

# 2023 KEDNY/KEDLI Rate Case Overview

July 2023

nationalgrid



# The Rate Case Process

- ❖ Rate cases are the legal process by which the New York State Public Service Commission determines the amount regulated utilities can charge customers for various services, in this case natural gas.
- ❖ The New York State Public Service Law generally requires the Commission to render a decision on a rate case within 11 months after a regulated utility makes the initial filing.
- ❖ On April 28, 2023, the Companies initiated the formal rate case process by filing testimony, exhibits, and draft tariffs (i.e., the formal document that governs a utility's rates and charges).
- ❖ The Commission designated the rate case filings with the following case numbers:
  - Case 23-G-0225: The Brooklyn Union Gas Company d/b/a National Grid NY (commonly referred to as "KEDNY")
  - Case 23-G-0226: KeySpan Gas East Corporation d/b/a National Grid (commonly referred to as "KEDLI")



- Additional detail regarding the rate case process is available on the Commission's Website: <https://dps.ny.gov/major-rate-case-process-overview>
- Interested individuals can access the rate case dockets by searching for the case numbers on the Commission's Document and Matter Management ("DMM") system: <https://documents.dps.ny.gov/public/Common/AdvanceSearch.aspx>

# Rate Case Timeline

Date	Rate Case Milestone
April 28, 2023	KEDNY and KEDLI Initial Rate Case Filing Case 23-G-0225 (KEDNY) Case 23-G-0226 (KEDLI)
June 30, 2023	The Companies submitted their Corrections and Updates filing in accordance with the procedural schedule issued by the ALJs. Corrections and Updates is a standard part of the overall rate case process.
August 1, 2023	Virtual Public Statement Hearings before the ALJs (1 PM and 6 PM)
August 2, 2023	Virtual Public Statement Hearings before the ALJs (1 PM and 6 PM)
September 1, 2023	Department of Public Service Staff and Intervenor Direct Testimony due
September 22, 2023	Rebuttal Testimony due
October 10, 2023	Commencement of Evidentiary Hearings
April 1, 2024	Anticipated effective date of new rates



# Meeting our commitments to customers

National Grid has invested **\$3.3 billion** to modernize and make safe our downstate New York gas networks while launching alternatives to new infrastructure, such as energy efficiency, weatherization, demand response, and electrification programs.

- ◆ **Delivered two times as much energy efficiency last year as we did just two years ago**; reduced gas usage through expanded weatherization and demand response. **Enrolled ~20,000 residential customers in our smart thermostat program**, a ten-fold increase since the end of 2020
- ◆ **Reduced system emissions** through main replacement and leak reductions
- ◆ Maintained strong operational performance through severe weather events
- ◆ **Consistently met or exceeded Service Quality and Gas Safety performance metrics**
- ◆ **Provided more than \$150 million of bill relief** to approximately 133,000 COVID-affected customers
- ◆ **Giving back to our communities through Project C** - a program focused on workforce development, environmental justice, neighborhood investment, and volunteerism

**Our vision is to be at the heart of a clean, fair, and affordable energy future, while ensuring the safety and reliability of our energy networks.** These rate filings demonstrate our commitment to continuing broad support of New York's energy goals, while also ensuring the overall reliability, resiliency, and affordability of the energy system



# Rate Case Priorities

- 1. Continuing to meet our core obligation to deliver reliable energy to our nearly two million customers in downstate New York.**
  - Prudent investments to enhance the safety and resiliency of our system.
  - Leak reduction and main replacement.
  - Providing a strong foundation for the transition to New York's clean energy future.
- 2. Supporting the clean energy transition and advancing the goals in the CLCPA.**
  - Taking further meaningful action to achieve the CLCPA goals by reducing emissions and targeting reductions in gas consumption.
  - For customers, we are promoting more energy efficiency, targeted electrification, and non-pipes alternatives. Prioritizing benefits for Disadvantaged Communities.
  - Our CLCPA Panel describes how these rate filings align with the State's goals.
- 3. Enabling customers to affordably meet their energy needs, especially for our financially vulnerable customers, while also improving the customer experience.**
  - Bill assistance programs to maintain affordability for our most vulnerable customers.
  - Delivering millions in efficiencies and proposing rate mechanisms to moderate bills.
  - Providing a better customer experience through enhanced systems and additional customer-focused resources.

# Aligning with the CLCPA's clean energy objectives

## What we've done . . .

**Targeted gas usage reductions** through ambitious non-infrastructure solutions; assessed the programs necessary to achieve a zero-net increase in future usage

**Prioritized non-infrastructure solutions** through more than **\$130 million** of funding for energy efficiency and more than **\$16 million** for demand response programs. **Eliminating the peak gas usage equivalent to ~150,000 residential homes through gas demand response.** Anticipate enrolling 300% more customer volume in our commercial and industrial programs this year than in 2019

**Launched a new residential weatherization program at the end of 2021** that has seen significant growth; resulting in more than double the amount of energy savings originally planned for 2023

**Ceased gas marketing** activities and related incentive programs; promoting non-gas alternatives. **Collaborated with Con Ed and PSEG Long Island** to refer customers to consider electrification. **Surpassed our collective 2020-23 referral targets by almost 2.5x**

**Completed a comprehensive study** in collaboration with stakeholders that assesses how our gas business can evolve to support the emission reduction & renewable energy goals of the CLCPA, NYC's Local Law 97

**Our charitable giving & workforce development** are increasingly focused on the needs of historically underserved communities

## What we're proposing in this case . . .

**Pulling forward initiatives from the last case.** Continue targeting gas usage reductions; referring new gas applicants to electrification; enhanced GHG reporting.

**Doubling down on successful programs.** Expanding EE with elevated focus on weatherization programs

**Focus on reducing system leaks and methane emissions.** Continue LPP replacements consistent with Scoping Plan. New Advanced Leak Detection Program to target high emitting leaks and reduce system emissions.

**Greater focus on Disadvantaged Communities.** New programs to provide support to low/moderate income customers and small businesses. Infrastructure upgrades and enhanced reporting on work in Disadvantaged Communities will ensure access to safe and reliable energy.

### **Electrifying fleet vehicles and upgrading facilities**

Taken together, the Companies estimate the proposed investments and programs will **reduce GHG emissions by more than a million metric tons of CO<sub>2</sub>e** over the course of the proposed four-year rate plan.

# Energy Efficiency and Demand Response.... *essential to reliable service and advancing clean energy goals*

## Energy Efficiency

Continuing to deliver market-based solutions, emerging technologies, and innovative programs that reduce peak gas demand and achieve significant year-round gas savings, consistent with **New Efficiency: New York**.

New pilots and programs that aim to remove participation barriers for our Low- and Moderate Income (“LMI”) and Disadvantaged Communities customers.

- Weatherization Health and Safety Program
- Language Access Program
- Disadvantaged Community Outreach Program
- Digital Building Replica – Schools within Disadvantaged Communities

## Demand Response

Continuing to operate and scale an innovative gas demand response portfolio that provides peak reductions and ensures safe and reliable service on the coldest days of the year.



# New programs to promote affordability and...

- **Expanding the Consumer Advocacy program** to connect more vulnerable customers with the programs and services they need, increasing outreach and community events
- **Adding Clean Energy Advisors** to assist income eligible customers with navigating clean energy programs and to engage with local communities through NYSERDA's Regional Clean Energy Hubs
- Enhancing **outreach and communications to income eligible customers** to increase enrollment in assistance programs
- Expanding the Collection Residential Account Management group that specializes in the management of high-balance residential customers who require extra assistance to pay and manage their account to avoid service termination
- **Eliminating the fee paid by residential customers who pay using a credit/debit card through the socialization of these fees**



The flyer features a photograph of a smiling woman and a young girl sitting together on a couch. The woman has her arm around the girl's shoulder. The background is a bright, modern living room.

**nationalgrid**  
**Customer Energy Savings Event**

Please join us.  
**Thursday, June 22, 2023**  
**8:30 a.m. – 10:30 a.m.**

Our Lady of Good Counsel  
Food Pantry  
68 Wanser Avenue  
Inwood, NY 11096

Meet with program experts from National Grid Consumer Advocacy and PSEG Consumer Advocacy to explore options and determine your eligibility for assistance including the following:

- Energy Affordability Program (EAP) Payment Plans**
- Budget Plan/Balanced Billing**
- Special Protections**
- Hearts Fighting Hunger**
- Hope & Warmth**



**Connect with those who care.**  
Life can be hard, but finding assistance shouldn't be.

If you receive HEAP, LIHEAP, Temporary Service Program, (SNAP), Medicaid, Veterans Disability, or Supplemental Security Income (SSI), Federal Public Housing Assistance, Child Health Plus, (SNAP), Guaranteed Energy Programs, Regulatory Assistance for Energy Burdened (RAEB), Safety Net Assistance, or for those living on fixed income, Bureau of Urban Affairs Services Assistance, Heat Swap, Fuel Swap, and Food Distribution Program or other federal/state programs, please call 800-492-6262. Participants' consent forms to attend are not required for you to attend the event if you are already enrolled.



# ...enhance the customer experience

- Providing a more streamlined conversation for our **Spanish-speaking customers**. This will improve our customer satisfaction, reduce call length and first-call resolution.
- Enabling our third-party vendors to flex their staff across all areas (outside NY) to attract candidates, minimize overall costs and improve agent attrition rates.
- Improve **Customer Self-Service** and digital channels
- Transform **Customer Service Rep** processes to promote operational excellence and simplify agent experiences systems and screens, ultimately improving service to customers and reducing call handling times



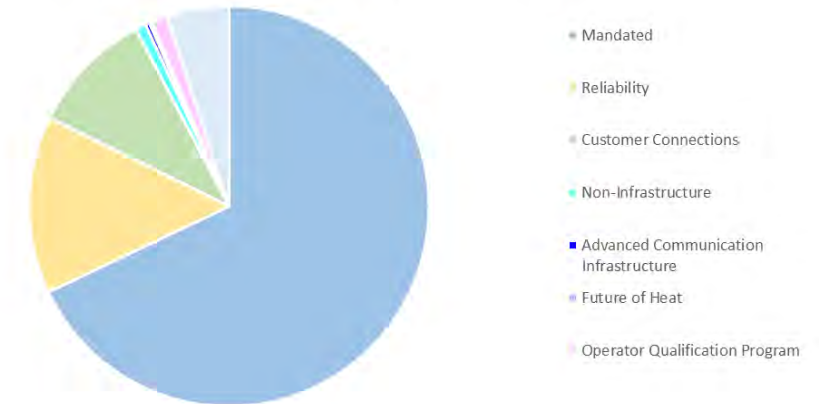
# Deliver on our core mission to provide safe and reliable service

**Our proposals focused on core business requirements and delivering outcomes in the areas of safety, reliability and emissions reductions:**

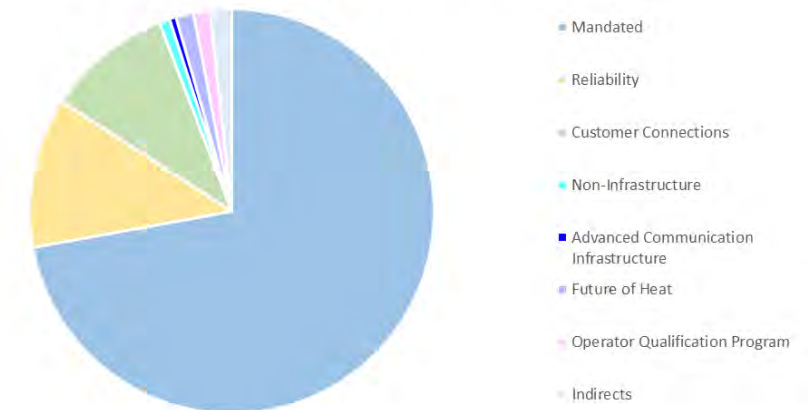
- **Focused on infrastructure upgrades to ensure our networks are capable of meeting customers' energy needs and compliance with all safety requirements and other mandated work** - which comprise approximately 70 percent of the Companies' capital projects
- **Significantly reduce system emissions** through the retirement of leak prone pipe and the repair of high-emitting leaks; reducing the leak backlog from 2011-13 peak levels by 80 to 90 percent by the end of the proposed rate plan period
- **Weather events such as Winter Storm Elliott (December 2022) highlight the need for reinforcement and resiliency projects to ensure the continued provision of safe and reliable service to customers.** Filings include investments in system automation, safety valves, pipeline integrity, and storm hardening projects to increase the resiliency of critical energy infrastructure
- **Identify alternatives to new investments in gas infrastructure, such as non-pipes alternatives**

Rate Year (FY25) Capital Investments  
\$1.68 billion

KEDNY CapEx Rate Year (FY25) Investment \$ By Category



KEDLI CapEx Rate Year (FY25) Investment \$ By Category



# Gas Core Investments

- ◆ **Retiring 43-49 miles/year of leak prone main at KEDNY and 115-122 miles/year at KEDLI;** our replacement algorithm prioritizes safety, leaks, and methane
- ◆ **Customer Connections reduced 40% to reflect NYC restrictions (LL154);** connections tracker to reconcile costs of increased electrification
- ◆ Pipeline integrity and reliability programs that will improve the overall safety and performance of the gas system.
- ◆ **Expanded deployment of methane detection;** enhancements to training and qualifications; and additional safety inspection, contractor oversight, and quality control capabilities.
- ◆ **RNG interconnection projects** to enable additional sources of on-system gas supply and reduce local methane emissions. Expanding the existing **Hydrogen Facility at Lido Beach** with the potential to blend in an isolated distribution system.

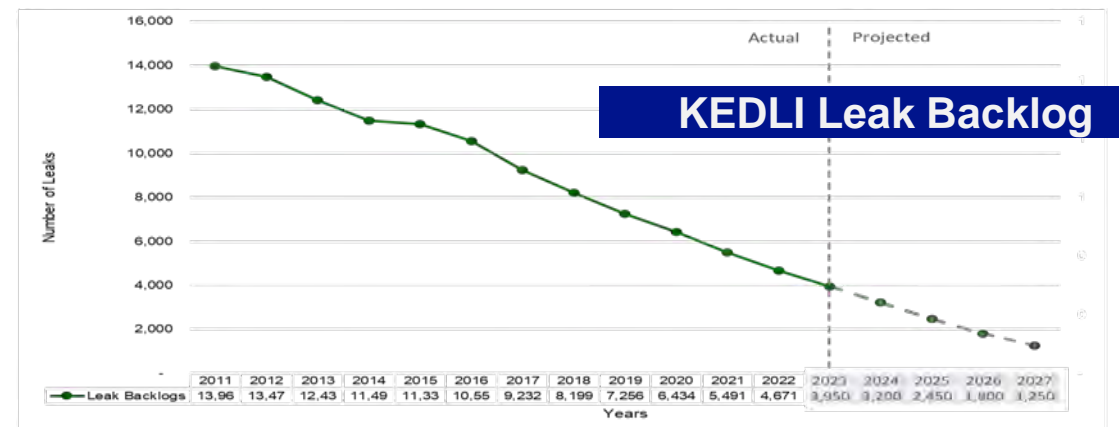


**Gas Safety Metrics:** Leak Prone Pipe Replacement, Leak Backlog, Damage Prevention, Emergency Response Time, Gas Regulations Performance Measure

# Our gas investments will reduce emissions

We have proposed multiple programs to eliminate leaks and contribute to emissions reductions including:

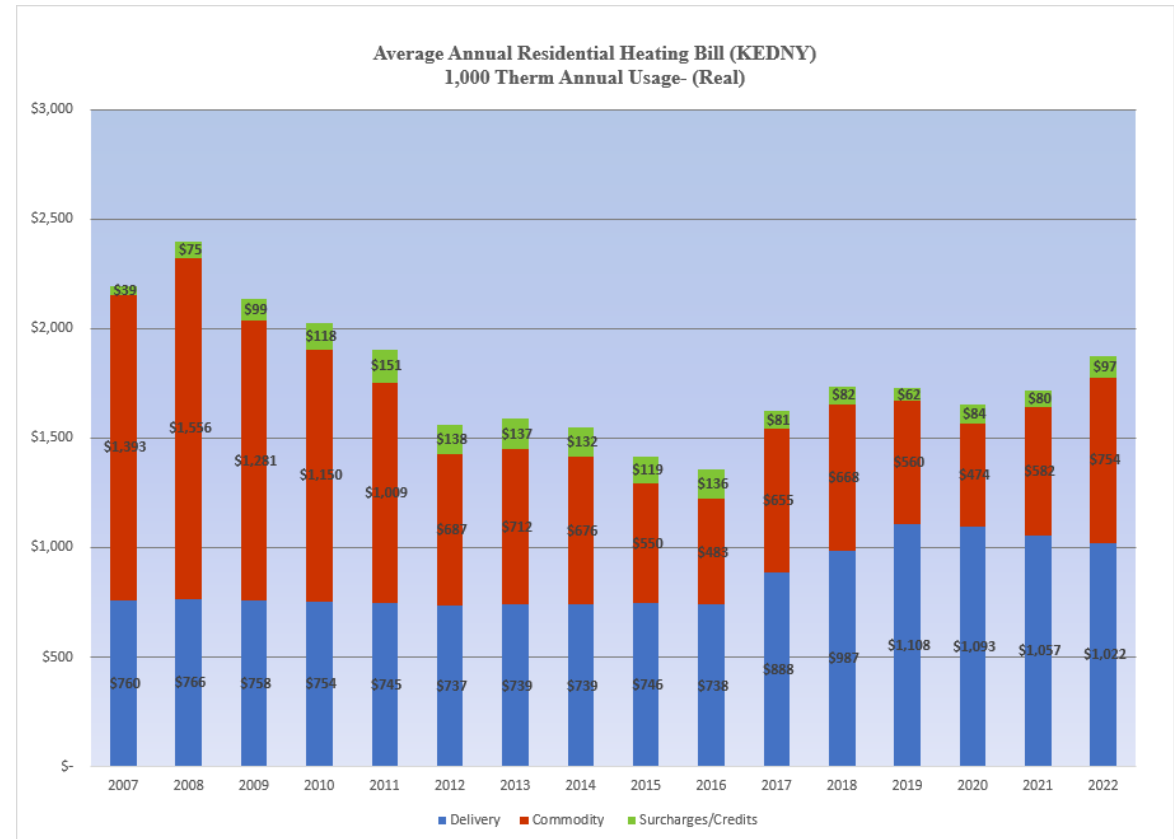
- ~600 miles reduction of Leak Prone Pipe (“LPP”) over the four-year rate plan.  
**Remain on target to meet our LPP Elimination by 2045**
- Continue Leak Backlog reductions: KEDNY 150 average/year, KEDLI 650 average/year
- **Advanced Leak Detection program** proposed to target and reduce high emitting leaks
- Enhanced reporting on system emissions and project impacts



# We've managed our cost of service to promote affordability

Our controllable costs have been relatively flat over the last three years, but external factors are increasingly impacting operating costs. We are doing our part by managing our cost of providing essential services.

- ◆ Reflecting **significant efficiencies and productivity savings**
- ◆ Carry efficiencies/savings forward in a multi-year plan to act as a rate mitigator
- ◆ **Moderating capital expenditures** (programs like LPP)
- ◆ Proposing an ROE at the low end of reasonable range
- ◆ Affordability and EE programs to help customers manage bills
- ◆ The latest commodity forecasts indicate a decrease in supply rates which would decrease overall bills for customers



**Customer bills are lower 2022 vs. 2007** – meaning customers paid less (in real dollars) last year than they had 15 years ago despite increased investments, energy efficiency, safety mandated, and new requirements associated with the CLCPA

# Revenue Requirement and Drivers (Initial Filing)

*Bill growth principally driven by mandates, compliance, and other uncontrollable costs*

	KEDNY			KEDLI		
	Increase	Total Bill Impact	Percentage	Increase	Total Bill Impact	Percentage
<b>Return (9.8%) and Equity Ratio (48%)</b>	\$ 75.9	3%	18%	\$ 47	3%	21%
<b>Core Business Support</b> Impacts of inflation on O&M costs (e.g., labor, contractors) and IT investments that have enabled efficiencies	80.3	3%	19%	49.4	3%	22%
<b>Savings</b>	(19.8)	-1%	-5%	(9.6)	-1%	-4%
<b>New Initiatives</b> New customer, safety, compliance, and clean energy investments (e.g., OQ and leak programs; consumer advocates and customer service enhancements; future of heat)	37.2	1%	9%	20.2	1%	9%
<b>Rate Base</b>	45.1	2%	11%	(8.4)	-1%	-4%
<b>Environmental</b>	29.1	1%	7%	1.9	0.1%	1%
<b>Energy Efficiency</b>	13.4	1%	3%	11.3	1%	5%
<b>Depreciation/Amortization</b> Timing related recovery of capital investments/amortizing \$196 deferral balance over 10 years	<b>102.7</b>	<b>4%</b>	<b>25%</b>	31.7	2%	14%
<b>Property Taxes</b> Imposed by municipal taxing authorities (under-recovered \$74M over current rate plan)	50.3	2%	12%	<b>84.7</b>	<b>5.1%</b>	<b>37%</b>
<b>Total Revenue Increase</b>	<b>\$ 414</b>	<b>17%</b>	<b>100%</b>	<b>\$ 228</b>	<b>14%</b>	<b>100%</b>

# Revenue Requirement and Drivers (Corrections & Updates Filing)

## CORRECTIONS AND UPDATES TO INITIAL FILING

	Year One Revenue Increase (\$M)		
	KEDNY	KEDLI	Total
Original Filing	414	228	642
Corrections & Updates	36	44	80
Adjusted Filing Total	\$450	\$272	\$722

Item	Primary Adjustments – Rate Year (\$M)		
	KEDNY	KEDLI	Total
Rate Base	15.9	3.3	19.2
Depreciation	0.3	0.3	0.6
Amortization	0.4	0.6	1.0
Taxes	7.0	28.2	35.2
O&M	(6.5)	(4.0)	(10.5)
Revenues	18.7	15.4	34.1
Total Adjustments	\$36	\$44	\$80

Updated Bill Impacts		Delivery Bill	Total Bill
KEDNY	Initial Filing	28%	17%
	Corrections & Updates	31%	19%
KEDLI	Initial Filing	24%	14%
	Corrections & Updates	29%	17%

### Primary Drivers:

- KEDNY: Higher rate base and a lower sales forecast are the main drivers for the \$36M increase for KEDNY. Rate base is increasing because of a correction to Earnings Base Capitalization (“EB Cap”), which is partially offset by netting an accumulated deferred tax credit with a minor plant increase (using actual March 31, 2023 net plant balances that were not available at the time of the initial filing).
- KEDLI: Property taxes continue to remain the main driver for KEDLI combined with a lower sales forecast.
- The increase in property taxes is based on an updated forecast using FY 2023 actuals.
- The change in O&M is primarily due to aligning FY 2025 energy efficiency costs with the FY 2025 NE:NY budget and reflecting pull forward recoveries from Demand Capacity Surcharge Mechanism (“DCSM”).

# Rate Design

## Customer Charges

- Modest increases were proposed for most classes where studies support an increase to bring the customer charge closer to the customer-related costs gradually to avoid extreme bill impacts

## Block Rate Design – Firm service classes

- Moving away from declining block rate structures to encourage greater efficiency by decreasing the slope slightly (i.e., movement toward flat rates) by increasing the tail block by a higher percentage than the mid-block for most service classes with multiple rate blocks

## Rate Design - Non-Firm Demand Response classes

- Modest increases to the Tier 1 and Tier 2 discounts from the current 50% and 60% discount from the corresponding firm tail block rate, to 55% and 65%





# Typical Bill Impacts (Corrections & Updates Filing)

## KEDNY

Service Class	Avg Usage	Delivery Increase	Total Increase	Total Monthly \$ Increase
Res Non-Heat	9	38%	34%	\$13.63
Res Heat	97	29%	20%	\$33.86
Comm Non-Heat	650	28%	14%	\$105.63
Comm Heat	397	27%	16%	\$88.26
Multi-Family	1,629	30%	15%	\$254.60
Non-Firm (Tier 1)	4,731	28%	15%	\$447.36
Non-Firm (Tier 2)	31,081	33%	14%	\$2,295.56

## KEDLI

Service Class	Avg Usage	Delivery Increase	Total Increase	Total Monthly \$ Increase
Res Non-Heat	17	36%	30%	\$17.71
Res Heat	102	31%	21%	\$34.66
Comm Non-Heat	818	22%	11%	\$107.23
Comm Heat	422	22%	14%	\$83.32
Multi-Family	2,493	32%	15%	\$365.62
Non-Firm Tier 1	5,757	27%	12%	\$365.17
Non-Firm Tier 2	6,785	23%	9%	\$302.46

# Proposed Tariff Provisions



## Updates to existing tariff provisions

Lost and Unaccounted for (“LAUF”) – Update targets to reflect most recent five-year average

Revenue Decoupling Mechanism (“RDM”) – Update targets to reflect new revenue forecast

Earning Adjustment Mechanism (“EAM”) – Eliminate the Peak Reduction EAM and add two new EAMs: System Efficiency EAM (Gas DR) and LMI Engagement EAM (EAP enrollment)

Gas Safety and Reliability Surcharge (“GSRS”) – Include recovery of a new LPP unit cost incentive

Updates to various fees including reconnection fees, billing fees, and Paperless Billing Credits

## New provision

Rate Adjustment Mechanism (“RAM”)

- To recover costs or pass-back credits to customers on a timelier basis
- Mechanism would consolidate multiple deferral balances into one single surcharge for items that are currently deferred or for any new deferral
- Deferrals/reconciliations being proposed for inclusion in the RAM include uncollectible expense, property tax true-up, low-income discounts, LPC revenue, no fee debit/credit card, and long-term debt
- This mechanism is similar to those already in place for other NY utilities

# Conclusion



National Grid's core responsibility is providing safe and reliable service to the millions of customers and communities who rely on us for life-sustaining energy, while building and maintaining the delivery networks that will support the energy future for the next generation of New Yorkers.

The proposals in these rate cases will modernize the Companies' infrastructure, reduce system emissions, improve safety, enhance and improve customer service, and deliver aggressive energy efficiency and other non-infrastructure programs.

To achieve these critical energy priorities, it is necessary to update our delivery rates to ensure we meet the energy needs of millions of customers, maintain financial stability and enable access to debt capital that will fund needed investments.

Recognizing the imperative to manage customers' bills, these filings balance the need for continued investment with the need to maintain affordability and protect our most vulnerable customers.

# Questions?

**For questions regarding the Companies' rate case proposals or the rate case process, please contact:**

❖ **Kris Kiefer, Assistant General Counsel, NY Regulatory**

[Kristoffer.Kiefer@nationalgrid.com](mailto:Kristoffer.Kiefer@nationalgrid.com)

❖ **Phil DeCicco, NY General Counsel**

[Philip.Decicco2@nationalgrid.com](mailto:Philip.Decicco2@nationalgrid.com)

**If you are a customer with specific questions about your account, you can contact the Company in a variety of ways:**

**By phone at:**

Brooklyn, Queens and Staten Island: (718) 643-4050

Long Island: KEDLI (800) 930-5003

**Or on the Companies' websites, which includes an electronic form for contacting the Company with account-specific questions:**

New York City: <https://www.nationalgridus.com/NY-Home/Contact-Us/>

Long Island: <https://www.nationalgridus.com/Long-Island-NY-Home/Contact-Us/?regionkey=nylongisland&customertype=home>