NEW YORK STATE OF OPPORTUNITY. | Public Service Commission

For Immediate Release: 11/19/20

John B. Rhodes, Chair

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20100/19-E-0378; 19-G-0379; 19-E-0380; 19-G-0381

PSC Reduces RG&E, NYSEG Initial Rate Request by 70 Percent and Modifies Settlement to Provide Additional Rate Relief

500+ New Full-Time Employees to be Hired, including Storm-Response Workers

$30 Million Fund for Financially Stressed Residential and Small Business Customers

$2.5 Billion for Electric Utilities to Replace Aging Electric Infrastructure to Improve Reliability and Pursue Energy Efficiency Initiatives and Non-Wire Clean Tech Alternatives to Combat Climate Change

Funding for Studies to Reduce Reliance on Gas and the Impacts of Increased Usage of Clean Energy to Further New York's Ambitious Climate Goals

NYSEG, RG&E Gas Customers Will See First Year Decrease in Rates

More Money for Tree-Trimming and Vegetation Management to Minimize Storm Outages

Low-Income Customers Receive Credits to Offset 70-90 Percent of the Rate Increase

ALBANY — The New York State Public Service Commission (Commission) today established a three-year rate plan beginning in April 2020 for electric and gas service for customers of New York State Electric & Gas Corporation (NYSEG) and Rochester Gas and Electric Corporation (RG&E) by modifying the terms of a joint proposal much more favorable to customers than the companies' original proposal, reducing the companies' initial rate request by more than 70 percent while still combatting climate change. In its initial proposal, the companies sought a combined first-year rate increase of $226.3 million. Instead, the Commission approved a combined first-year rate increase of only $65 million, a sharp reduction from what was originally requested.

The Commission order modified the joint proposal's NYSEG electric delivery revenue increases in the first year from $45.7 million to $45.3 million, in the second year from $84.8 million to $45.6 million, and in the third year from $88.6 million to $36.0 million. This results in total bill increases of 2 percent in the first year, 1.95 percent in second year, and 1.99 percent in the third year. The changes the Commission has made to the joint proposal lowered the revenues to be collected from NYSEG electric customers during the rate plan by more than $130 million.

The Commission order modified the joint proposal's RG&E electric delivery revenue increases in the first year from $15.2 million to $21.4 million, in the second year from $28.1 million to $13.9 million, and in the third year from $30.7 million to $15.8 million. This results in total bill increases of 1.56 percent in the first year, 1.98 percent in the second year, and 1.99 percent in the third year. The changes the Commission has made to the joint proposal lowered the revenues to be collected from RG&E electric customers during the rate plan by almost $25 million.

The Commission did not modify the joint proposal with respect to the gas companies. For the companies' gas businesses, NYSEG's gas delivery rates would be decreased by $0.5 million, or 0.3 percent in the first year, increased by $3.4 million, or 1.7 percent in the second year, and increased by $5.3 million, or 2.5 percent in the third year. For average residential customers, this would lead to a decrease in the average monthly bill of $0.02 in the first year, an increase of $0.53, or 0.6 percent in the second year, and an increase of $1.22, or 1.4 percent in the third year. At RG&E, gas delivery rates would decrease $1.1 million, or 0.6 percent in the first year, increase $0.9 million, or 0.5 percent in the second year, and increase $3.9 million, or 2.1 percent, in the third year, with corresponding average monthly bill impacts of an $0.80, or 0.1 percent, decrease, a $0.10, or 0.1 percent increase and an $0.81, or 1.1 percent, increase, respectively.

Since the beginning of the case on May 20, 2019, Department staff has worked tirelessly to minimize cost increases by advocating progressive outcomes regarding affordability, energy efficiency, and the environment. The approved rate plans are largely in accord with the joint proposal that was supported, in whole or in part, by 23 parties representing diverse interests, including the companies, Department of Public Service staff, environmental groups, labor representatives, and large industrial, commercial and institutional energy consumers. The new rates take effect December 1, 2020.

"The initial joint proposal was endorsed with broad stakeholder support including by environmental groups and large business customers, and approved investments and activities that further critical state and Commission objectives on climate and reliability," **said Commission Chair John B. Rhodes.** "Today's order modifies the joint proposal to better manage the cost impacts on utility customers while still preserving our important policy and reliability objectives."

The approved rate plan will require NYSEG and RG&E to pursue important energy efficiency initiatives and non-wires alternatives, update aging infrastructure, and implement important electric reliability and gas pipeline safety programs, while mitigating the potential economic impact of the recommended rate increases on ratepayers, including a nation-leading affordability policy that substantially lowers bills for most low-income customers."

Major drivers underlying the electric delivery rate increase include the additional return requirement associated with rate base growth, increases in depreciation expense, labor and benefits, decreased forecasted revenue, and enhanced vegetation management budgets, including increases of approximately 90 percent for NYSEG electric. Major drivers for the gas delivery rate increase include the additional return requirement associated with rate base growth, along with increases in depreciation expense and operations expense, as well as labor and benefits costs.

The Commission's decision accounted for issues and concerns raised in public comments. The decision also supports the Climate Leadership and Community Protection Act (CLCPA), which aims to build a cleaner, more resilient and affordable energy system. Highlights of the decision include:

- **Infrastructure Investments/New Hires:** The agreement adopted today includes approximately $2.5 billion of investments in the companies' electric systems to replace aging infrastructure ($1.6 billion at NYSEG and $871 million at RG&E), an increase in overall vegetation management spending from $30 million to $57 million for NYSEG, and significant new hiring by the companies through the addition of over 500 full-time employees, including

150 linemen and 55 apprentice linemen specifically intended to improve the companies' storm recovery responses.

- **Consumer Financial Relief:** The agreement includes a $30 million emergency financial relief program that would grant up to $100 in bill credits to vulnerable residential and small business customers. For participants in the companies' low-income programs — all of whom will be eligible — these credits should offset approximately 70 percent of the rate increases NYSEG low-income customers would otherwise experience during the three years of the rate plans and more than 90 percent of the increases that RG&E low-income customers would otherwise experience.

- **Economic Development:** Small and large business customers will benefit from the $5 million Economic Development Grant Assistance Program, which is focused on economic recovery and retention projects necessitated by the pandemic, such as costs associated with transitioning to a remote work environment or cleaning and disinfection services.

- **Cleaner Environment:** The gas-related provisions in today's agreement implement forward-looking strategies that are designed to ensure the companies' compliance with the CLCPA. Indeed, the companies commit to achieving net-zero growth in gas sales throughout their service territories during the three-year rate period, discontinuing their promotion of natural gas services, incentivizing the expanded use of heat pumps and pursuing non-pipe alternatives. They also agree to conduct several studies, including those related to geothermal district energy systems, natural gas system resiliency and the impacts of clean energy policies on the future of gas businesses. In sum, the gas-related provisions further New York's ambitious climate-related policy goals and can serve as a model for future rate cases.

- **Customer Service Metrics:** The adopted agreement provides benefits to ratepayers by including an earnings-sharing mechanism, various downward-only reconciliation mechanisms, and negative revenue adjustments if the companies miss established targets for certain customer service, electric reliability and gas safety performance metrics. In addition to the CLCPA, the agreement promotes various State and Commission objectives, including the advancement of grid modernization efforts and distributed energy, continued economic development support and the enhancement of the companies' low-income programs.

Parties who signed the joint proposal include the companies; Department of Public Service staff; Alliance for a Green Economy (gas only); Binghamton Regional Sustainability Coalition (gas only); ChargePoint, Inc. (electric only); Concerned Citizens of Oneonta (NYSEG gas and electric businesses only); Empire State Development Corporation (ESDC), the New York State Department of Economic Development; Fossil Free Tompkins (gas only); HeatSmart (gas only); Local Union 10 (NYSEG gas and electric only); Multiple Intervenors; New York Geothermal Energy Organization; NYPA (electric only); Nucor Steel (NYSEG gas and electric only); Ratepayer and Community Intervenors (gas only); and Walmart (electric only).

Today's decision 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 19-E-0378, 19-G-0379, 19-E-0380, or 19-G-0381 in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Commission documents 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.