawatts of offshore wind power. Offshore wind is a critical component of the Governor's mandate to generate 50 percent of the state's electricity needs from renewable energy sources by 2030 and support the creation of thousands of good jobs in New York's clean energy economy.

"While the federal government continues to turn its back on protecting natural resources and plots to open up our coastline to drilling, New York is doubling down on our commitment to renewable energy and the industries of tomorrow. We are drawing upon our world-class workforce, unmatched intellectual capital, physical infrastructure and financial institutions to develop this increasingly affordable clean energy source that creates good paying jobs while protecting Long Island's natural beauty and quality of life."

Governor Andrew M. Cuomo

In February 2018, the Commission accepted a draft generic environmental impact statement (draft GEIS) related to NYSERDA’s Offshore Wind Policy Options paper. The Offshore Options paper included various procurement and contracting options that could support the State's commitment to develop 2.4 GW of offshore wind generation capacity. The paper proposes funding the procurements through an obligation on all electric retail LSEs, similar to the LSE obligation in the CES. The options paper did not propose development of a particular offshore wind generation facility or site. A technical conference was convened on March 8, 2018 to discuss the Offshore Options paper.

With achievement of the 2.4 GW goal that Governor Cuomo set for offshore wind development in New York State by 2030, and with contributions from similar scale economies in the U.S. Northeast, NYSERDA projected that by 2030, the cost to obtain offshore wind will be lower than the cost to procure land-based renewables in the State. Offshore wind, therefore, has the potential to lower the cost of meeting the State’s mandate that 50 percent of its electricity come from renewable resources by 2030. To initially develop the offshore wind market in New York, near-term incremental program costs (above Tier 1 RECs) are estimated to result in less than a 0.3 percent bill impact (or less than $0.30 per month for the typical residential customer) for the more cost-effective procurement options. Additionally, nearly 5,000 new jobs could be created from New York and regional offshore wind deployment, from construction, manufacturing and operations jobs to engineers and investors, many of which are in sectors that deliver long-term local economic benefits through the operating life of the wind farms.
Ensuring Affordability and Access to Services

Utility services are essential to the economic welfare of all customers and the State. Ensuring universal access at an affordable price is always a focus of the Commission. After thoroughly scrutinizing proposed rate increases, the Commission reduced the amount sought by electric and gas utilities by 35 percent, while continuing to ensure safe, reliable service. We expect to continue those efforts thru 2017 and beyond.

We have revitalized our complaint handling process and our public outreach efforts to maximize public involvement in our proceedings. Last year, our agency answered more than 60,000 complaints, including more than 53,000 calls. We received and reviewed nearly 32,000 written public comments — more than 600 a week on average. We held 84 public statement hearings that were attended by over one thousand people. Transparency and public involvement remain an integral component of our work.

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<tr>
<th>Document</th>
<th>FY 2017</th>
<th>FY 2018</th>
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<tbody>
<tr>
<td>Petitions</td>
<td>1,754</td>
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</tr>
<tr>
<td>Orders</td>
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<td>914</td>
</tr>
<tr>
<td>Public Notices</td>
<td>197</td>
<td>237</td>
</tr>
<tr>
<td>Rulings</td>
<td>90</td>
<td>114</td>
</tr>
</tbody>
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Consumer Protections

Oversight of Distributed Energy Resources

The Commission’s experience in regulating energy services companies (ESCOs) in the gas and electric supply market has demonstrated that oversight is needed to prevent false promises, exploitive pricing, and other deceptive or intentionally confusing behavior in marketing to residential customers and small businesses. For that reason, the Commission enacted the first consumer protection standards for the robust Distributed Energy Resources (DER) market in the state. These new regulations will protect residential and small business customers with price comparisons, plain-language contracts and billing documents.

**REV is offering consumers new ways to save money and conserve energy through Distributed Energy Resources. While DERs are creating a cleaner and more resilient power system here in New York, we must ensure that consumers are protected from fraud and dishonest marketing, protecting consumers as well as the integrity of the budding DER markets.**

For companies providing residential rooftop solar systems, on-site generating systems for small business, large community-solar projects or other community distributed generation, the order established registration requirements, a standard disclosure statement, detailed marketing requirements, rules for handling customer inquiries and complaints, and penalties for any violations. For other types of DER systems and services, other new requirements will give New York State the authority to address fraudulent business practices without imposing costly and burdensome regulations that might stifle innovation.

Additionally, the order includes a manual of Uniform Business Practices for DER providers which will provide clear and robust guidance on appropriate marketing and contracting practices. The new manual will help create a level playing field for DER suppliers and support fair competition between suppliers of various DER options.

These requirements are part of a framework of regulation and contractual agreements, including interconnection agreements and tariffs, which will govern the integration of DERs into New York’s electric system, along with a clear understanding of the rights and responsibilities of DER suppliers.
Strengthened Protections for Con Edison Customers

The Commission required Con Edison to make significant changes to one of the methods it uses to collect money from delinquent customers. Specifically, Con Edison was required to implement consumer-friendly modifications prior to it seizing a customer’s electric or gas meter for unpaid bills, as well as the way it negotiates deferred payment agreements.

Utilities are legally entitled to seize a customer’s meter as a last step if the customer is scheduled for termination and the company cannot otherwise obtain access to lock the meter, a process known as replevin. Con Edison’s past practices insufficiently informed customers of their full legal rights and protections. The utility’s actions in this regard were detailed in a petition submitted by the Public Utility Law Project of New York, Inc. (PULP). In addition, the New York Legal Assistance Group also called upon the Commission to review Con Edison’s practices.

In its decision, the Commission found no evidence of unlawful wrongdoing by the company in its replevin actions nor did the Commission identify facts warranting the provision of retrospective remedies. The Commission concluded, however, that additional measures are needed to improve transparency and accountability in the company’s replevin actions.

The Commission directed the company to propose a process for executing deferred payment agreements (DPAs) electronically to make it easier and less complicated for customers to negotiate DPAs. Further, Con Edison was directed to make the company’s meter-seizures much more straightforward with respect to voluntary informal conferences. And finally, Con Edison was directed to file quarterly reports on customer accounts that proceed to collection using the replevin process.

Utility Income Tax Windfall Returned to Customers

In January, the Commission took the first steps to ensure that financial windfall that might be received by New York’s utilities resulting from the federal government’s decision to cut corporate federal income taxes is returned to the more than 10 million utility customers in New York who indirectly pay the taxes.

"While the federal government slashes corporate income taxes at the expense of middle- and working-class men and women, the PSC will ensure that any resulting financial gains earned by our utilities go to benefit consumers and not company owners. We will do everything in our power to keep this windfall from lining the pockets of the top 1 percent, and deliver savings directly to hardworking New Yorkers."

Governor Andrew M. Cuomo

The federal tax cut dramatically slashed the taxes collected on corporate profits at the expense of the middle-class. The Department estimated that utilities in New York would have received a financial windfall of hundreds of millions of dollars. Some utilities have provisions that automatically capture the net benefits for consumers, however others do not, and shareholders could receive the windfall. While a portion of the potential financial benefits would be captured in future rate cases, others could be lost absent Commission action.

ESCO Oversight

In 2016, the Commission issued an order prohibiting most ESCOs from serving low-income customers. This order has been upheld in the courts and has been effectively enforced by the utilities across the state with tens of thousands of residential customers returned to direct service by their local utility. The state’s investigation into ESCO sales practices found approximately $143 million in
overcharges (above the rates available from a utility) among ESCO customers statewide between 2014 and 2016. ESCOs have failed or refused to police themselves after being given several years of collaborative processes and other efforts to work constructively with staff and other consumer advocates to clean up their practices. The results were denials and delaying tactics. Meanwhile, customers continue to suffer at the hands of the ESCOs.

In ordering the in-depth probe, the Commission stated that “despite efforts to realign the retail market, customer abuses and overcharging persist, and there has been little innovation, particularly in the provision of energy efficiency and energy management services.”

In FY 2018, the Commission continued to pursue a broad, in-depth investigation into ESCO practices to determine what, if any, new regulations or actions are necessary to protect all consumers. Hearings into ESCO practices began after the Commission determined that retail markets have not provided sufficient competition or innovation to properly serve mass-market consumers.

In the summer of 2017, the Commission had two major legal victories in its efforts to rein-in higher ESCO prices. On June 30, 2017, a state Supreme Court judge in Albany County ruled that New York State’s efforts could in fact protect low-income households, from paying ESCO charges that were higher than utility rates, as a misuse of subsidies intended to keep gas and electricity more affordable for such households. And on July 27, 2017, the Appellate Division upheld Albany County Supreme Court’s conclusion that the Commission had authority to cap prices of ESCOs at utility rates. In that ruling, the court found that broad Commission authority to control ESCO access to utility systems allowed the Commission to place conditions on ESCO prices, even though the Commission did not have ratemaking jurisdiction over ESCOs.

On September 1, 2017, the State’s Appellate Division denied the National Energy Marketers Association petition for a stay of the Commission’s ESCO low-income prohibition order. Therefore, utilities and ESCOs were required to continue to implement the December 2016 order. The utilities were directed to block the enrollment of any new low-income customers on or before September 22, 2017 and the ESCOs were directed to de-enroll customers within 30 days of receiving customer lists from the utilities.

**ESCO Investigation Moves Forward**

In August 2017, the Commission rejected a request by an ESCO trade group that was seeking to halt the evidentiary hearing phase of the Commission’s ESCO investigation. The Commission also rejected the group’s effort to curtail the scope of the Commission’s investigation by excluding issues relating to commercial and industrial ESCO customers and ESCO profitability.

“The record is clear that certain ESCO customers have paid much more for their energy than necessary, and instead exposes them to the risks of overcharging. We have cracked down on bad-acting ESCOs, and we have banned ESCOs from serving low-income consumers. This action signaled the end of an ESCO market that provides no value to customers, and instead exposes them to the risks of overcharging.”

**Commission Chair John B. Rhodes**

**Request of Two ESCOs to Serve Low-Income Energy Customers Denied**

In September 2017 the Commission denied requests by two ESCOs, to serve low-income customers after the ESCOs failed to prove that they could save low-income customers’ money on their utility bills. The companies denied permission were Drift Marketplace Inc. and M&R Energy Resources Corp. The Commission prohibits ESCOs from enrolling and renewing customers who are participants in utility low-
income assistance programs unless the ESCO can provide guaranteed savings to those customers. A 30-month, statewide audit of ESCO charges found that low-income New Yorkers paid $96 million more than what a utility would have charged for gas or electricity.

While the Commission rejected the requests of these two ESCOs to serve low-income customers, it recognized that Ambit guarantees that the customer will pay no more for supply service than they would have paid as a full-service customer of their local utility for the same time-period. This is an important distinction to make as low-income customers should pay no more than what they would have paid.

Consumer Complaints Against Brooklyn-Based ESCO Prompts Action by the Public Service Commission

In October 2017, the Commission ruled that MPower Energy could be barred from operating in New York following more than 100 complaints about deceptive sales and marketing practices by the Brooklyn-based ESCO. Following an investigation into complaints dating back to 2015, the Commission ordered MPower to offer proof within 30 days on why it should be allowed to continue operating in New York. Within seven days, the firm was also required to demonstrate why it should be allowed to serve low-income customers, who are frequently the victims of aggressive and misleading sales practices by ESCOs. MPower had served approximately 90,000 residential and small commercial customers in New York City.

These complaints demonstrate that MPower sales agents were potentially using many deceptive and misleading marketing tactics when marketing to customers, including misrepresentation of identity, and promising savings that are not guaranteed. The investigation by the Department of Public Service also found that MPower has not provided appropriate sales agreements to its non-English speaking customers.

Oversight of ESCOs Serving Low-Income Customers Enhanced

In October, the Commission clarified which ESCOs in New York could continue to serve low-income customers. Specifically, the Commission allowed three energy service companies – Just Energy NY Corp., National Fuel Resources and Zone One Energy – to continue serving low-income customers, while waiver requests were denied for five other ESCOs: Agway Energy Services, Stream Energy, South Bay Energy, and New Wave Energy.

Energy Affordability and Low-Income Consumer Support

Central Hudson Agrees to Make Customer Service Improvements

The Commission, in response to a complaint by a low-income advocacy group, announced that Central Hudson Gas & Electric Corporation agreed to modify its procedures regarding scheduling of terminations of utility service to prioritize termination activity on accounts with highest and oldest arrears. The utility agreed to revise training materials for customer service representatives to ensure they provide appropriate guidance for transferring debts where the applicant or customer claims identity theft, and that the company will provide additional training to ensure employees handle complaints in a manner consistent with the state’s utility consumer protection rules and the company’s training and reference materials.

As part of its investigation, staff conducted a detailed review of complaint records involving Central Hudson customer, including complaints made by or on behalf of the individuals named in the petition and supporting documents. Staff conducted extensive discovery of Central Hudson. Staff found did not find evidence of trends suggesting systemic improper practices or
procedures, nor any evidence that would suggest the prevalence of widespread HEFPA violations.

**Telecommunications Improvements**

*Commission Approves New Area Codes to Meet Increasing Demand*

To ensure the continued supply of new telephone numbers across the State, two new area code overlays took place in FY 2018. An overlay area code is the most effective possible use of numbering resources and results in long-term relief, with the least expense, and the least amount of disruption and frustration to consumers as possible. Once a new overlay area code takes effect, customers in that region requesting new service, an additional line, or a move in the location of their service, may be assigned a number in the new area code.

**New 332 Manhattan Area Code**

In June 2017, the new 332 area code took effect in the existing 212, 646 and 917 Manhattan area codes. Customers retain their current telephone numbers and 1+ ten-digit dialing by all customers within the area codes in Manhattan continued as normal. The overlay assigns newly issued telephone numbers in the 332 area code once all existing area codes are exhausted and applies to all telephone numbers, regardless of service type. The new area code is projected to provide telephone number relief in Manhattan for over 30 years. Customers in the 347/718/929/917 area code that serves Staten Island, Brooklyn, Bronx and Queens are not affected by the new overlay area code.

Area code relief in Manhattan has an extensive history. With the creation of area codes in 1947, the 212 area code originally encompassed all five boroughs of New York City. Decades later, in 1984, a geographic split was implemented for area code exhaust relief of the 212, which created the 718 area code. The 212 continued to serve Manhattan and the Bronx while the 718 service Brooklyn, Queens and Staten Island. New 838 Capital Region Area Code

In September 2017, the new 838 Capital Region area code took effect. Customers in the 518 area code region requesting new service, an additional line, or a move in the location of their service, may be assigned a number in the new 838 area code. The new area code will be superimposed over the same geographical area as the existing 518 area code. The 518 area code is located within all or part of 17 counties: Albany, Clinton, Columbia, Dutchess, Essex, Franklin, Fulton, Greene, Hamilton, Montgomery, Rensselaer, Saint Lawrence, Saratoga, Schenectady, Schoharie, Warren and Washington.

**Financial Transactions for the Sale of Three New York Local Telephone Corporations Conditionally Approved**

In June, the Commission conditionally approved a transfer of stock to allow the sale of FairPoint Communications and three of its New York subsidiaries – the Berkshire, the Chautauqua and Erie, and the Taconic telephone companies – to Consolidated Communications Holdings, Inc. of Mattoon, Illinois (Consolidated).

The agreement between FairPoint and Consolidated stipulates that broadband, voice and cable video systems service in Chautauqua, Columbia, Dutchess and Rensselaer counties would not experience any immediate changes as a result of the sale, according to the agreement. Likewise, customers did not experience any immediate changes in services, rates, or terms and conditions of service.

The Commission’s approval was contingent on Consolidated and FairPoint agreeing to:

- Maintain staffing for at least two years for New York workers who directly interact with customers;
- Invest at least $4 million in network reliability and service quality improvements for the New York companies;
Follow through with broadband construction pursuant to Fairpoint’s successful bid in Governor Andrew Cuomo’s New NY Broadband Program, and bid in the next phase of that program;

Expand Digital Subscriber Line (DSL) internet service during the next three years to serve at least 300 more customer locations, particularly in the Hudson Valley; and,

Provide a $2 million letter of credit to be held until these and other conditions have been satisfied.

911 Oversight

Although state oversight of 911 is a primary function of the Division of Homeland Security and Emergency Services (DHSES), the Commission, through its historic oversight and regulation of incumbent local exchange companies (ILECs), has regulated the transmission of 911 call and critical location information (E911) for all forms of telecommunications technologies (telephone, wireless and VoIP) for delivery to county-based Public Safety Answering Points, Commission and Department Staff work cooperatively with DHSES, other state agencies, and counties to provide relevant subject matter expertise in support of the State Interoperability and Emergency Communications Committee.

The Targeted Accessibility Fund of New York, Incorporated (TAF) was established by the Commission in 1998 as a mechanism to ensure the proper funding by the telecommunications carriers of various targeted programs as defined by the Commission. The programs identified were Lifeline, emergency services E911, Public Interest Pay Phones, and the Telecommunications Relay System. All certified telecommunication carriers doing business in New York State are required to participate in TAF. All carriers participating in the Targeted Accessibility Fund who provide E911 are eligible to be reimbursed by TAF for their legitimately incurred costs associated with providing New York State’s E911 services. By doing so, TAF reimburses the carrier the associated costs of certain eligible 911 services, such as selective routing and 911 call trunking, rather than the municipality incurring those costs, potentially saving the municipalities thousands of dollars per month in related E911 costs.

Cable Mergers and Expansion of Service

Although the Commission does not regulate broadband services, it facilitates its deployment in many ways: In January 2016, the Commission approved Charter Communications Inc.’s acquisition of Time Warner Cable Inc., conditioned upon Charter enhancing and extending its service. Similarly, the Commission’s approval of Altice’s acquisition of Cablevision in June 2016 and Consolidated’s acquisition of FairPoint in June 2017 required system buildout and service improvements.

Charter Communications Settlement

On Jan. 8, 2016, the Commission approved Charter’s acquisition of Time Warner, a company that provides television, internet and voice services, using strengthened review standards signed into law by Governor Cuomo. To obtain approval, Charter agreed to a number of conditions required by the Commission, including delivering broadband speed upgrades to 100 Mbps statewide by the end of 2018, and 300 Mbps by the end of 2019, and building out its network to pass an additional 145,000 unserved or under-served homes and businesses within four years of the closing of the transaction in four equal phases of 36,250 premises per year.

Charter is the largest cable provider in the State. It provides digital cable television, broadband internet and VoIP telephone service to more than two million subscribers in New York State in more than 1,150 communities, with a potential customer base of five million households in its franchise areas. The company provides cable
television, Internet and telephone service in the major metropolitan areas of the State: Buffalo, Rochester, Syracuse, Albany and the boroughs of Manhattan, Staten Island, Queens and parts of Brooklyn.

While Charter reported that it had completed the first speed upgrade ahead of schedule, as of May 18, 2017, it had only extended its network to pass 15,164 of the 36,250 premises it was required to pass in the first year. Under the revised agreement, Charter committed to completing its build-out requirement of 145,000 new passings in 21,646 increments over six periods through May 18, 2020.

In its approval of the merger, the Commission required Charter to undertake several types of investments and other activities. While Charter delivered on many of them, it failed to expand the reach of its network to un-served and under-served customers at the pace it committed.

In September 2017, the Commission approved a $13 million settlement agreement with Charter after the cable company failed to build-out its cable network as required in the 2016 approval of Charter’s acquisition of Time Warner. The $13 million settlement is the largest cable company financial settlement of its kind in state history and possibly the largest in the nation’s. Charter forfeited its right to earn back up to $1 million each time it misses a six-month build-out target. The actual amount forfeited will vary, depending upon the percentage of the target missed and whether or not Charter can demonstrate it has performed specific tasks on a timely basis.

Additionally, in December 2017, the Commission directed that a management and operations audit be performed of Time Warner Cable, a wholly-owned indirect subsidiary of Charter, to examine the company’s response to the International Brotherhood of Electrical Workers strike involving approximately 1,700 workers. A Request for Proposals, or RFP, was released to bring in an independent auditor to assist staff with the audit. A consultant was selected in March 2018 enhancing the work of the Department’s staff audit team.

**Water Rates and Services**

*NY American Water Investigated for Failing to Disclose Correct Property Value Assessments*

On May 18, 2017, the Commission approved a water rate increase for 120,000 customers of American Water on Long Island. While the approved rates were substantially lower than what the company originally sought, some customers, especially in the Sea Cliff area, saw a steep increase in water bills largely because of high local property taxes. DPS is the staff arm of the PSC.

Subsequent to the approval of the rate increase, however, American Water informed Department staff that it had made a significant accounting error related to the value of its property in the Sea Cliff district dating back to 2013, and because of that mistake, its Sea Cliff properties were overvalued for property tax purposes. The purpose of the DPS investigation is to determine whether the company failed to inform DPS staff prior to or during the last rate case that there was uncertainty about the assessments given the fact that the incorrect assessments drove water bills higher than they otherwise needed to be.

In December 2017, the Department announced an investigation of New York American Water Company, Inc. after the company failed to disclose accurate property value assessments that would have lowered water bills for 4,000-plus customers in the Sea Cliff area on Long Island. The revised property tax reassessment, reduced the average monthly utility bills of American Water residential customers in Sea Cliff by $37.66 or 34 percent, decreasing the average monthly bill from $109.71 to $72.05.

The company estimated that absent making the changes to the two property tax surcharges, Sea Cliff customers would have overpaid property taxes by $4.5 million because of the incorrect assessments.
These estimates are preliminary and will be thoroughly reviewed in the context of a PSC proceeding. No customer refunds were due since the company had not yet collected from customers for the property tax surcharge. Customers would have been overcharged if the error had not been detected. The lower bills took effect in January 2018.

The company acknowledged that the incorrect information was its own fault, and proposed a reduction of property tax payments that customers otherwise would have owed it by $1.7 million to insulate customers from any overpayment related to the retrospective component of this error. Going forward, the company estimates that approximately $2.8 million of property tax savings will be flowed through to the customers through lower bills over the next four years of the rate plan.

Strengthening Reliability and Public Safety

Siting

Electric Generation

As a result of Governor Cuomo’s Clean Energy Standard initiative, applications to construct renewable energy facilities have accelerated. As of March 31, 2017, there were 24 active renewable projects in some phase of the Article 10 review process before the Board on Electric Generation Siting and the Environment, in addition to the 126 megawatt Cassadaga Wind Farm project certified by the Siting Board on January 17, 2018 (see below). Specifically, there are 13 active wind cases totaling 2,814.5 megawatts and 11 solar cases totaling 1,006 megawatts. Our process gives local communities opportunities to be heard and our siting rules ensure negative siting impacts are addressed.

Cassadaga Wind LLC Wind Farm Facility Approved

In January 2018, the New York State Board on Electric Generation Siting and the Environment (Siting Board) approved the 126 megawatt Cassadaga Wind LLC clean energy wind farm in Chautauqua County. It is anticipated that this project will create nearly 470 full-time construction jobs with annual payroll of $80+ million while paying more than $10 million to local governments and school districts over a 20-year period. The Siting Board’s decision follows a rigorous review and public participation process to ensure that the wind farm meets or exceeds all siting requirements.

“Wind energy is a clean fuel source. It doesn’t pollute the air like power plants that rely on fossil fuels and it’s renewable. This decision is a testament to how New York is working to achieve its New York’s Clean Energy Standard, the most comprehensive and ambitious clean-energy mandate in the state’s history.”

Commission Chair John B. Rhodes

The 126 megawatt Cassadaga wind farm as approved will consist of up to 48 high-capacity, 500-foot tall wind turbines, together with associated transmission lines, both underground and above ground collection lines, access roads, meteorological towers, operation and maintenance building, collection and point of interconnect substations, and related facilities, located in the Towns of Cherry Creek, Charlotte, Stockton, and Arkwright, and would interconnect to the state’s electrical grid along the Dunkirk-Moon 115 kV transmission line.

In making its determination, the Siting Board studied the environmental impacts of the construction and operation of the facility, including impacts on ecology, air, ground and surface water, wildlife, and habitat, as well as public health and safety, along with other criteria.

The Siting Board examiners determined that the wind farm will be a beneficial addition to the electric generation capacity of the State, and is consistent with the State’s energy policy and planning objectives. The facility will also serve the goals of improving fuel
diversity, grid reliability, and modernization of grid infrastructure.

Transmission

Under Article VII of the Public Service Law “Siting of Major Utility Transmission Facilities,” the Commission makes the final decision regarding all applications for the siting of major electric and fuel gas transmission facilities. As of March 31, 2018, there were 14 Article VII projects in various stages of review, and three under construction.

In October 2017 the NYISO selected NextEra Energy, a developer, to address the public policy need for new transmission in Western New York. This project, which is expected to be submitted to the Commission for siting approval will support New York’s goal of maximizing the flow of energy from renewable resources in the region. Meanwhile, the NYISO continued with its review to select a developer for the AC Transmission Upgrade initiative. In that proceeding, the Commission 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 $1 that it costs.

Gas Safety

Department staff works diligently to enforce its gas safety regulations, which are among the most stringent in the nation, to ensure that utility companies adhered to them regarding the safe operation of the utility’s gas distribution system. To continue to improve gas safety, the Commission routinely monitors the utilities’ gas emergency plans to make sure that they are up to date, to identify improvement areas, and to ensure that the plans are in compliance with the Commission’s gas safety requirements.

The Commission encourages residents and excavators to dig safely. Before you dig, call 811 at least a few days before you start to request that underground utility lines be marked. Whether you are planning to do it yourself or hire a professional, smart digging means calling 811 before each job.

Every digging project, no matter how large or small, warrants contacting 811. When digging, people run the risk of hitting an underground utility, even if only digging a few inches. Striking a pipeline, wire or cable can result in costly repairs, fines or utility service outages. Even worse, a line strike can cause serious personal injury or even death. According to the US Department of Transportation Pipeline and Hazardous Materials Safety Administration, in 2016, New York had 91,191 miles of natural gas distribution, transmission and gathering pipelines and 1,147 miles of hazardous liquid pipelines.

National Grid’s Long Island Gas Company Gas-Safety Review

In September 2017 the Commission issued an order requiring National Grid/KEDLI to show why the Commission should not commence a penalty action in either civil court or before the Commission for a gas-related explosion that occurred on February 11, 2015 in Suffolk County, causing severe injury to two people. The Commission’s decision was based upon staff’s investigation that found that National Grid failed to follow regulations regarding discontinuance of gas service to the property.

“The Commission has zero tolerance for violations of its gas safety standards. Under tougher penalties for violations implemented by Governor Andrew M. Cuomo, if National Grid is found to have violated our regulations, it could face a penalty to be paid by shareholders.”

Commission Chair John B. Rhodes
The Commission’s decision was in response to staff’s investigation with respect to the natural gas explosion that occurred in Water Mill, New York, on February 11, 2015 in the service territory of KeySpan Long Island, d/b/a/ National Grid. The investigation determined that the cause of the explosion was the existence of gas service at the premises, which, pursuant to gas safety rules, should have been locked two months before the incident.

National Grid violated the regulatory requirement that gas services be locked whenever a customer asks to discontinue service. Instead, National Grid simply removed the customer’s name from the account when they called to close the account. The customer specifically told National Grid that the new owner would not need gas service for the foreseeable future and yet National Grid still failed to lock the service. The explosion occurred two months after that call.

**NYSEG Gas Pilot Project Approved**

The Commission approved construction of a $4 million natural gas compressor pilot project and the issuance of a request for new proposals designed to offset the immediate need for a gas pipeline that had been initially proposed to be built in Tompkins County. This pilot project, the first of its kind, was strongly backed by the local environmental community.

"Our decision is based, in part, upon New York’s goals along with the significant public input we received from the local community keen to protect the environment and reduce the community’s greenhouse gas emissions. With the environment in mind, this pilot project is intended to boost the gas distribution system’s ability to maintain reliable supply without the need to build a new gas pipeline."

**Commission Chair John B. Rhodes**

NYSEG had planned the construction of a new $18.6 million, 7.4-mile gas supply project known as the Lansing/Freeville reinforcement pipeline. The new pipeline was proposed because the Lansing area was experiencing load growth and pressure drops below normal operating pressure and below the maximum system design criteria. Continued pressure drops can create safety and reliability issues, which may require curtailment of service to some natural gas customers.

However, after discussions with various stakeholders in the affected area and Commission staff, NYSEG proposed the compressor pilot project and request for proposals to address the safety and reliability issues associated with the low pressure on the system and the increase demand for natural gas in the Lansing area. Tompkins County representatives expressed a strong desire to see “non-pipes” alternatives to the pipeline project to help meet Tompkins County’s greenhouse gas emission reduction goals. Supporters of the pilot project include the Sierra Club, the Alliance for Non-Pipe Alternatives, the Environmental Defense Fund, as well as more than 100 residents who filed comments.

**NYC Subway Power Reliability**

On April 21, 2017, Governor Cuomo directed the Department and the Metropolitan Transportation Authority to conduct an immediate investigation into a Con Edison equipment failure that led to significant delays across MTA New York City Transit subways. New York City Transit subways experienced a loss of station power at the Seventh Avenue Station in Manhattan due to a Con Edison equipment failure. The outage resulted in the loss of signals, escalators, communications and station lighting. MTA New York City Transit immediately deployed MTA generators to the station to restore the signals allowing trains to bypass the station. The State’s initial investigation also included two other power-related incidents that affected the MTA system in May 2017.
In August 2017, the Commission ordered Con Edison to take immediate action to guarantee power reliability across New York City’s subway system. In the 12 months prior to this action, power-related issues caused more than 32,000 subway delays and service disruptions. These outages stem from four problem areas:

1. Loss of power
2. Frequent surges in power that force the system to go into failsafe mode (shutdown)
3. Frequent power dips which cause equipment to fail
4. An insufficient power back up system in the event of a power failure

To address these issues, the Commission ordered Con Edison to perform the necessary remediation in coordination with the MTA. The Commission set an aggressive timeline for the work to be done: six months for priority projects, nine months for second priority and the entire project completed within one year.

This was the most comprehensive power review ever done, literally testing and repairing the entire power flow system. The objective is the inspection and repair of the entire system, including traction power substations, manholes, cables, property line boxes, energy distribution rooms, signal relay rooms, signal junction boxes, track, signals, track side equipment, and interlockings.

The Commission order addressed the inspections, assessments, and power quality work identified as necessary by the engineering experts, and warranted to ensure the level of utility service necessary to ensure adequate power quality to the MTA. As a customer of Con Edison the MTA also has special importance to the public welfare and the economy in the Con Edison service territory. Failure of Con Edison to comply with the Commission’s direction may subject Con Edison to penalties.

Storm Response

In 2012, following widespread power outages across the state after Superstorm Sandy, Governor Cuomo directed the Department and the Commission to strengthen oversight of utilities under a new law that took effect in 2013. In December 2013, the PSC approved use of a scorecard to assess electric utility performance in restoring electric service during major storms or other outage events. Along with the requirements of utility Emergency Plans, which are updated annually, the scorecard established standards and provided guidance to utilities as to our expectations for their restoration efforts including preparations for outage events and actions during events including effective communications programs. We review emergency operational plans, emphasize this as a management priority, and hold utilities accountable for performance.

On March 8, 2017, a severe windstorm swept through parts of Western New York and the Finger Lakes. In the storm’s aftermath, more than 100,000 RG&E customers lost power, and three days after the storm more than 50,000 customers remained without power. NYSEG had similar outages, albeit smaller and for less time. In the storm’s aftermath, the companies reported peak outages of approximately 123,000 and 48,000 for RG&E and NYSEG, respectively. Complete restoration took until March 13, 2017 for NYSEG and March 15, 2017 for RG&E. Subsequently Governor Cuomo directed the Department to investigate RG&E and NYSEG’s response.

Commission Utility Storm Performance Investigation

In November 2017, the Commission completed its investigation into the March 2017 Windstorm and determined that the poor storm restoration response by two utilities — RG&E and NYSEG — violated the companies’ own emergency response plan. As a result, the companies’ owners faced millions of dollars in financial penalties.
“It is critically important that utilities adhere to our rules and regulations, even more so when the safety of New Yorkers is at stake."

Commission Chair John B. Rhodes

While Commission staff found NYSEG and RG&E performed adequately in some areas in terms of their storm response, the in-depth investigation found several areas where the companies did not follow the Commission-approved guidelines. Specifically, the investigation identified four violations for NYSEG and eight violations for RG&E while also uncovering other areas needing improvements as detailed in nearly 30 staff recommendations. With the violations, the companies faced possible financial penalties totaling several million dollars that, if imposed, would be paid by shareholders. The companies were directed to show how they are going to improve their storm management practices to ensure such mistakes are not repeated in the future.

Based on staff’s investigation, NYSEG and RG&E violated their Commission-approved emergency response plans, subjecting them to possible financial penalties.

For National Grid, the other utility serving the region, areas around its Genesee, Frontier, and Southwest divisions sustained damage from the windstorm, with the most damage in the Genesee division. Customer outages for National Grid peaked at 113,000 and complete restoration was accomplished on March 12. Staff found that National Grid restored more than 90 percent of affected customers within 36 hours and was not subject to a penalty action.

Indian Point

In January 2017, Governor Cuomo announced the closure of the Indian Point Energy Center by April 2021. Noting, the aging 2,000 megawatt nuclear power plant, located 25 miles north of New York City, has presented numerous threats to the safety of over 20 million residents and the environmental health of the area. After extensive litigation and negotiation, Entergy agreed to end all operations at the facility, with plans to shut down Indian Point Unit 2 as early as April 2020 and Unit 3 in April 2021 -- 13 and 14 years earlier than required under the anticipated federal re-licensing terms, respectively. The state continues to closely monitor Entergy to ensure public safety and mitigate safety risks associated with the plant, including for storage of spent nuclear fuel.

The State has extensively and proactively planned for the eventual closure of Indian Point by making sure more than enough replacement power is available to ensure reliability, mitigate electricity price impacts and achieve environmental objectives. Already, 730 megawatts of transmission improvements and energy efficiency are in-service via the Commission's Indian Point Contingency Plan, and more generation resources are slated to come online in the near future.

In February 2017, the Governor charged the Department with the responsibility of convening the Indian Point Closure Task Force. The task force was created to ensure compliance with the agreement to close the aging Indian Point nuclear power plant in Westchester County and to provide guidance and support to affected local municipalities and employees. Critical goals of the 23-member task force include identifying ways to respond to potential local tax and workforce impacts while closing the plant in a safe and responsible manner. By evaluating site reuse options, identifying new local economic development and workforce retraining opportunities, and advocating for appropriate decommissioning timelines, the task force seeks to assist the region overall for a prosperous and sustainable future during and after the decommissioning of the facility. The task force will also monitor compliance with the closure agreement, coordinate ongoing safety inspections and review reliability and environmental concerns, among other issues.
The task force continued its work in FY 2018 holding three well-attended public meetings. On May 31, 2017 the Indian Point Closure Task Force convened its first meeting. Members of the Task Force publicly discussed and identified initiatives to help the local community prepare for the facility to cease power generation operations and shut down by 2021.

On September 29, 2017 the Task Force met for the second-time to publicly discuss and identify initiatives to help foster a successful community transition when Entergy ceases power generation operations at Indian Point in 2021. At this meeting, the state representatives announced and introduced an expert consultant, D.L. English Consulting Inc., that has been brought on to assist with conducting the reuse study. Publicly discussed and identified initiatives to help the local community prepare for the facility to cease power generation operations and shut down by 2021, introduced an independent consultant to study Indian Point site reuse and reutilization options, reviewed spent fuel management practices and the decommissioning process, and continued discussions with the local labor unions on employee support services.

On December 19, 2017 the Task Force met for the third time to continue discussion on the goals and priorities of the Task Force. Specifically, the Task Force publicly discussed and identified initiatives to help the local community prepare for the facility to cease power generation operations and shut down by 2021, reviewed initial findings of an independent consultant on Indian Point site reuse and reutilization options, reviewed the NYISO Generator Deactivation Assessment for Indian Point, and continued discussions with local labor unions on employee support services.

Streetlighting

In the Governor’s 2018 State of the State Address, he announced a statewide Smart Street Lighting program. The program will take advantage of Smart Street Lighting technology and its taxpayer savings and energy efficiency benefits. The program aims to convert 500,000 street lights to LED technology by 2025. This program has the potential to reduce energy consumption annually across the state by 482 gigawatt hours, the equivalent of 44,770 households, save taxpayers $87 million annually, reduce greenhouse gas emissions and improve the quality of light and safety of communities across the state.

Over the past year the Commission and Staff have worked to expand the opportunities for converting existing streetlighting technology to more efficient LED technology by implementing additional LED tariff options and working with the utilities through rate cases and utility-administered energy efficiency programs to provide municipal customers incentives for these conversions. In fact, the Commission’s approval in November 2017 of NYSEG and RG&E’s company-owned LED streetlight tariff options represents the final investor-owned utility to come on-line with a tariff that would allow municipal customers the ability to convert to LED streetlights without requiring the municipality to purchase and maintain the streetlights themselves. This is a significant development, particularly for smaller municipalities who may not be able to, or want to, take on ownership and maintenance requirements but are still interested in the financial and environmental savings that LED streetlights can provide.

Modernizing Infrastructure

In November 2017, the Commission approved Orange and Rockland’s (O&R) plan to install advanced smart meters for all of its electric and gas customers – money-saving technology that will help ratepayers reduce their energy usage and improve the reliability of the O&R system as a whole. It was estimated that the new meters for Rockland, Orange and parts of Sullivan counties will produce a net benefit of nearly $16 million.
The approved AMI system is similar to the meters planned by Con Edison to provide customers with precise load information to better manage and curtail energy usage. The order also included a framework for the utility to develop alternative ways to meet increased load than the traditional electric transmission and distribution infrastructure, such as the building of new substations and installation of high voltage cables. These “non-wire alternatives” meet energy demand at a reduced cost and can be environmentally cleaner than traditional power systems.

Non-wire alternatives are an important goal of REV.

**Demonstration Projects**

*Brooklyn Queens Demand Management Program (BQDM)*

One of the first and best examples is in New York City where Con Edison is meeting rising demand for electricity by helping customers manage and lower their energy demand in order to delay construction of a $1 billion substation. The BQDM program was expanded last year to include additional distributed energy resources, such as fuel cells, solar power, battery storage and thermal storage, that will enable the deferral of additional infrastructure and create even more savings for ratepayers. Con Edison’s most recent estimates show a total benefit of $94.9 million (or 1.15 as a benefit cost ratio) by deferring the construction of the new substation to at least 2026.

Through energy efficiency programs and demand management, Con Edison’s BQDM, which began in 2014, is expected to save customers approximately $24.5 million over the life of the program. These energy-reduction measures have allowed Con Edison to defer the construction of a $1 billion substation and, with the Commission’s order, BQDM is adding additional distributed energy resources, such as fuel cells, solar power, battery storage and thermal storage, that will enable the deferral of additional traditional infrastructure, creating additional savings for customers.

**BQDM is one of the best examples of the energy reforms underway in New York, thanks to Governor Cuomo’s long-term energy strategy. The program was scheduled to end in 2018, but the success of BQDM was cited by the Commission in an order extending the program. The order authorized the Company to obtain additional demand reductions and defer additional traditional infrastructure investments, without any additional funding.**

*Commission Chair John B. Rhodes*

Extending the program without additional funding is possible because Con Edison has been able to achieve the demand management reductions it needed while staying within the budget previously approved.

By 2018, the BQDM program contracted for over 52 megawatts of non-traditional, customer-side and utility-side solutions to meet energy demand. Currently, 6,000 small businesses, 1,400 multifamily buildings, and 8,800 family residences are part of BQDM, which have reduced load on the distribution system while reducing their own energy bills.

Efficiency measures by small businesses have resulted in over 110 GWh of annual energy reduction, while similar measures in multi-family residences and individual apartments have reduced more than 27 GWh in annual energy consumption. Going forward, Con Edison anticipates future energy savings that are similar to those achieved so far.

**Expansion of Con Edison’s ‘Smart AC’ Program**

The Commission approved a pilot program for Con Edison that will enable millions of New York City residents, including public housing residents, to be eligible for cash rebates in the Summer of 2018 if they allow
Con Edison to remotely control their room air conditioners, without diminishing comfort, during brief periods of high demand for electricity. Con Edison officials expect the program will encourage more people to purchase energy-efficient air conditioners — making them eligible for greater energy savings and incentive rewards — with new technologies expected in the future, such as advanced air conditioners and ductless heat pumps.

“By adding a no-cost, Wi-Fi-equipped sensor or ‘smart plug’ to a room air conditioner, Con Edison customers can earn rebates by having their room temperature raised a few degrees for a few hours during times of peak demand — saving money and energy at a critical time. With this decision, the Commission will be encouraging greater innovation and competition, reducing costs and energy demand.”

Commission Chair John B. Rhodes

Approximately 21,000 electricity customers currently participate in Con Edison’s successful “Smart AC” program, but millions more could benefit from the program, earning financial rewards of approximately $25 to $95 per year.

The Connected Devices pilot is designed to help Con Edison test new “internet of things” controllable devices, demonstrate the effectiveness of those technologies, and run pilot-scale programs to see how the market responds.

COMMISSION RATE MAKING PROCESS

Under New York State Law, the Commission must consider a utility’s proposal and may adopt, reject or amend any part, or all, of it. The Office of General Counsel assists in the review of specific rate and service proposals by the utilities. Most proposals for competitive price or service offerings are limited to individual customers or service classifications, but more extensive proposals have also been presented.

A Department of Public Service Administrative Law Judge is assigned to preside over the gathering of public comment and all evidence relating to the proposal. The Administrative Law Judges preside over trial-type hearings or mediate disputes informally. The judge exercises the same authority as a Commissioner in deciding disputes about procedures and the admissibility of evidence. In all types of proceedings, the judge ultimately is responsible for seeking out the most efficient way to conduct the case and then holding the parties to the established schedule. This process ensures that cases are handled at each stage by a judge who is thoroughly familiar with the record.

The judges are trained continually in substantive technical and legal issues, to maintain their expertise as the regulated utilities evolve into a competitive industry. In addition, to maximize the potential efficiencies of completing cases through means other than litigation, the office requires all of its judges to be trained in alternative dispute resolution methods so they can help parties negotiate settlements of individual issues or entire proceedings.

The Commission may hold public statement hearings on a proposal to ensure that public comments and concerns become a part of the official case record, along with all other evidence, that it considers in analyzing the proposal. The purpose of the public statement hearings is to provide an opportunity for the general public to comment on the proposal.

Active public involvement can provide the Commission with a more comprehensive record reflecting a broad spectrum of views from all interested parties.

Evidentiary hearings may be scheduled to allow an opportunity for the parties in the case to cross-examine witnesses, including the company, on the merits of the proposal, including the company. The public may
attend these open sessions to observe the questioning of the witnesses.

After all the evidence and public comments have been gathered, the judge will present the record of information, including his recommendations, to the Commission.

The Commission will formally consider the case at a regularly scheduled public meeting in either Albany or New York City. The meetings are designed to allow the Commission members to discuss a large number of utility-related matters pending before it. The public is invited to listen to these sessions.

After the Commission decides the issues, the judge is responsible for drafting a legally sustainable opinion and order that clearly explains the Commission's conclusions. The Commission will make its decision based on the record and issue a written order.

**Major Rate Case Decisions**

A rate case is the formal process used to determine the amounts to charge customers for electricity, natural gas, private water and steam service provided by regulated utilities. Rate cases are a primary instrument of government regulation of these industries. Interested persons may intervene and become parties in a utility company's rate case. Typical intervenors include: industrial, commercial and other large-scale users of electricity; public interest groups; representatives of residential, low-income and elderly customers; local municipal officials; and, dedicated advocacy groups. The applicable legal requirements require the Commission to render a decision within 11 months after a major rate case is filed. Rate cases proceed in an entirely public and open process.

The PSC is required to set just and reasonable rates for utility customers. The Commission's policy to maintain universal, affordable service is a critical driver of the REV initiative. This is accomplished through thorough assessment of utility rate filings, as well as through management and operations audits which are designed to ensure that utilities are operating efficiently, and we have been successful.

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<tr>
<th>Company</th>
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<td></td>
<td><strong>388,354,480</strong></td>
<td><strong>70,135,670</strong></td>
<td><strong>(82%)</strong></td>
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Corning Natural Gas

In June 2017, The Commission set rates for the Corning Natural Gas Corporation. While Corning initially sought a three-year total rate increase of $7.51 million, the Commission limited the three-year increase to $4.69 million.

Under the joint proposal, Corning will receive a delivery rate increase of $1.56 million in the first year, $1.57 million in the second year, and $1.56 million in the third year. For a typical residential customer, the average monthly bill was increased by $8.27 in year one, $7.81 in year two, and $6.98 in year three.

The need for the higher rates was driven by increased costs across a number of categories, including inflation, labor and pension expense, property taxes, health insurance costs; capital expenditures for gas distribution system upgrades; and costs for improving Corning's customer assistance performance.

The Commission’s decision continued incentive programs for replacement of leak-prone distribution mains and includes a program to replace leak prone service lines. It also includes gas safety performance metrics related to preventing damage to underground facilities, responding to emergency calls, adhering to gas safety regulations and eliminating leaks.

National Fuel Gas

In April 2017, The Commission lowered National Fuel Gas Distribution Corporation’s (NFG) requested rate hike of $41.7 million, and instead granted the natural gas utility a one-time rate increase of $5.9 million, an 86 percent reduction.

Had NFG’s proposed rate increase been approved, the average residential heating customer would have seen their annual bill increase by $69, a rise of nearly 7.2 percent. Now, the average residential heating customer will see an annual bill increase of $13, or 1.4 percent.

In addition to lowering the rate increase, key elements of the Commission’s decision included authorization of recovery for costs to update NFG’s customer information systems, increasing funding for accelerated leak prone pipe replacement, and providing additional funding for the company’s low-income program.

The Commission also directed that additional funding for NFG’s low-income programs be made available for a revised low-income program that will be phased in and fully implemented by December 2018. Once the new funding becomes available, low-income customers will see an additional $7.07 million in funding, a 111 percent increase. The low-income program will provide $13.43 million in assistance in total.

National Grid

In March 2018, the Commission adopted a joint proposal by Department staff, National Grid, and 17 interested parties representing customer, municipal, labor, and environmental interests to establish three-year electric and gas rate plans. The proposal limited overall revenue increases in the first year to only $43 million or 1.7 percent for electric customers, and only $13 million or 2.4 percent for natural gas customers. The Commission’s decision represented a far better outcome for customers than the company’s initial request for a $326 million revenue increase in electric rates or 13 percent, and an $81 million increase or 14 percent in natural gas rates. Under the new rate plan, a typical residential customer using 600 kWh of electricity per month would see a total monthly bill increase of $2.22 or 2.9 percent in the first year, $3.03 or 3.8 percent in the second year starting, and $3.25 or 3.9 percent in the third year. A typical residential customer using 77 therms of gas per month would see a total monthly bill increase of $1.20 or 1.7 percent in the first year, $3.10 or 4.5 percent in the second year, and $3.18 or 4.4 percent in the third year. The Joint Proposal also provided a 55 percent reduction for eligible low-income electric customers.
American Water

In May 2017, the Commission lowered New York American Water Company, Inc.’s requested rate increase of $8.7 million, and instead granted the Long Island water company a first-year rate increase of only $3.63 million.

American Water’s service territory is comprised of 12 water districts that are served under four separate service tariffs with different rates and terms of service. Those water districts have different rate structures and are on different billing cycles, either monthly or quarterly. The Commission’s decision moved all metered customers to a monthly billing cycle. The company has about 124,000 customers systemwide, including about 120,000 on Long Island.

Under the four-year rate case decision, the typical annual residential bill in the first year in the largest districts will increase. For Lynbrook customers in SA1, it will go to $465.64, up from $456.55. The typical annual residential bill for the Merrick district will go to $250, up from $236.51. Annual bills for typical residential customers in Sea Cliff will be $821.82, up from $587.23. Meanwhile, the typical customer bills in the rest of the smaller water districts in SA1 will actually decrease.

The decision included a program to incentivize the company to provide better customer service and a program to speed up the removal of customers’ lead pipe, if it exists. To improve performance, American Water was required to maintain target customer service performance levels. If American Water fails to meet established performance targets, it would be subject to a negative financial adjustment and any dollars associated with missing the targets would be deferred for the benefit of ratepayers.

Village of Fairport’s Municipal Power Authority

In July 2017, the Commission set a new one-year rate for the Village of Fairport’s municipal power authority. While the power authority in Monroe County initially sought a one-year rate increase of nearly $1.53 million, the Commission limited the rate increase to just over $1.31 million, $214,810 less than the amount requested. Under the decision, the monthly bill for a typical residential customer using 750 kilowatt-hours (kWh) per month taking service increased from $35.83 to $38.15, or 6.5 percent.
Appendix: Budget Highlights

The FY 2018 enacted Budget totaled $101.4 million for the Department, an increase of $9.7 million from the FY 2017 budget levels. The year-to-year increase is due to the addition of one-time funding included in FY 2018 that allowed the Department to reconcile outstanding General State Charges. The Enacted Budget supports a workforce of 520 employees for the Department, unchanged from FY 2018 levels.

### ALL FUNDS APPROPRIATIONS
(Dollars)

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<th>Category</th>
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<th>Appropriations 2017-18</th>
<th>Change 2017-18</th>
<th>Reappropriations 2017-18</th>
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<td><strong>$9,652,000</strong></td>
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### ALL FUND TYPES
PROJECTED LEVELS OF EMPLOYMENT BY PROGRAM
FILLED ANNUAL SALARIED POSITIONS

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<th>2016-17 FTES</th>
<th>2017-18 FTES</th>
<th>FTE Change</th>
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