CASES 19-E-0378 ET AL.
NEW YORK STATE ELECTRIC & GAS CORPORATION AND ROCHESTER GAS AND ELECTRIC CORPORATION RATE CASES

Summary of Electric and Gas Rates Joint Proposal[1]

The Joint Proposal ("JP") proposes a three-year rate plan for electric and gas service at New York State Electric & Gas Corporation ("NYSEG") and Rochester Gas and Electric Corporation ("RG&E" and together with NYSEG, the "Companies") commencing April 17, 2020 and continuing through April 30, 2023. For purposes of the JP, Rate Year 1 ("RY1"), Rate Year 2 ("RY2") and Rate Year 3 ("RY3") are defined as the 12 months ending April 30, 2021; April 30, 2022; and April 30, 2023; respectively.[2] The JP initially anticipated new rates effective September 1, 2020, but further provides that if Commission approval occurs after the September 1, 2020 date, the Companies will make the requisite make-whole revenue adjustments to accommodate the change in the effective date of the tariffs.

The JP is supported in total or in part by over twenty parties, signifying broad support by diverse stakeholders, including customer groups as well as business, industry, governmental and environmental interests. The Parties engaged in months of negotiations and thoughtful discussions about how the Companies can best serve customers in light of the global COVID-19 Pandemic and support New York State's energy goals as delineated in the Climate Leadership and Community Protection Act ("CLCPA").

Accordingly, the JP balances the varied interests of the Signatory Parties, including, but not limited to, providing customer relief in light of the COVID-19 Pandemic, improving system reliability, enhancing vegetation management, increasing the Companies' workforce, addressing needed infrastructure improvements (e.g., resiliency, bulk electric system requirements, implementing Advanced Metering Infrastructure("AMI")), implementing Earnings Adjustment Mechanisms ("EAMs") consistent with Commission policies, and instituting a progressive set of commitments regarding the Companies' natural gas businesses related to climate change. The major components of the JP are summarized below.

---

1 This summary is intended solely for the convenience of the Administrative Law Judges and any other person seeking an executive summary of the JP. This summary neither supplements nor replaces the JP and is not intended to vary the terms of the JP.

2 The Companies filed tariffs for these rate cases with an effective date of April 17, 2020. Since New York State Public Service Commission ("Commission") approval of RY1 rates will occur after April 17, 2020, the Companies have requested, and the Signatory Parties have agreed to, a make-whole provision whereby the Companies will recover shortfalls and refund over-collections such that the Companies and their customers would be in the same position had RY1 rates gone into effect on the effective date of April 17, 2020.

COVID-19 Pandemic Provisions

The JP contains numerous COVID-19 Pandemic provisions that provide immediate relief to customers through additional direct customer assistance mechanisms and reduced revenue requirements, many of which would be neither possible nor available outside of the multi-year settlement context.

These customer relief provisions include, but are not limited to: 1) suspension of residential and non-residential disconnects; 2) suspension of certain customer charges, including late payment charges, reconnect fees, residential customer deposits, and same day turn on fees; 3) providing Customer Bill Credits (up to $16.5 million for NYSEG customers and $13.5 million for RG&E customers) which will directly benefit some of the Companies' most vulnerable residential and small commercial customers facing negative economic impacts as a result of the Pandemic;[3] 4) initiating new COVID-19 Grant Assistance Programs funded through existing Economic Development collections which are intended to help challenged electric business customers, including Large Commercial and Industrial Customers; 5) maintaining an arrears forgiveness program; 6) providing more flexible deferred payment agreement ("DPA") provisions; and 7) enhancing customer advocate communications.

To complement these direct customer relief provisions, the JP's proposed revenue requirements show significant reductions from the Companies' pre-filed testimony. Notably, the JP reflects further reductions in RY1 increases at both Companies' Electric businesses in response to the Pandemic and no increase at NYSEG Gas in RY1 or at RG&E Gas in RY1 and RY2. The JP also reflects Pandemic adjustments in RY1 costs for certain operations and maintenance ("O&M") items that inure to the benefit of customers, as well as rate base adjustments to reflect the delay of AMI meter deployment which is now set to begin in 2022 instead of in 2021. The JP anticipated the possibility of a generic COVID-19 proceeding, which the Commission recently initiated as Case 20-M-0266.

---

[3] The Customer Bill Credits will be up to $100 per customer and shall be provided in three phases beginning in October 2020 with over 133,000 customers already identified for Phase 1 relief. The costs associated with providing these credits will be recovered over a five-year period and the unrecovered balance will accrue carrying charges at the Other Customer Capital rate instead of the normal full WAC rate.

Revenue Requirements

The JP proposes changes in delivery rates for the Companies' Electric and Gas businesses which were shaped, smoothed and/or levelized as appropriate. Actual bill impacts will vary by customer class based on the agreed-upon revenue allocation and rate design.

The table below illustrates the Revenue Requirements excluding EE and provides delivery and total bill percentages:

Delivery Rate Increase Summary With Rate Levelization / Shaping Without Energy Efficiency									
	RY1			RY2			RY3		
	Rate Increase ($000)	Delivery Rate % Increase	Total Rate % Increase	Rate Increase ($000)	Delivery Rate Increase	Total Rate % Increase	Rate Increase ($000)	Delivery Rate Increase	Total Rate % Increase
NYSEG Electric	34,680	4.6%	2.3%	71,507	9.1%	4.7%	79,422	9.1%	4.9%
NYSEG Gas	0	0%	0%	1,576	0.8%	0.4%	3,338	1.6%	0.8%
RG&E Electric	10,700	2.4%	1.4%	22,922	5.2%	3.0%	25,385	5.2%	3.1%
RG&E Gas	0	0%	0%	0	0%	0%	2,383	1.3%	0.6%

The following is a summary of the rate changes, including the roll-in to base delivery rates for Energy Efficiency ("EE").

Delivery Rate Increase Summary With Rate Levelization / Shaping With Energy Efficiency						
	RY1		RY2		RY3	
	Rate Increase ($000)	Delivery Rate % Increase	Rate Increase ($000)	Delivery Rate Increase	Rate Increase ($000)	Delivery Rate Increase
NYSEG Electric	45,684	6.1%	84,770	10.6%	88,565	9.9%
NYSEG Gas	(514)	(0.3%)	3,350	1.7%	5,269	2.5%
RG&E Electric	15,238	3.4%	28,064	6.3%	30,721	6.2%
RG&E Gas	(1,127)	(0.6%)	859	0.5%	3,866	2.1%

Return on Equity and Common Equity Ratio

The allowed rate of return on common equity for NYSEG Electric, NYSEG Gas, RG&E Electric and RG&E Gas (individually, "Business") is 8.80%. The common equity ratio for each Business is 48.00%.

Earnings Sharing Mechanism

The JP includes an Earnings Sharing Mechanism applicable to each Business. The earnings sharing thresholds are shown below and the equity percentage for calculation purposes is up to 50%:

Customers / Shareholders	RY1 Earned ROE	RY2 Earned ROE	RY3 Earned ROE
50%/50%	> 9.00% to 9.50%	> 9.10% to 9.60%	> 9.20% to 9.70%
75%/25%	> 9.50% to 10.00%	> 9.60% to 10.10%	> 9.70% to 10.20%
90%/10%	> 10.00%	> 10.10%	> 10.20%

Electric Vegetation Management

A major driver of the increase in NYSEG Electric's rates is the enhancement of distribution vegetation management. NYSEG Electric will increase annual vegetation management costs from $30 million to $57 million through three programs. NYSEG Electric will continue its $30 million annual distribution maintenance program and will establish a new distribution vegetation management Reclamation Program at $17 million annually, which will be focused on circuits that have not been trimmed in over five years. Both NYSEG Electric and RG&E Electric will establish new Danger Tree Programs ($10 million annually at NYSEG Electric and $1.575 million at RG&E Electric) to address danger trees outside of the distribution right-of-way. However, in recognition of the COVID-19 Pandemic and to moderate RY1-RY3 increases, danger tree costs will be deferred and amortized over five years.

Electric Reliability

The JP maintains the Companies' current Electric Reliability Performance Measures for the System Average Interruption Frequency Index ("SAIFI") and the Customer Average Interruption Duration Index ("CAIDI"). The JP adopts a new Distribution Line Inspection Program metric for Level II deficiencies.

Gas Safety

The JP maintains the Companies' current Gas Safety Performance Measures with certain limited modifications. The JP also provides that the Companies will work with the New York State Department of Public Service Staff ("Staff"), local fire departments, and emergency management organizations to adopt the principles of the Pipeline Emergency Responders Initiative. The Companies will continue to conduct scenario and hands-on drill trainings for First Responders. In addition, the Companies agree to discuss with Staff and implement a Residential Methane Detection ("RMD") Program that distributes RMDs to targeted customers and involves RMD-related gas safety outreach and education. The JP also contains other provisions to enhance gas safety.

Gas Matters

In response to New York's recent actions to promote clean energy in light of the goals of the CLCPA along with the focus on the nexus between energy and the environment, the JP establishes a progressive set of commitments regarding the Companies' natural gas businesses and related to climate change. Many parties supporting the JP gas rate plans participated substantially in the development of the Gas Matters Appendix M. Notable commitments contained in Appendix M include:

1. An objective for the Companies to structure their gas planning to achieve a zero-net increase in billed gas use, normalized for temperature, in their service territories over the JP's three-year term.
2. The Companies' agreement that within eighteen months of a Commission Order approving the JP in these rate cases, the Companies will prepare a report that evaluates how the Companies' businesses may evolve in the decades ahead and which identifies the potential issues and strategies related to reducing natural gas usage and increasing electricity usage as an alternative and the modernization and expansion of the electric grid needed to support the widespread deployment of renewables and beneficial electrification.
3. No funding for building the previously proposed Lansing Pipeline or the DeRuyter Pipeline.
4. No later than twelve months from receiving a Commission Order adopting the JP, the Companies will modify their websites, customer mailings, e-mails, and marketing material to remove promotion of natural gas. The Companies also commit to developing programs that better inform and encourage customers to consult with organizations such as HeatSmart to make more informed energy choices.
5. NYSEG's tariff will be amended to make gas interruptible rates available to all eligible gas customers in its entire service territory.
6. The Companies will increase the number of electric and hybrid vehicles in the Companies' fleet.
7. The Companies will complete and file a study with the Commission by December 31, 2021, on the potential depreciation impacts of climate change policies and laws on their gas, electric and common assets.
8. Within RY1, the Companies will retain a consultant with experience in geothermal district energy systems and heat pump heating and cooling solutions to assist in developing a study to examine the feasibility of deploying geothermal district energy systems in the Companies' service territory, and to develop plans for subsequent pilot projects where feasible, including but not limited to those areas with existing leak prone pipe.
9. The Companies will modify their natural gas tariffs to provide only the required allowances for mains, service lines and appurtenant facilities (the 100-foot rule) consistent with Commission regulations (16 NYCRR Part 230).
10. The Companies agree that gas projects involving the construction of a new pipeline or the replacement or expansion of an existing pipeline may be potentially suitable for a non-pipes alternative ("NPA") except where conditions pose an immediate threat to public safety or where construction is imminent (within 12 months).

Customer Service

As noted above, the JP implements a number of customer relief provisions to address the Pandemic, such as suspension of residential and non-residential disconnects as well as certain customer charges. To assist customers facing negative economic impacts due to the Pandemic, the Companies will also implement a Customer Bill Credit Program which will provide one-time bill credits up to $100 to residential and small commercial customers that meet certain eligibility criteria.

The JP also establishes threshold performance levels for designated aspects of customer service quality and subjects the Companies to negative revenue adjustments if they fail to meet certain metrics. Likewise, the JP enables the Companies to earn positive revenue adjustments if they exceed certain metrics. The JP, among other things, also: 1) requires the Companies to provide a $35 bill credit if they miss a scheduled appointment with a residential customer; 2) adds an arrears component to the Companies' existing measure for uncollectibles and terminations due to non-payment; 3) eliminates per-transaction fees for customers who pay their bill at authorized payment locations with an authorized third-party pay agent; and 4) requires the Companies to file a plan to implement an electronic DPA process for residential customers.

In addition, the Companies commit to: 1) additional winter protections for residential customers during the cold weather period of November 1 through April 15; and 2) suspending residential terminations during a heat advisory. In addition, the Companies will not permanently close any Customer Walk-in Offices through June 2021 to support customers. As agreed, the Companies will provide reports of customer traffic in each customer office. The agreed-upon office closures will commence after June 2021 provided, however, that any material increase in traffic in an office above the levels existing at the time the Companies filed their initial testimony will be reviewed with Staff to determine if the closure of that office is still appropriate.

Economic Development

The JP retains a set of economic development programs and implements a new Non-Residential Geothermal and Air Source Heat Pump Pilot Program which will provide one-time grant assistance per project to install geothermal or air source heat pump systems in lieu of natural gas heating in customer-owned facilities for customers who satisfy certain eligibility requirements. Supplemental assistance provided under this pilot program will be over-and-above incentives, rebates and other assistance provided to customers by the Companies, the New York State Energy Research and Development Authority ("NYSERDA") or the New York Power Authority.

Also, as discussed above, the JP implements new COVID-19 Grant Assistance Programs. Under the Small Business COVID-19 Relief Program, the Companies will provide economic development grant assistance to existing small businesses (electric non-residential, demand billing customers only). The new Large Business COVID-19 Relief Program will provide economic development grant assistance to existing large businesses (electric customers only) that meet certain eligibility requirements and is intended to focus on economic recovery and retention efforts (e.g., retention of businesses, jobs and planned capital expenditures).

Low Income Program ("LIP")

The JP continues the LIP for NYSEG and RG&E and continues existing enrollment procedures for Home Energy Assistance Program ("HEAP") recipients whereby the Companies enroll a customer when they receive payment associated with a HEAP grant. Self-enrollment in the LIP will be expanded to include any customer who is denied a HEAP grant, but who can provide confirmation that they are HEAP eligible through a denial letter. The Arrears Forgiveness Program will be maintained at an annual budget of $1.5 million and $1.13 million at NYSEG and RG&E, respectively.

Reforming the Energy Vision ("REV")

The JP provides for implementation of a battery storage project at NYSEG's Java Substation. Further, the Companies will facilitate the adoption of electric vehicles ("EVs") by: 1) implementing a Make-Ready EV Infrastructure program to incent the installation of Level 2 and direct current fast chargers in the Companies' service territories; 2) adding five electric vehicles (passenger cars) per year, per Company, to their fleet assets over the next four years; and 3) beginning a program at RG&E to increase the number of hybrid bucket trucks over the next four years, starting with one in 2020, which will be evaluated to determine the level of future additions.

Non-Wires Alternatives ("NWAs") and Non-Pipes Alternatives ("NPAs")

The JP reflects the Companies' commitment to seeking NWA and NPA solutions to electric or gas capital investments where appropriate and cost-effective and permits the Companies to recover associated implementation costs. The JP also requires the Companies to work with Staff and interested parties to develop an NPA Benefit-Cost Analysis Handbook. In addition, the JP establishes a mechanism to enable the Companies to earn and recover incentives for NWAs and NPAs.

Advanced Metering Infrastructure

The JP includes the implementation of AMI across all four of the Companies' Businesses. Specifically, the Companies propose to begin developing the information technology infrastructure and software applications needed to support AMI in the third quarter of 2020 so that such infrastructure is ready to go into service when the AMI meter deployment begins in the second quarter of 2022. This schedule reflects a 12-month delay in the start of meter implementation, and a 6-12 month delay in the in-service dates for certain IT investments. The Companies have planned a three-year field effort to replace or upgrade customer meters and install the communications network which will end during the first half of 2025.

The enhanced capabilities of AMI meters are anticipated to provide a wide variety of customer benefits, including: 1) reducing certain O&M costs which would be reflected in customer rates over time; 2) reducing future capital spending; 3) reducing electricity and natural gas usage and lowering bills through programs supported by the AMI platform, including conservation voltage reduction/volt-var optimization (CVR/VVO), and information feedback such as usage alerts, and time-varying pricing; 4) reducing CO_2 emissions from the conservation efforts enabled by AMI and reductions in outage costs through faster outage detection and restoration; 5) improving the equitable allocation of costs through improved meter accuracy, theft detection and write-off reductions; and 6) enhancing customer convenience and safety post-Pandemic by eliminating the need for customers to provide access to indoor meters or submitting self-reads and providing more convenient service activation and account transfers through a remote meter service switch.

Energy Efficiency

Beginning with the start of RY1, the Companies' base electric and gas delivery rates reflect EE program costs, which were previously collected through the "EE Tracker" portion of the System Benefits Charge ("SBC"). The base delivery rates being implemented in the JP reflect both EE programs and electric heat pump programs. Upon implementation of new delivery rates, the Companies will discontinue the SBC-EE Tracker component of the SBC currently applied to customer bills. Costs associated with NYSERDA programs will continue to be collected through the SBC. In response to issues raised by the Pandemic, for NYSEG Electric only, the RY1 level will be set at 80% of the levels set forth in the Commission's January 16, 2020 Order, RY2 will be at 85% and RY3 will be at 90%. For RG&E Electric, NYSEG Gas, and RG&E Gas, the RY1 and RY2 levels will be set at 85%. The differences are allocated to the post Rate Plan period, and to the extent required, delivery rates will be adjusted.

Earnings Adjustment Mechanisms

Under the JP, the Companies will implement the following EAMs: 1) Electric Share the Savings; 2) Heat Pump Share the Savings; 3) Beneficial Electrification; 4) Distributed Energy Resources Utilization; 5) Electric Peak Reduction; 6) Gas Share the Savings; and 7) Gas Heating Load Peak Reduction. The Companies will be permitted to recover EAM incentives through a surcharge mechanism. In addition, the Companies will track and report the progress of three Scorecard metrics: Locational System Relief Value Load Factor, Residential Electric Energy Intensity, and Commercial Electric Energy Intensity.

Rate Adjustment Mechanism ("RAM")

Each Business will continue a RAM, which will be used to return or collect the Customer Bill Credits and the net balance of other RAM Eligible Deferrals and Costs, including: 1) property taxes; 2) Major Storm deferral balances; 3) gas leak prone pipe replacement; 4) REV costs and fees which are not covered by other recovery mechanisms; and 5) costs associated with the implementation of any Commission-ordered EV program which are not covered by any other cost recovery mechanisms. Beginning July 1, 2021, the RAM at all four Businesses will begin the five-year recovery of up to $30 million of Customer Bill Credits provided in the customer relief provisions discussed above. Customer Bill Credits shall be recovered from those service classes which were eligible to receive the customer bill credits. The RAM component for collecting the Customer Bill Credits will not be collected from those service classes ineligible to receive the such credits.

Depreciation and Excess Depreciation Reserve ("EDR")

The JP establishes new depreciation rates (lives and salvage rates) to be used by all Businesses as set forth in Appendix Z to the JP. NYSEG Electric and RG&E Electric will amortize EDR balances to cover the revenue increases associated with the make-whole period.[4] In recognition of the Pandemic, the make-whole EDR amortization amounts will neither be included in rate base in setting revenue requirements, nor will these amounts accrue carrying costs during the JP term. The foregone carrying costs associated with this Pandemic concession by the Companies are approximately $3.5 million during the JP term.

Additionally, the NYSEG Electric revenue requirements reflect other EDR amortizations which have been historically used as rate moderators and continue in RY1 – RY3.

Reconciliations

The JP provides for partial or full reconciliation of certain expenses including, but not limited to labor; pensions / OPEBs; property taxes; management, operations, and staffing audit expense; gas research and development; pipeline integrity costs; Economic Development programs; and LIP costs.

The JP also includes a downward-only Net Plant reconciliation for several specific projects as well as for the overall capital plan. In addition, the JP includes downward-only reconciliations for the costs of electric and gas vegetation management; pipeline integrity; incremental maintenance; and the Energy Smart Community.

Revenue Allocation and Rate Design

Appendices BB and DD contain the JP's revenue allocation and rate design provisions for the Companies' Electric and Gas Businesses, respectively. Appendices CC and EE contain the JP's electric rates and gas rates, respectively, by service classification for each RY. The electric delivery revenue requirement is recovered through customer charges, volumetric delivery charges and/or demand delivery charges, and reactive charges. The gas delivery revenue requirement is recovered through customer charges and volumetric delivery charges.

Revenue Decoupling Mechanism ("RDM")

The JP provides that NYSEG and RG&E continue their Electric RDMs on a total revenue per class basis. Effective with RY1, NYSEG and RG&E's Gas RDMs will no longer be on a

4 See Footnote 2 supra.

revenue per customer basis and instead will be on a total revenue per class basis. Any Customer Bill Credits will not be reflected in either the Electric RDMs or the Gas RDMs.

For Electric RDM reconciliation purposes, the Companies will group together all residential RDM classes, but will maintain individual non-residential RDM service classes. Street Lighting service classes will continue to be subject to the Electric RDMs. The Electric RDMs will not apply to Area Lighting. For Gas RDM reconciliation purposes, each Company will maintain two RDM classes (residential and non-residential).