

STATE OF NEW YORK

Public Service Commission

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PSC REQUIRES GAS INFRASTRUCTURE AND SAFETY IMPROVEMENTS TO HELP PROTECT THE ENVIRONMENT — KEDLI Begins Initiative to Reduce Methane Gas Leaks and Improve Reliability —

Albany, NY—12/11/14— To further improve the overall safety and reliability of the natural gas distribution system on Long Island and help protect the environment from harmful methane gas emissions, the New York State Public Service Commission (Commission) today ordered KeySpan Gas East Corporation of Long Island (KEDLI) to accelerate the replacement of leak-prone pipe. The improvements being made will harden the system to help prevent future outages from storms.

“This major infrastructure improvement project will bring environmental benefits, as well as economic benefits in the form of energy cost savings, job creation and increased local tax revenues,” said Commission Chair Audrey Zibelman. “Equally as important, the initiative includes a significant investment to harden critical infrastructure. As all Long Island residents and energy consumers know well, recent weather events such as Superstorm Sandy and Hurricane Irene have clearly demonstrated the need to provide greater protection of assets from storm-related damage.”

The cost of this major two-year initiative, funded in part by a modest monthly surcharge on customers, will be approximately \$414 million. The Commission outlined two accounting mechanisms to cover the incremental costs related to KEDLI’s leak-prone pipe replacement program expected in 2015 and 2016, and a deferral for costs related to KEDLI’s increased investment related to development of the distribution system for new customers. The

Commission also inserted safeguards in the form of performance incentives designed to ensure KEDLI makes the requisite investments.

By allowing KEDLI to collect a surcharge before having to file a new rate case, the impact on the average residential customer will be much lower. The surcharge itself will likely have a bill impact of approximately 1.2 percent, and is expected to be in effect from April 2015 through December 31, 2016. With the surcharge, the average residential KEDLI monthly bill will increase by \$1.37 per month. In exchange for the modest monthly increase, existing customers will see significant improvements in service and reliability.

The Commission has been ordering gas utilities to accelerate the replacement of leak-prone pipe for the past several years for safety and environmental reasons, and its decision today is part of that overall effort.

In terms of leak prone pipe, KEDLI has had a proactive program to replace such pipe in place for a number of years. KEDLI has more than 3,900 miles of leak prone pipe in its transmission and distribution system and is currently required to replace, on an annual basis, 50 miles of leak prone pipe.

With its decision today, the Commission required KEDLI to accelerate the annual pace of this program to 77.5 miles in 2015 and 95 miles in 2016 to improve public safety and system performance. Furthermore, with the price of natural gas projected to remain low, improving the system will produce benefits to the communities served by KEDLI. Such benefits include significant energy savings, job creation, lower emissions, and similar tangible impacts.

The Commission's decision today, when issued, may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Numbers 14-G-0214 [Petition of KeySpan Gas East Corporation d/b/a National Grid for Authority to Defer Costs Associated with Incremental Capital Expenditures and Other Related Relief] in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office,

14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.