

# Frequently Asked Questions

## Delivery Rate Filing for New York City Customers (Brooklyn, Staten Island and parts of Queens)

April 30, 2019

### **What is National Grid proposing?**

We're filing a rate proposal with the New York State Public Service Commission (PSC) to update and reset our natural gas delivery rates for April 1, 2020 in our New York City service areas. The same delivery rates that have been in effect will be in place through March 31, 2020.

Our proposal will allow us to continue investing in our natural gas networks, improve service and prepare for a cleaner energy future for our 1.26 million customers in New York City. The gas delivery rate we're proposing better reflects the cost of providing safe and reliable service to the communities we serve.

### **What are the total increases to National Grid's delivery charges and what does that mean for my bill?**

If approved, a typical residential heating customer in New York City (Brooklyn, Staten Island and parts of Queens) will see a \$16.50 monthly delivery increase, equating to 17.78% (11.99% for the total bill).

*\*Using 83 therms a month*

The effect on individual monthly bills will vary depending on usage and customer classification. While the filings propose new delivery rates for one-year, National Grid is interested in exploring a multi-year rate plan settlement that would allow the company to maximize efficiencies over a three to four-year period to help lessen the monthly impact on customers' bills.

The increase in delivery charge is in large part due to increasing construction and operating costs in New York City from increasing capital investments, compliance with new gas safety and paving regulations and ongoing responsibility for environmental stewardship.

### **What is the delivery rate?**

Your bill is comprised of three components: delivery, supply/or commodity and taxes/surcharges.

As a regulated energy company, we provide essential natural gas service to our customers and can recover these costs, plus a return on investment associated with providing those vital services. We recover these costs every month from our customers in the form a delivery charge, which is set by the PSC. The supply/commodity charge,

or the cost of natural gas itself, is passed through to the customer without any mark-up or addition for profit.

From the beginning of 2017 through the end of 2019, we will have invested more than \$1.9 billion to modernize and build a safer and more reliable gas networks in New York City.

**Who determines the delivery rates?** The PSC approves and sets our delivery rates after input from us and many other interested parties. Those delivery rates allow us to recover the cost of providing safe, reliable energy networks for customers, to achieve real-time cost recovery of future investments and to earn an acceptable rate of return for our investors. This would provide investors with the returns required to attract funding, support our debt ratings, and help achieve lower, longer-term cost of capital to benefit our customers.

Rate reviews typically take 11 months from start to finish.

**When did you last file for new delivery rates?** We last filed on January 29, 2016. At the same time, we filed for new delivery rates for our Long Island gas business. New delivery rates went into effect on January 1, 2017.

**What steps has the company taken to manage its costs and improve the efficiency of its operations?** We understand the impact of increased energy costs and frequently review our actions to identify opportunities to lessen costs to customers, where possible. These filings were developed with a keen focus on balancing the need for continued investment with the need to maintain affordability and protect our most vulnerable customers.

For instance, beginning January 1, 2019, our rates reflected the impacts of recent federal tax reform laws, returning nearly \$70 million dollars to our customers through bill offsets. We plan to reflect further savings in these filings to help reduce bill impacts. With this filing we've implemented several aggressive efficiency measures to reduce the overall costs of providing service.

- We recently launched an ambitious program to achieve 20 percent efficiency improvements in our operating and capital expenses by April 1, 2021. This program is focused on identifying ways to work more efficiently, improve customer service, and reduce costs across many segments of our operations. Because of this program, we have reduced their revenue requirements by approximately \$36 million in the Rate Year.
- We're focused on streamlining our capital processes and, where possible, moderating expenditures for the benefit of customers.
- And technology applications like independent pipeline inspection robotic crawlers, pipeline lining, combustible gas indicators to pinpoint leaks and residential methane detection tools will also continue to allow us to do work more efficiently.

We do not, however, have control over increases in many categories of costs that impact our business, such as the cost of responding to severe weather events, property taxes and inflation.

### **What will the extra revenue be used for?**

Much of the revenue will be used to make our current gas networks safer, stronger and more reliable. Our gas networks in New York City total more than 4,100 miles, with about one-half qualifying as aging pipe in need of replacement. Our target with the proposal is to replace 310 miles of aging pipe over four years in New York city. Our long-term strategy is to replace all the aging pipe on the system and to incorporate the latest technologies that will quantify and prioritize leaks. Our proposal calls for improved training, oversight, inspection and quality control programs.

We will also invest in improved customer service, including a new Customer Information System. Other enhancements include developing and implementing more digital solutions, modernizing our Pitkin Avenue walk-in center in Brooklyn, providing enhanced support for economic development and energy efficiency, and increasing services and access to our energy affordability programs.

### **How will you bolster economic development?**

We've developed changes to our suite of economic development programs that will add new programs and modify existing programs to more accurately reflect the customers and communities we serve. Specifically, we propose to expand the eligibility for certain programs, including the Cinderella program, broaden business incentive rates, increase the annual level of discounts provided, and modify areas targeted for discount programs to better reflect economic development priorities. Collectively, these programs will help offset customer costs for natural gas infrastructure upgrades to accommodate business expansion, incorporate new sustainable gas technologies, and support overall regional development and economic growth.

### **What about energy efficiency programs?**

We're proposing a package of additional energy efficiency programs, non-pipe solutions, and other projects to reduce environmental impacts, support customer service requests, reduce natural gas consumption to potentially relieve system constraints, and provide alternative service options for customers.

While we've had success with previous programs, we believe we can build upon those successes by expanding existing programs to our portfolio. This will encourage energy savings across various market sectors for the benefit of customers. While our proposal doesn't have a budget increase in this area, we will change the way we fund our energy efficiency programs to better measure and track costs and align our recovery of energy efficiency costs with PSC policy.

### **What is National Grid doing to prepare for a cleaner energy future?**

We believe we're in a unique position to act and bring people together and use our gas network to help the state meet its greenhouse gas reduction goals. For the past several

years, we've been transitioning from a traditional utility to a new kind of energy company that merges core utility best practices with innovation, technology and clean energy solutions. To help create the foundation for a cleaner energy future, our rate filing includes the following:

- A **green gas tariff** that will give customers the choice to supplement their natural gas usage with renewable natural gas (RNG) – pipeline quality gas produced from biomass, wastewater or renewable electricity with lower emissions than from fossil fuel derived gas.
- A **power-to-gas pilot project** to create RNG by converting excess renewable electricity to hydrogen through electrolysis of water.
- A **hydrogen blending study** to assess how much hydrogen can safely be blended into the existing system.
- A **program to facilitate RNG interconnections** by lowering the cost to connect RNG facilities to our network.
- An enhanced **gas demand-response program** that will give customers the choice to modify their gas consumption in response to price signals.
- An expanded **geothermal pilot** to test out a utility-ownership business model and its ability to complement gas network operations.