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John B. Howard, Chair

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PSC Dramatically Slashes National Grid Rate Hike Request

Rates Frozen in First Year, Increases Limited to 2 Percent in Second, Third Years

CLCPA Requirements Made Core Component of Historic Decision Designed to Reduce Amount of Natural Gas Being Sold and Strengthen Clean-Energy Alternatives

Decision Promotes Energy Efficiency, Demand Response, Geothermal, and Electrification Options While Minimizing Need for Additional Gas Infrastructure

Last Phase of Controversial Gas Pipeline Project in Brooklyn Halted Pending Further Review

ALBANY — The New York State Public Service Commission (Commission) today approved a three-year rate plan for National Grid’s downstate gas companies — the Brooklyn Union Gas Company (KEDNY) and KeySpan Gas East Corp. (KEDLI) — that is dramatically lower than what the company had initially requested. The Commission adopted and modified a joint proposal signed by the companies, Department Staff, environmental groups and business groups that, among other things, contains provisions that promote energy efficiency, demand response, geothermal deployment, and electrification options to meet customers’ energy needs while working to lower natural gas demand and further minimize the need for additional gas infrastructure.

“The joint proposal provides sufficient funding for the companies to maintain safe and reliable service, while moderating rate impacts during the term of the rate plan,” **said Commission Chair John B. Howard.** “In addition, the joint proposal is consistent with our nation-leading clean energy initiatives, as well as our social and economic policies. This agreement is in the public interest and it comports with the requirements set forth by the CLCPA.”

During the extended course of these proceedings, two major events impacted the development of the joint proposal: the enactment into law of the CLCPA and the coronavirus (Covid-19) pandemic. The CLCPA sets forth New York’s nation-leading policy goals in the fight against global climate change caused by greenhouse gas emissions from extraction and combustion of fossil fuels and other activities. The approved joint proposal furthers the objectives of the CLCPA and responds to the economic conditions created by the Covid-19 pandemic, while ensuring that the companies continue to provide safe and reliable service at just and reasonable rates.

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The Commission ruled that CLCPA requirements applies to this rate case and all future rate cases. Based on the CLCPA requirements, the Commission today directed the utility to discontinue natural gas marketing efforts and promotional programs, and provide educational information to customers about alternative heating options and the emission reduction requirements of the CLCPA. The goal is to have the utility sell less gas in the future, a clear-cut indication of what will happen at other gas utilities in New York State as CLCPA requirements take effect.

The Commission's decision also requires the companies to prioritize leak prone pipe removal based upon methane flow rate data, develop an enhanced methane detection program, discontinue natural gas marketing efforts and promotional programs, and provide educational information to customers about alternative heating options and the emission reduction requirements of the CLCPA.

Through approval of the joint proposal, the Commission is requiring the companies to prioritize energy efficiency and demand response as part of an effort to avoid construction of capital projects that may increase greenhouse gas emissions, with the overall goal of reducing demand for natural gas.

The joint proposal also requires the companies to conduct a study evaluating how their businesses may further evolve to support the CLCPA's emission reduction and renewable energy goals, and requires certain proposed long-term capital projects that would be paid through a surcharge mechanism to be evaluated by an independent consultant against specific criteria, including verification of the need for the project and its greenhouse gas emissions potential. The independent consultant findings and recommendations will require review and approval by the Commission after submittal.

Importantly, the adopted joint agreement does not include funding for the last phase of the controversial Metropolitan Reliability Infrastructure (MRI) project, a 7-mile natural gas distribution pipeline in North Brooklyn. The joint proposal adopted by the Commission discontinues construction of the last phase, and requires the companies to first meet metrics on demand-reducing initiatives before seeking cost recovery of this and other infrastructure projects, subject to the aforementioned independent consultant review to verify the need and evaluate emissions impacts.

The joint proposal manages the companies' revenue requirements, in conjunction with the elimination of the tax reform credit and energy efficiency surcharge, as well the use of credits due back to customers, such that customers will experience no delivery rate increases in the first year. Thereafter, the companies' revenue increases were reduced to only 2 percent for KEDNY and 1.8 percent for KEDLI during the second and third years, respectively. For an average residential customer, those increases would result in total monthly bill increases of approximately \$5.56, or 3.8 percent, in second year and \$4.89, or 3.3 percent, in the third year for KEDNY customers and \$5.35, or 3.7 percent, in second year and \$5.45, or 3.7 percent, in third year for KEDLI customers. The rate plan began April 1, 2020 and runs through March 2023.

In its initial request on April 30, 2019, KEDNY proposed to increase natural gas delivery rates and charges by approximately \$236.8 million for KEDNY, representing a 19.3 percent increase in delivery revenues and a 13.6 percent increase in total revenues. KEDLI, meanwhile, proposed an increase to its annual gas delivery revenues by approximately \$49.4 million, representing a 6 percent increase in delivery revenues or 4.1 percent increase in total revenues in the first year. The Commission's decision represents a sharp decrease from the rate increases initially sought.

Despite factors that unavoidably create upward pressure on customer bills, including projected lower sales forecasts, inflation, depreciation expenses, increased property taxes, and funding for necessary capital projects, the joint proposal reflects revenue requirements over each of its three rate years that are more favorable to ratepayers than could have been achieved through a litigated proceeding.

The joint proposal allows the companies to proceed with necessary capital expenditures, meet legal obligations such as site investigation and remediation costs and property taxes, and promote the Commission's energy policy goals. The joint proposal was signed by KEDNY, KEDLI, DPS staff, the Environmental Defense Fund, Estates NY Real Estate Services, LLC, NY-Geo, and the Long Island Power Authority.

The Commission also established a process to facilitate any refunds that may result from its investigation into a bribery and kickback scheme amongst some former employees who allegedly, according to an ongoing federal criminal investigation, steered contracts to certain Long Island-based contractors with whom the company did business.

KEDNY provides natural gas to approximately 1.2 million customers in its service territory covering Brooklyn, Queens and Staten Island. KEDLI provides natural gas to approximately 590,000 customers in a service territory that covers Nassau and Suffolk counties on Long Island and the Rockaways.

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 18-M-0270, 19-G-0309 or 19-G-0310 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.