

STATE OF NEW YORK

# Public Service Commission

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FOR RELEASE: IMMEDIATELY

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## NEW RATE PLAN FOR NATIONAL GRID'S UPSTATE CUSTOMERS

Albany, NY—05/14/09—The New York State Public Service Commission (Commission) today adopted a two-year rate plan that increases natural gas delivery rates for Niagara Mohawk Power Corporation, d/b/a National Grid's (National Grid) upstate customers. National Grid's upstate customers last received a gas delivery rate increase in February 1993.

Under the terms of the rate plan, gas rates will increase \$39 million during the first year of the plan. Residential heating customer bills are expected to increase approximately \$57 per year. An additional temporary surcharge on customer bills will recover an increase in state-mandated assessments. While these items will place upward pressure on gas bills, it is anticipated that if natural gas prices remain at expected levels throughout the rate year, the overall bill for National Grid's upstate full service residential gas customers is likely to be significantly lower than their overall gas bills were last year.

“The rate plan developed amongst interested parties is fair and reasonable,” said Commission Chairman Garry Brown. “This plan represents a lot of hard work by the parties with varying interests in developing a plan intended to strike a balance between the needs of customers and investors. I would note that its been several years since National Grid last received a rate increase in delivery rates, and it avoided further increases by achieving more efficient operations and by obtaining synergy savings through recent mergers.”

In accordance with the rate plan approved by the Commission, a return on equity of 10.2 percent was established with an allowance that includes \$1.59 million as a “stayout premium” to

recognize the risks associated with a multi-year rate plan. If National Grid files for a rate increase to become effective before May 20, 2011, it will return the \$1.59 million to customers starting from May 20, 2009 to the date of the new rates. Additionally, there is a mechanism for the sharing of earnings between customers and shareholders, if earnings reach over 11.35 percent return on equity.

The rate plan continues and strengthens customer service metrics and gas safety performance targets to ensure that customers receive a high level of service and reliability. The safety performance targets provide for infrastructure replacement, leak management, damage prevention and prompt emergency gas order response. If customer service metrics and gas safety performance targets are not met, the rate plan provides for adjustment to the company's annual revenues.

The comprehensive rate plan also enhances National Grid's AffordAbility Program by increasing the credit for gas customers enrolled in the arrears forgiveness program by \$10 a month, bringing the total credit to \$30 a month. Additionally, the company will provide a one-time \$40 benefit to all elderly, blind, disabled and life support equipment customers who receive or qualify for Home Energy Assistance Program (HEAP) grants. The residential customer charge for low-income customers was reduced to \$9.95 per month.

### **Background**

In May 2008, National Grid filed a proposal to increase its gas delivery rates and charges by \$95.8 million. In October and November 2008, public statement hearings were held in Syracuse, Schenectady and Schodack to obtain customer comments about the rate increase proposal. In December 2008, evidentiary hearings for interested parties were held in Albany. After the hearings, settlement discussions were entered into and on February 13, 2009, a Joint Proposal was put forth by National Grid, Staff of the Department of Public Service, the United States Department of Defense, Multiple Intervenors, the Small Customer Marketer Coalition and Hess Corporation.

The Commission will issue a written order reflecting today's decision. That order, when available, can be obtained by going to the Commission Documents section of the Commission's Web site at [www.dps.state.ny.us](http://www.dps.state.ny.us) and entering Case Number 08-G-0609 in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Commission orders can also be obtained from the Files Office, 14<sup>th</sup> floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).