



Joseph J. Syta
Vice President – Controller & Treasurer

January 30, 2018

VIA ELECTRONIC MAIL

Honorable Kathleen Burgess
Secretary
State of New York Department of Public Service
Three Empire State Plaza
Albany, NY 12223

RE: Case 17-G-0432 – Petition of New York State Electric & Gas Corporation for
Authorization to Construct a Natural Gas Compressor Pilot Project in Tompkins
County, NY

Secretary Burgess:

In accordance with the requirements of the New York State Public Service Commission’s Order Authorizing Natural Gas Compressor Pilot Project, issued and effective November 16, 2017 (the “Order”), New York State Electric & Gas Corporation (“NYSEG” or the “Company”) hereby submits its first quarterly report containing the following information required by the Order.

1. Status of the project including a comparison of the capital forecast with actual capital expenditures and an explanation for expenditure variances greater than 10% for any major project activity.

NYSEG’s petition in this proceeding included a proposed Project Schedule and Timeline (which assumed an expedited PSC approval by mid-September 2017). The schedule indicated start dates in the latter part of 2017 for a number of activities, and an overall targeted in-service date of December 31, 2018. The petition also included an initial estimate of Project Capital Costs totaling \$3.956 million, with a further indication that the actual project costs could be 30% higher given the demonstration nature of the project as well as dependencies on property acquisitions.

Given the actual time frame of the issuance of the Order and approval of the project in November, 2017, the original timetable is no longer accurate. Attachment 1 to this filing contains the Company’s current estimated schedule. The Company has attempted in the updated schedule to keep the in-service date of the project within the 2018/2019 heating season. A list of the project activities currently underway/completed are noted below.

The Company has also updated the cost estimates and has included those on Attachment 2. As more information has been made available through the project efforts to date, certain cost items have been updated, and the current estimated total cost for the project stands at \$5.1 million. As more is learned about this unique pilot project, the estimate will continue to be refined and may differ, even substantially, from the current estimate. A more comprehensive monthly cash flow schedule is being developed with assistance from the external engineering service provider(s) and the vendors. This comprehensive cash flow schedule will be included in the next quarterly update.

Activities that have been completed to-date include, but are not limited to:

- Hold internal planning and strategy meeting
- Develop preliminary scope of work
- Research and interview engineering consulting firms
- Develop updates to project schedule
- Develop updates to project budget
- Procure conceptual engineering services for initial code review and permitting strategy development
- Research/contact compressor package vendors to ascertain equipment options, operating and control capabilities, lead times and availability.
- Initiate gas distribution system network study services with outside vendor
- Develop system pressure tracking mechanism, compile historical pressure data and execute network studies of predicted results

2. Description of outreach efforts conducted during the quarter.

NYSEG has conducted the following Public Outreach activities:

- Contacted stakeholders via email regarding “PSC Approval of NYSEG’s Compressor Project,” informing them of authorization for NYSEG to commence the compressor project. List of stakeholders included parties to the NYSEG 2015 rate case proceeding and local elected and municipal officials in Tompkins County.
- Continuing discussions with Tompkins County Planning Department officials who have offered to assist with identification of possible sites for compressors. Detailed discussions will begin after further project engineering is completed.
- Meetings with individual municipalities will begin in the first quarter of 2018 as further engineering details are available.

3. Report regarding internal pressures

Refer to Attachment 3 to this letter for the Comparison of Ithaca's Distribution System Pressures and Predicted Model Result During Periods of Peak Demand.

Refer to Attachment 4 to this letter for the 3-Year Historical Average Pressure of the Lansing Terminal.

Respectfully Submitted,



Joseph J. Syta

ATTACHMENT 1

CURRENT PROJECT SCHEDULE

PROJECT SCHEDULE & TIMELINE (ESTIMATED)		
ACTIVITY DESCRIPTION	START	FINISH
Regulatory Approval	7/15/2017	11/16/2017
Engineering RFP & Contract Award	9/1/2017	1/1/2018
Engineering and Detailed Design	1/1/2018	4/28/2018
Property & Easements	12/19/2017	9/15/2018
Long Lead Material Procurement	4/1/2018	10/15/2018
Permitting & Site Plan Approvals	5/15/2018	10/1/2018
Short Lead Material Procurement	4/1/2018	10/15/2018
Construction Bid/Award & Installation	5/15/2018	9/1/2018
Check-out & Commissioning	2/1/2019	2/28/2019
Fully in Service		2/28/2019
Initial Performance Evaluation	2/1/2019	5/31/2019



ATTACHMENT 2
CURRENT PROJECT COST

ESTIMATED PROJECT CAPITAL COSTS	
ITEM	ESTIMATED COST
Engineering Services	\$228,800
Public Outreach & Legal	\$101,400
Material Procurement	\$2,683,200
Real Estate & Permitting	\$127,400
Construction & Commissioning	\$2,002,000
TOTAL CAPITAL COST	\$5,142,800



ATTACHMENT 3

NYSEG DATA REPORT

COMPARISON OF ITHACA DISTRIBUTION SYSTEM PRESSURES AND PREDICTED MODEL RESULTS DURING PERIODS OF PEAK DEMAND (1)

Peak Demand Event 1/6/2018							
	GAS CONTROL MONITORED PRESSURE LOCATIONS (PSIG)						
	East Ithaca Reg. Sta. Outlet Pressure	Newfield Reg. Sta. Outlet Pressure	Spencer St. Reg. Sta. Outlet Pressure	Ellis Hollow Sta. - Mitchell St. Outlet Pressure	Ellis Hollow Sta. - Community Corners Outlet Pressure	Community Corners Sta. Inlet Pressure	Lansing Terminal Pressure
Actual Pressure PSI	118.37	57.4	55.56	53.24	56.14	45.42	28.61
Min Acceptable Pressure PSI (2)	118	55	55	55	55	45	30
Predicted PSI without Compressors (3)	118	57	55.5	56	56	46.2	29.25
Predicted PSI with Compressors (4)	118	57	55.5	56	56	45	41.1

Peak Demand Event 1/5/2018							
	GAS CONTROL MONITORED PRESSURE LOCATIONS						
	East Ithaca	Newfield	Spencer St.	Ellis Hollow - Mitchell St.	Ellis Hollow - Community Corners	Community Corners	Lansing Terminal
Actual Pressure PSI	118.68	57.4	55.62	53.11	56.02	45.89	28.2
Min Acceptable Pressure PSI (2)	118	55	55	55	55	30	30
Predicted PSI without Compressors (3)	118	57	55.5	56	56	46.3	31.2
Predicted PSI with Compressors (4)	118	57	55.5	56	56	45.2	41.4

Notes & Assumptions

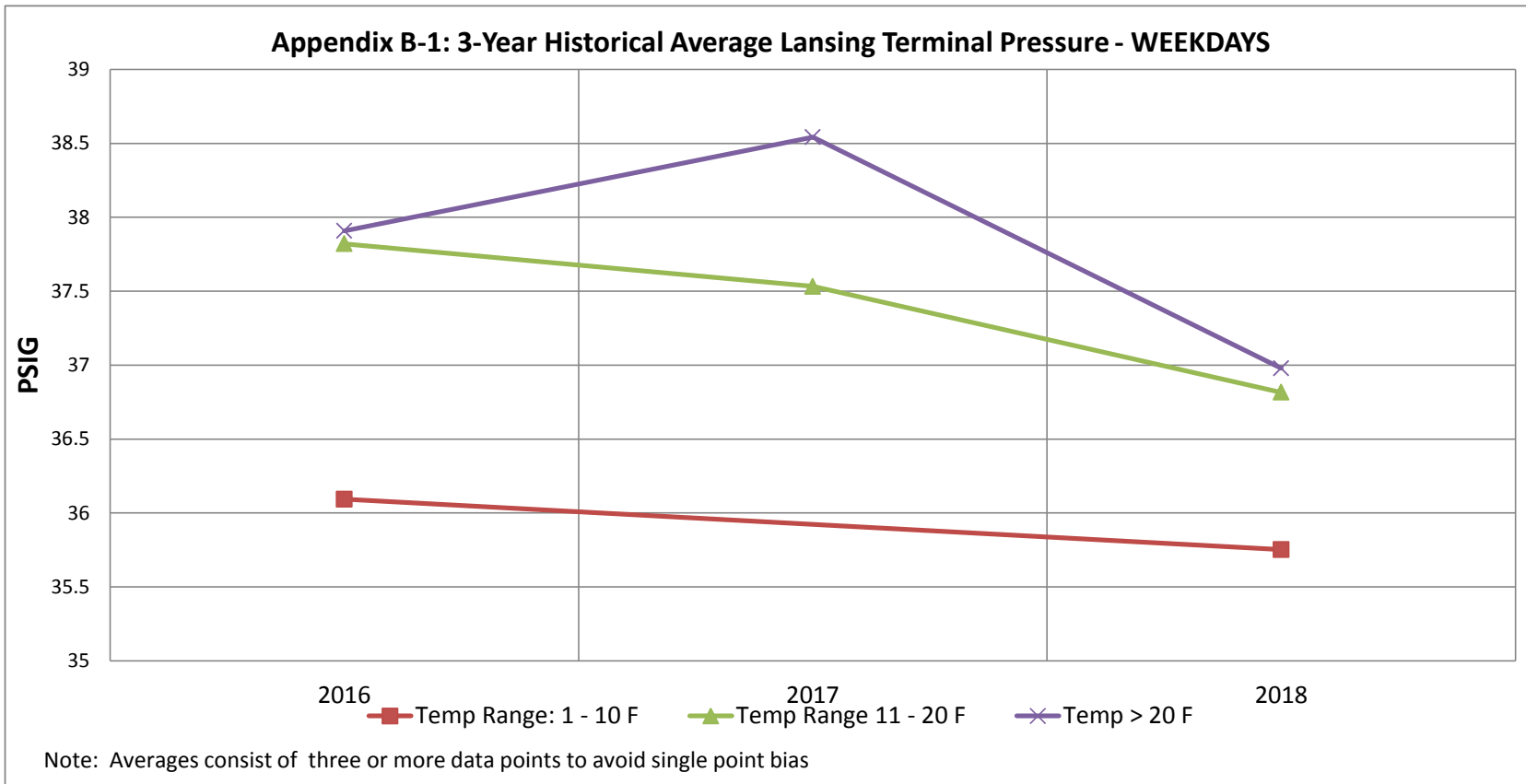
1. Peak Demand occurs when pressures within a gas distribution system are below 50% of the system maximum allowable operating pressure (MAOP). The Information presented above represent two events as which system pressures were below 50% of the MAOP since the Issuance of the Order Effective 11/16/17.
2. Acceptable Minimum (Min) Pressure (PSI) is is the set winter outlet pressure of the regulator at the regulator station.
3. Pressure results based on using the existing network model with flow parameter adjustments that match actual system conditions and without the use of compression.
4. Pressure results are based on compressor sizes and locations described in the Petition utilizing NYSEG's system network modeling application.



ATTACHMENT 4

NYSEG DATA REPORT

3-YEAR HISTORICAL AVERAGE PRESSURE OF THE LANSING TERMINAL



ATTACHMENT 4

NYSEG DATA REPORT

3-YEAR HISTORICAL AVERAGE PRESSURE OF THE LANSING TERMINAL

