

2017 Budget and Metrics Plan

I. Introduction

In accordance with the New York State Public Service Commission's ("Commission") June 19, 2015 Order in Cases 15-M-0252 and 07-M-0548,¹ and Guidance Document CE-01, which was filed by Department of Public Service Staff ("Staff") on July 28, 2016,² National Fuel Gas Distribution Corporation ("Distribution" or the "Company") hereby submits its 2017 Budget and Metrics Plan. It should be noted that the Company's 2017 Budget and Metrics Plan filing includes: (1) two summary tables that identically appear in, and that are described in greater detail in, Distribution's June 1, 2017 Energy Efficiency Transition Implementation Plan ("ETIP") filing in Cases 15-M-0252 and 07-G-0141,³ and (2) several standalone summary proposals. Together, these items are respectfully being presented herein for the Commission's consideration.

¹ Cases 15-M-0252 and 07-M-0548 – Order Authorizing Utility-Administered Gas Energy Efficiency Portfolios For Implementation Beginning January 1, 2016, issued and effective June 19, 2015.

² Case 15-M-0252 – Guidance Document CE-01, Utility Energy Efficiency Program Cycle, filed on July 28, 2016.

³ Cases 15-M-0252 and 07-G-0141 – National Fuel Gas Distribution Corporation Conservation Incentive Program Updated 2017 Energy Efficiency Transition Implementation Plan For The 2017-2020 Program Years, filed on June 1, 2017.

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II. Total Gas Portfolio Budgets

Exhibit 3: Total Gas Portfolio Budgets⁴				
	Current Year (2017)	Planned Year (2018)	Planned Year (2019)	Planned Year (2020)
Commercial and Industrial Sector				
NRCIP				
Incentives and Services	\$598,000	\$605,000	\$605,000	\$605,000
Program Implementation	\$52,000	\$40,000	\$40,000	\$40,000
Total Program Budget	\$650,000	\$645,000	\$645,000	\$645,000
Residential Sector				
Residential Rebate Program				
Incentives and Services	\$2,500,000	\$2,450,000	\$2,450,000	\$2,450,000
Program Implementation	\$150,000	\$130,000	\$130,000	\$130,000
Total Program Budget	\$2,650,000	\$2,580,000	\$2,580,000	\$2,580,000
LIURP				
Incentives and Services	\$4,979,100	\$4,581,750	\$4,581,750	\$4,581,750
Program Implementation	\$510,900	\$318,250	\$318,250	\$318,250
Total Program Budget	\$5,490,000	\$4,900,000	\$4,900,000	\$4,900,000
Total Portfolio				
Total Commercial and Industrial Sector	\$650,000	\$645,000	\$645,000	\$645,000
Total Residential Sector	\$8,140,000	\$7,480,000	\$7,480,000	\$7,480,000
Portfolio Administration	\$950,000	\$790,000	\$790,000	\$790,000
Portfolio EM&V	\$300,000	\$125,000	\$125,000	\$125,000
Total Gas Portfolio Budget	\$10,040,000	\$9,040,000	\$9,040,000	\$9,040,000

⁴ It should be noted that Exhibit 3 is included in the “Budget and Target Summary – Total Portfolio” section of Distribution’s June 1, 2017 ETIP filing in Cases 15-M-0252 and 07-G-0141.

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III. Total Gas Portfolio Targets

Exhibit 4: Total Gas Portfolio Targets⁵				
	Current Year (2017)	Planned Year (2018)	Planned Year (2019)	Planned Year (2020)
Commercial and Industrial Sector				
NRCIP				
Dth - Primary Metric	172,909.14	150,566.54	150,566.54	150,566.54
Residential Sector				
Residential Rebate Program				
Dth - Primary Metric	120,803.93	135,544.25	135,544.25	135,544.25
LIURP				
Dth - Primary Metric	51,628.58	60,810.57	60,810.57	60,810.57
Total Portfolio				
Dth - Primary Metric	345,341.65	346,921.36	346,921.36	346,921.36

⁵ It should be noted that Exhibit 4 is included in the “Budget and Target Summary – Total Portfolio” section of Distribution’s June 1, 2017 ETIP filing in Cases 15-M-0252 and 07-G-0141.

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IV. Proposal #1 – Low Income Program Benefit Cost Analysis (“BCA”)

In the Commission’s Order Approving EEPS Program Changes (“December 2013 Order”), one of Staff’s proposals recommended that “a TRC of less than one will be allowed for the excepted class of programs – the exact value will be determined as the various TRC input parameters are finalized.”⁶

Certainly, much has changed since the issuance of the December 2013 Order, including but not limited to the following: (1) the Societal Cost Test (“SCT”) has been adopted in the State of New York as the primary cost screening test for energy efficiency programs, and (2) the Commission has since issued its Order Establishing the Benefit Cost Analysis Framework (“BCA Order”).⁷

In Proposal #1, Distribution is seeking clarification from the Commission, as respects benefit cost screening requirements for low income energy efficiency programs. Specifically, the Commission should determine if low income energy efficiency programs are exempted from benefit cost screening requirements (since these programs are typically provided at “no cost” to low income customers) or if they should adhere to the same requirements as all other energy efficiency portfolios (e.g., commercial, industrial, etc.), given the changes described above.

⁶ Case 07-M-0548 – Order Approving EEPS Program Changes, issued and effective December 26, 2013, at pages 11 and 12.

⁷ Case 14-M-0101 – Order Establishing The Benefit Cost Analysis Framework, issued and effective January 21, 2016.

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V. Proposal #2 – Reducing Future Clean Energy Fund (“CEF”) Ratepayer Collections

The Commission’s January 21, 2016 Order in Case 14-M-0094 (“CEF Order”) adopted the New York State Energy Research and Development Authority’s (“NYSERDA”) bill-as-you-go approach.⁸ In authorizing the bill-as-you-go approach, the Commission directed utilities to apply interest on accumulated CEF deferral balances at the Other Customer Provided Capital Rate. In addition, the Commission asserted that interest earnings shall be segregated on the books of the utility for the benefit of the ratepayer.

Distribution has fully implemented the bill-as-you-go approach in accordance with the CEF Order. The Company is applying interest to accumulated CEF deferral balances at the Other Customer Provided Capital Rate and is segregating interest accordingly on Distribution’s books.

Although the Commission asserted that interest earnings will be used for the benefit of the ratepayer, that benefit (i.e., the use of accumulated interest) has not yet been identified by the Commission. Stated otherwise, although customers would be able to benefit from these funds in some way, shape or form, they currently are unable to receive that benefit. From January 2016 through April 2017, Distribution has accumulated \$69,632.66 of interest. In Proposal #2, Distribution is seeking the Commission’s approval to use its accumulated CEF interest to reduce future CEF Surcharge collections from customers, in the same manner as the Energy Efficiency Tracker Surcharge Rate. Should the Commission approve this proposal, the Company would apply its accumulated CEF interest to future CEF Surcharge collections (i.e., reducing them) in the next Conservation Incentive Program (“CIP”) rate filing, which would be filed on no less than 15 days’ notice and would become effective January 1, 2018. This approach would reduce

⁸ Case 14-M-0094 – Order Authorizing the Clean Energy Fund Framework, issued and effective January 21, 2016, at page 100.

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administrative burdens associated with implementation and would be consistent with the rate filing timing currently specified in Distribution's tariff, currently in effect.

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VI. Proposal #3 – Expanded Commitment to Low Income Energy Efficiency

In Proposal #3, the Company is seeking a Commission approval to utilize approximately \$1.1 million of unspent, uncommitted energy efficiency funding during calendar years 2018 and 2019. Specifically, Distribution proposes to repurpose this funding by adding it to the Low Income Usage Reduction Program (“LIURP”), which is a weatherization program designed specifically for low income customers. Participants receive a heating system check, an energy audit, weatherization measures, an infiltration reduction, natural gas usage reduction measures and consumer education. The program design is consistent with, and is being administered as part of NYSERDA’s EmPower New York (“EmPower”) program. LIURP’s program design is described in greater detail in Distribution’s ETIP, a companion filing to this 2017 Budget and Metrics Plan.

The funding sources for Proposal #3 are two-fold: (1) \$141,555.50 of unspent, uncommitted funding from Distribution’s 2016 residential portfolio (i.e., leftover funding from the Company’s 2016 Residential Rebate Program and 2016 LIURP), and (2) \$954,671.85 of interest, accumulated through April 30, 2017, on 2012 to 2015 program cycle deferral balances (i.e., both Company programming and NYSERDA programming).

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VII. Proposal #4 – Natural Gas Portfolio BCA

Distribution's ETIP filing, a companion filing to this 2017 Budget and Metrics Plan, provides BCA screening results from 2017 through 2020, for the Company's natural gas portfolio. In the ETIP filing, the Company explained in detail how the method Staff employed for the development of new natural gas prices has limitations, as respects the applicability of CARIS data to natural gas utilities. In addition, based on Distribution's understanding that Staff's intent was to afford gas utilities flexibility in terms of using their own forecasts of distribution costs, the Company offered an alternative (viz., using forward looking gas prices that are used for financial forecasting purposes). This alternative was also explained in detail in Distribution's ETIP filing.

In Proposal #4, Distribution is seeking clarification from the Commission, as respects the natural gas prices that should be used in BCA screening of natural gas energy efficiency portfolios. Specifically, the Commission should confirm if utilities should be granted flexibility to use forward looking gas prices (developed for volumetric forecasting purposes) in BCA screening. The reason this determination is important from a program design perspective, is the decision directly impacts the dollar amount of rebates, which in turn impacts: (1) the corresponding number of customers that can participate in an energy efficiency program, and (2) the avoided energy savings anticipated from those customers (i.e., the benefit in BCA screening).

To the extent that the Commission approve flexibility in terms of BCA screening of natural gas energy efficiency portfolios, Distribution would remove Exhibit 12 from its ETIP filing and replace it with the following revised Exhibit 12, providing customers with slightly higher incentives by measure. The Company would also make updates to its ETIP filing to reflect a revised Exhibit 12 throughout the document.

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Revised Exhibit 12: Residential Rebate Program - Participation and Savings Derivation					
Measure	Number of Participants	Per Unit Rebate (\$)	Total Rebates (\$)	Per Unit Savings (Dth)	Total Savings (Dth)
Space Heating					
Hot Air Furnace	4,585.22	\$250	\$1,146,304.78	13.9320	63,881.27
Hot Air Furnace with ECM	2,648.33	\$300	\$794,497.78	13.9320	36,896.48
Hot Water Boiler	274.79	\$625	\$171,744.20	11.0751	3,043.34
Steam Boiler	26.94	\$150	\$4,040.92	2.8380	76.45
Water Heating					
Storage Tank Water Heater	708.95	\$75	\$53,171.20	5.2891	3,749.69
Tankless Water Heater	309.14	\$300	\$92,741.13	8.3298	2,575.06
Controls and Other Appliances					
Clothes Dryer	1,500.00	\$50	\$75,000	0.5019	752.92
Wi-Fi Thermostat	1,500.00	\$75	\$112,500	6.3000	9,450.00
Total Incentives and Services	11,553.36		\$2,450,000		120,425.21

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VIII. Conclusion

Distribution respectfully requests that all CIP budgets and targets be authorized by the Commission, as described above in this 2017 Budget and Metrics Plan and as outlined in the Company's ETIP companion filing. The Company also respectfully requests that the Commission approve all of Distribution's proposals, as set forth in this 2017 Budget and Metrics Plan.