Proceeding To Examine Policies Regarding the Expansion of Natural Gas Service
Case 12-G-0297

Downstate Service Territory
Technical Conference
Date: January 9, 2013

nationalgrid

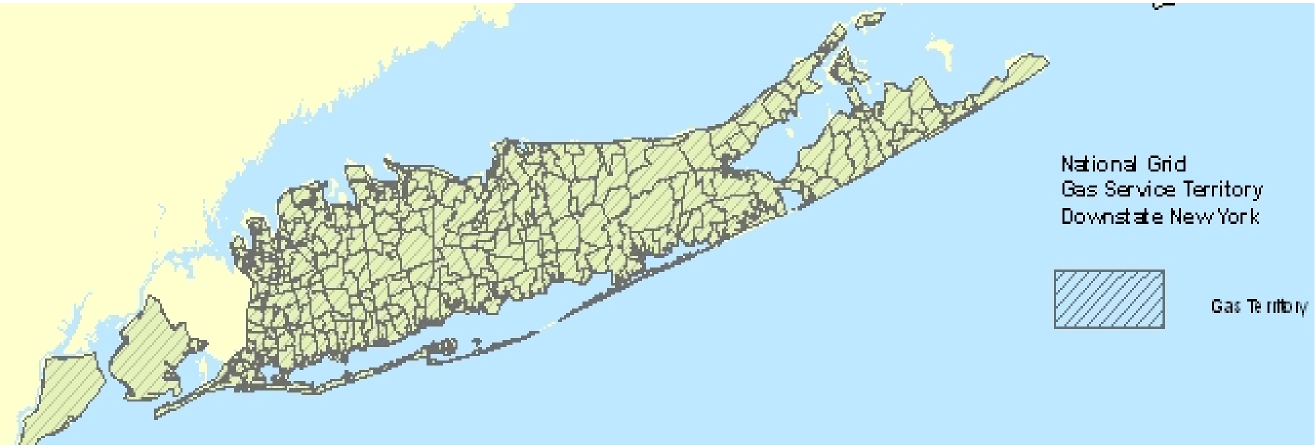
National Grid - Downstate New York

KEDNY – Brooklyn/Queens/Staten Island

- 1.2 million customers
- 4,100 miles of pipeline and main

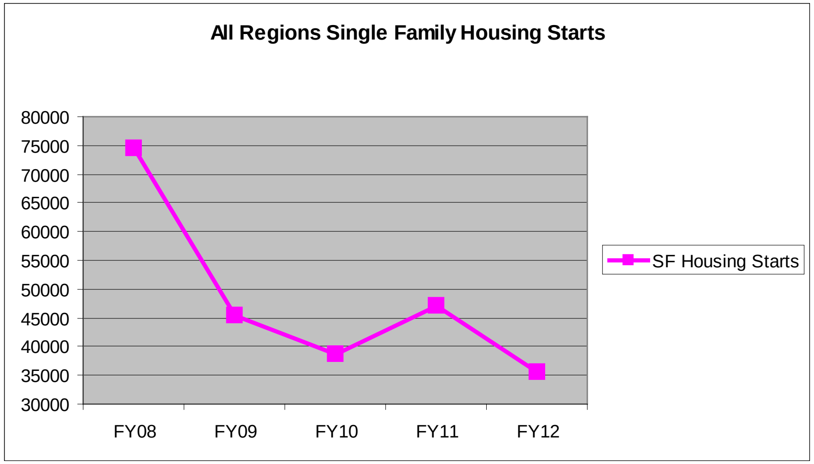
KEDLI – Long Island and Far Rockaway

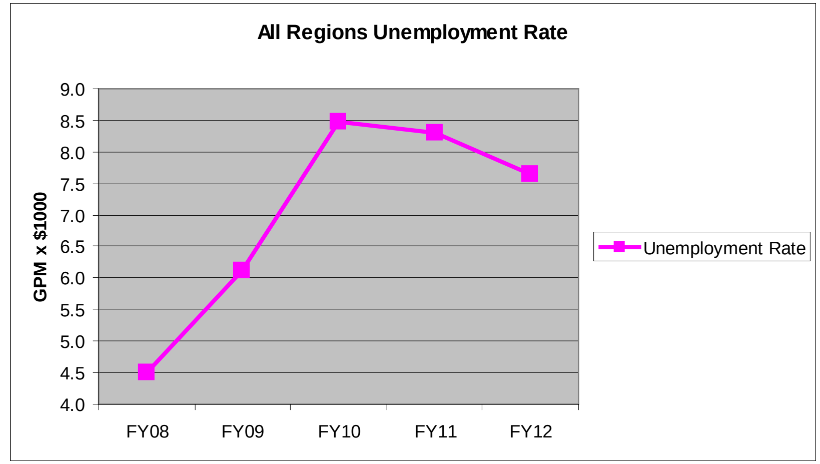
- 553,000 customers
- 7,800 miles of pipeline and main

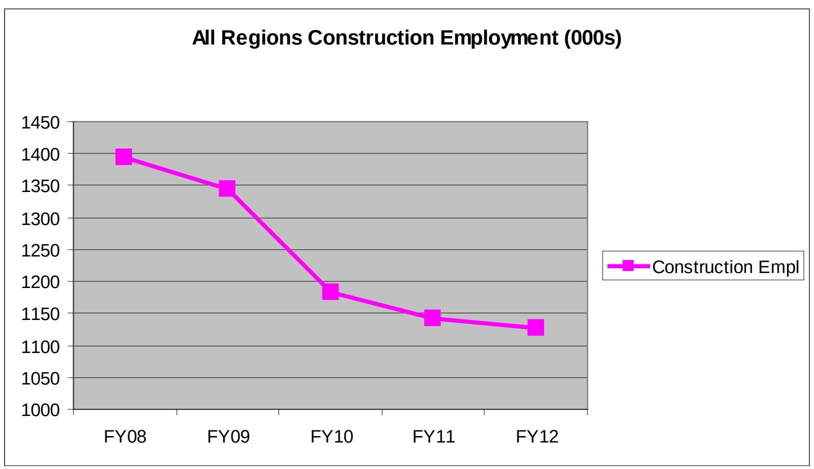


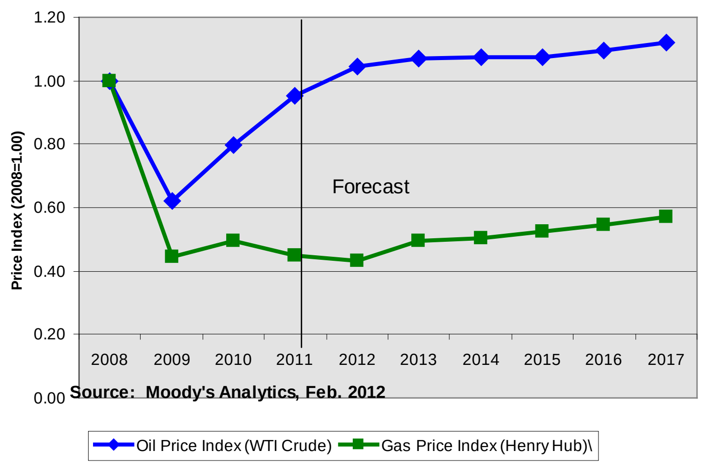
***KEDNY and KEDLI combined service area: 1,440 square miles**

Drivers – Gas Growth (NG Footprint)







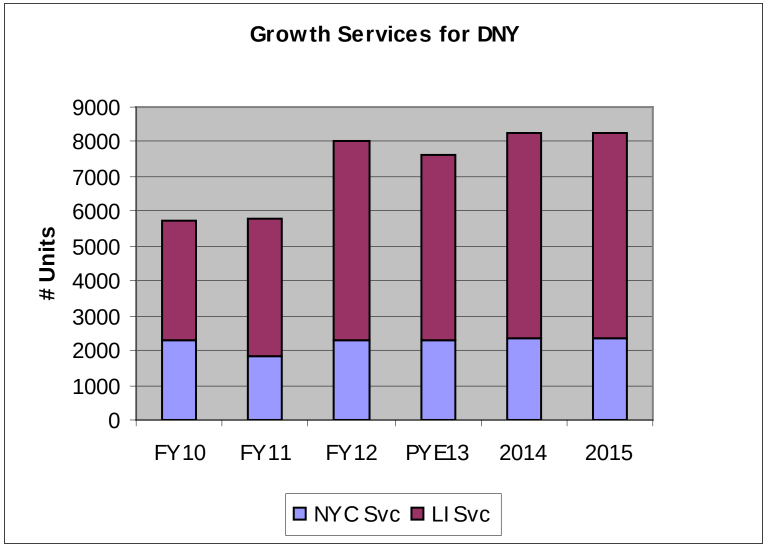


nationalgrid

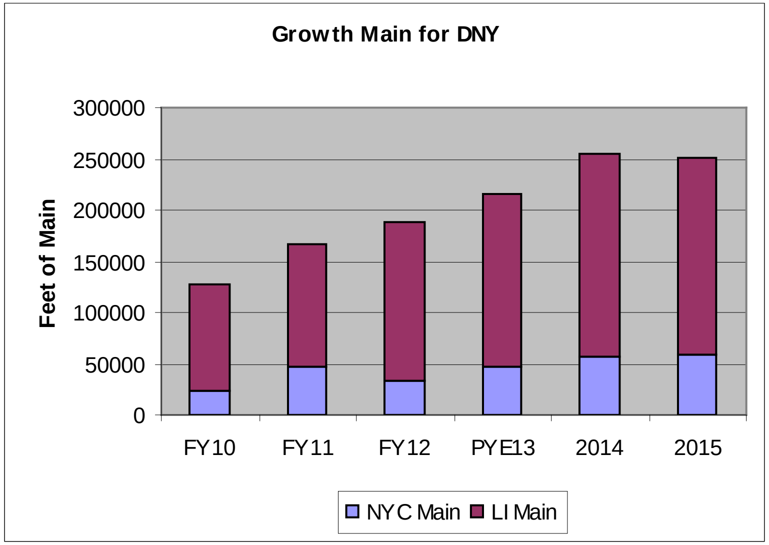
Gas Growth Overview

- Current low gas prices provide a unique opportunity to expand availability of natural gas to spur economic development, address climate change and, ultimately, benefit our customers and communities
- NG's objectives for this proceeding are to collaborate with Staff, LDCs, customers, marketers, pipeline companies and other interested parties to:
  - Consider various growth models to expand availability of gas service in NYS
  - Devise creative revenue recovery options

Gas Growth Connections/Main - DNY



- Running more than 8500 Services/Year
- Converting > 12,000 Gas Customers / Yr
- Environmental impact is significant. Each conversion is equivalent to taking 15 cars off the road for one year
- Commercial Conversions increased with #4 / #6 oil. Forty buildings in 2011.



- 2000' Main run to serve VA Hospital in Northport. Saves $1M annually. Displaced 1.5M gallons of oil annually
- School District conversions of 77 buildings over past 3 years. Now 80% converted from oil to gas.
- Increase MF conversions in NYC. Converted 1425 buildings over the past 3 years.

Downstate NY Firm Send-out Forecast

Peak Day Send-out Forecast (dth)

								5-Yr Increase from 2012/13	
Region	**2011/2012**	**2012/2013**	**2013/2014**	**2014/2015**	**2015/2016**	**2016/17**	**2017/18**	**Total**	**Avg Annual**
Long Island	930,516	949,942	969,369	988,795	1,008,222	1,027,648	1,047,075	97,133	19,427
NY City	1,358,908	1,399,830	1,440,752	1,481,675	1,522,597	1,563,519	1,604,441	204,611	40,922
Downstate NY Total	**2,289,424**	**2,349,772**	**2,410,121**	**2,470,470**	**2,530,819**	**2,591,167**	**2,651,516**	**301,744**	**60,349**
Per-Annum Growth									
Long Island		2.09%	2.05%	2.00%	1.96%	1.93%	1.89%	10.23%	2.05%
NY City		3.01%	2.92%	2.84%	2.76%	2.69%	2.62%	14.62%	2.92%
Downstate NY Avg		**2.64%**	**2.57%**	**2.50%**	**2.44%**	**2.38%**	**2.33%**	**12.84%**	**2.57%**

Historical Growth (dth)

						5-Yr Historical Growth	
Region	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**Total**	**Avg Annual**
Long Island	907,167	935,000	967,482	930,516	949,942	52,942	10,588
NY City	1,364,943	1,366,741	1,390,983	1,358,908	1,399,830	41,830	8,366
Downstate NY Total	**2,272,110**	**2,301,741**	**2,358,465**	**2,289,424**	**2,349,772**	**94,772**	**18,954**
Per-Annum Growth							
Long Island	1.13%	3.07%	3.47%	-3.82%	2.09%	5.90%	1.18%
NY City	0.51%	0.13%	1.77%	-2.31%	3.01%	3.08%	0.62%
Downstate NY Avg	**0.82%**	**1.60%**	**2.62%**	**-3.06%**	**2.55%**	**4.49%**	**0.90%**

Capital Investments Supporting Growth

- Base Growth Investments
  - Mains, services, meters
  - $100 million in FY12/13
  - $484 million planned over the next five years
- System Reinforcements / Reliability
  - Replacing undersized mains, looping, system pressure uprates, and regulator station work
  - Gas System Reinforcement - $161 million over the next five years
  - Gas System Reliability - $28 million over the next five years
  - Special Projects (e.g., BQI, Flushing, backbone) - $396 million over the next five years

nationalgrid

Brooklyn Queens Interconnect (BQI)

The BQI Project provides a new pipeline supply delivery point from the existing Williams Transco system to the KEDNY system to address existing pipeline delivery system constraints. The project also provides reliability by providing a much needed back-feed and reinforcement to the Rockaway Peninsula portion of the KEDLI system.

<u>Phase I</u> installs 1.6 miles of 26” gas mains; 1.2 miles of pipe will be directionally drilled across the Rockaway Inlet.

<u>Phase II</u> installs 2.3 miles of 30” gas main to interconnect the new Williams Transco pipeline.

Barriers to Expansion for Consideration in Proceeding

KEDNY – Brooklyn/Queens/Staten Island

- Highly saturated and highly constrained
- Reinforcement costs are the major barrier
- Construction costs are high relative to other regions
- Competition for capacity between TC-to-firm requests and conversion requests

KEDLI – Long Island and Far Rockaway

- Potential for expansion at system extremities limited by system constraints and investment requirements, which can be prohibitive
- Even in more favorable areas, aggregating sufficient customers simultaneously remains challenging

Common Barriers

- Customer conversion costs remain a challenge and substantial CIACs/surcharges can be prohibitive
- Execution challenges such as permitting requirements, availability of crews, etc., exacerbated by uncertainty of growth work