



Mark O. Marini
Director - Regulatory

August 15, 2016

VIA ELECTRONIC FILING

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

Re: Case 15-E-0283 - Proceeding on Motion of the Commission as to the Rates,
Charges, Rules and Regulations of New York State Electric & Gas Corporation
for Electric Service

Case 15-G-0284 – Proceeding on Motion of the Commission as to the Rates,
Charges, Rules and Regulations of New York State Electric & Gas Corporation
for Gas Service

Otsego County Report

Dear Secretary Burgess:

Pursuant to the *Order Approving Electric and Gas Rate Plans in Accord with Joint Proposal* (the "Rate Plan Order") issued by the New York State Public Service Commission (the "Commission") on June 15, 2016, New York State Electric & Gas Corporation ("NYSEG" or the "Company") is respectfully providing this report in accordance with Ordering Clause No. 7.

Any questions pertaining to this filing may be directed to Joseph M. Rizzo at 585.724.8165.

Respectfully submitted,

A handwritten signature in black ink that reads "Mark O. Marini".

Mark O. Marini

Enclosure

**Cases 15-E-0283 and 15-G-0284 -
New York State Electric & Gas Corporation's
Otsego County Report**

Overview

New York State Electric & Gas Corporation (“NYSEG” or the “Company”) was directed to work with Staff and OtsegoNow to develop a plan to address infrastructure needs within and around Otsego County (the “County”). OtsegoNow, the umbrella economic development organization representing the OTSEGO County Capital Resource Corporation and Industrial Development Agency, raised some concerns with respect to economic development in Otsego County, pointing to existing infrastructure of the surrounding region for delivery and overall capacity restrictions and limitations.¹

The Company conducted an evaluation of electric and natural gas infrastructure and the status of solar installations for the County². Additionally, this report highlights key economic development programs approved as part of the NY Rate Plan.

NYSEG and Rochester Gas and Electric Corporation (“RG&E”) (together, the “Companies”) received approval to expand its non-rate assistance programs, as well as to offer several new economic development programs that would support urban and main street revitalization, promote productivity-improvement projects and seek to attract the development of high-growth potential companies to establish businesses in certain zones as part of the Rate Plan Order. These enhancements and new programs are based on many discussions and feedback received from a variety of sources including customers, local and state partners, and internal customer representatives. By broadening its economic development portfolio, the Companies can provide further benefits to communities and customers.

These enhancements and new programs will enable the Companies to become an even stronger ally with our community partners for business attraction opportunities, where we have already demonstrated great success across New York. Just in the past year, the Companies, working in collaboration with local, regional and state partners have brought new business opportunities to New York in many counties across the state, which will result in hundreds of millions of dollars in new investment and hundreds of jobs. The business sectors associated with these successful business attraction projects included agriculture, manufacturing, and distribution. More specifically, recent success stories for New York include the following public announcements:

- January 8, 2016 – Crown Holdings, Inc. - Tioga County – new can manufacturing facility with expected capital investment of approximately \$132 million and over 160 new jobs in the Southern Tier.

¹ Comments submitted March 23, 2016.

² NYSEG communicated this information to OtsegoNow following the New York State Public Service Commission’s *Order Approving Electric and Gas Rate Plans in Accord with the Joint Proposal* (the “Rate Plan Order”), issued and effective June 15, 2016 in Cases 15-E-0283, 15-G-0284, 15-E-0285 and 15-G-0286.

- May 19, 2016 – Intergrow Holdings, Inc. - Monroe County – new agricultural greenhouse facility with expected capital investment of approximately \$54 million and 100 new jobs in New York State.
- June 2, 2016 – Klein Steel Service Inc. – Monroe County – new state-of-the-art manufacturing expansion with expected capital investment of approximately \$8 million, retention of 190 jobs, and 50 new jobs in New York State.
- July 19, 2016 – Dick’s Sporting Goods – Broome County – new regional distribution center with expected capital investment of approximately \$100 million and 466 new jobs in the Southern Tier.
- July 20, 2016 – Metallized Carbon Corporation – Sullivan County – new manufacturing facility with expected capital investment of approximately \$5 million, retention of up to 100 jobs and 10 new jobs in New York State.

In addition, NYSEG, prior to receiving the Rate Plan Order, was having individual discussions with various local, regional, and state partners, as well as the consulting community, to determine creative ways to further enhance our economic development programs. The proposed enhancements are designed to better position OtsegoNow and other counties across New York that are pursuing shovel-ready status for business attraction opportunities. NYSEG and RG&E want to approach any future enhancements to the economic development programs from a holistic perspective, meaning the Companies want to engage Otsego County as well as other community partners, to ensure any enhancements balance the interests of all stakeholders involved.

Electric Infrastructure

NYSEG, in previous communications to OtsegoNow regarding potential economic development projects located at Pony Farm and Oneonta Rail Yards site, indicated that existing electric distribution capacity for the two substations, Pierce Substation and Henry Substation, are as follows at this point in time: approximately 2 MW and 10 MW, respectively. These two substations are approximately one half (½) mile apart from each other. The Pony Farm site is southwest of the Pierce Substation. For the Rail Yards site, the feeds from both the Pierce and Henry Substations traverse the property. For larger projects and load requirements above these existing capacities, there may likely be a need for additional distribution improvements to adequately serve the prospect. Since our system is very dynamic, the Companies need a better understanding of the specific electric energy requirements such as peak electric demand, load characteristics (i.e. motor sizes, type of business process) and project timelines before NYSEG can proceed with any comprehensive evaluation.

NYSEG’s transmission system in this area, which is needed to support the distribution facilities discussed above, is already highly utilized and slated for upgrade. This particular area, as well as the larger region known as NYSEG’s “Oneonta Division,” will be reinforced through several important projects to improve service reliability and resiliency. Such projects will improve our ability to not only serve existing customer load with associated organic growth, but will better accommodate future block load additions. Several of these planned projects are currently in the engineering phase, including a number of very large transmission reinforcement projects being developed pursuant to the FERC “Brightline” rule. Depending on a new prospect’s electric

energy requirements, additional transmission reinforcement could be required in addition to these planned projects.

Solar Installations

NYSEG has been working with OtsegoNow, and its developer, on four potential solar installations in this region, which also have to be considered in the context of NYSEG's evaluation of any new prospects. However, Standardized Interconnection Requirements ("SIR") mandated by the New York State Public Service Commission, which have specific timelines, have not been satisfied by the developer/OtsegoNow in the past 12 months. The developer/OtsegoNow filed their application on June 1, 2015 for these four locations. NYSEG completed the initial first phase (preliminary technical reviews) on June 22, 2015, followed by subsequent revisions for revised preliminary technical reviews, which were submitted on December 17, 2015 to the developer/OtsegoNow. However, the developer/OtsegoNow did not proceed with the second phase (final technical reviews) for each proposed location and subsequently did not commit to utility system modifications within a 12 month period from filing its application. Consequently, NYSEG sent letters on July 12, 2016 to the developer/OtsegoNow to state that these timelines have not been met and to request that they respond back within 30 days to provide a status update.

Natural Gas Infrastructure

NYSEG's natural gas distribution system is adequate to meet the existing customer base in Otsego County and will support historical levels of organic customer growth (which has been minimal in prior years) for that region.

NYSEG had conducted a preliminary review and indicated to OtsegoNow in prior communications that at this time the existing available capacity to our natural gas distribution system is only approximately 10 Thousand Cubic Feet per Hour ("10 MCFH"). This capacity needs to be considered in serving any potential customer(s), including the Pony Farm or Oneonta Rail Yards site, on NYSEG's Oneonta gas system that may request increased load and take service under NYSEG's tariff for firm-sales service. The incremental 10 MCFH load would be served with the existing capacity NYSEG has contracted for its gas system at the present time. Currently the Companies understand that the upstream interstate pipeline, Dominion Transmission Incorporated ("DTI"), does not have firm, deliverable pipeline capacity to serve any additional incremental NYSEG customer load. Additional transmission capacity upstream of NYSEG's distribution system is necessary to serve new load growth beyond the 10 MCFH.

Similar to its electric system, existing customer demand on NYSEG's natural gas distribution system is dynamic due to changes in customers' needs. When a new prospect expresses interest in either of these sites or any others, we strongly recommend that the local, regional, and state economic development partners contact NYSEG directly in order for the Company to gain a better understanding of the project's energy requirements. This would include information such as projected peak hourly flowrate, space heating and process heating loads, meter outlet delivery pressure, and requested timeline for project. This kind of information will be very helpful in order for NYSEG to properly evaluate our existing infrastructure and to identify potential improvements to serve the new load. There are also instances where NYSEG needs clarification

regarding energy requirements to ensure that we have correct information prior to performing our evaluation.

In addition, as part of the approved NY Rate Plan, NYSEG plans to proceed with the DeRuyter Transmission Replacement Project, from the Town of Norwich to Town of Oneonta. The cost of this project, estimated at approximately \$58 million, will involve replacement of approximately 25 miles of an 8-inch transmission main with a 10-inch or 12-inch main, over a period of four to five years. Although this replacement project under existing conditions will not result in increased natural gas capacity on NYSEG's system, the project is critical to maintain system reliability for existing customers in the region, especially under design day conditions.

Economic Development Programs

Since 2010, the Companies have provided over \$70 million in economic development assistance to help businesses grow in New York. This assistance has helped contribute to several billion dollars in new investment in New York and tens of thousands of new and retained jobs. The Companies have provided economic development assistance to help existing businesses expand and attract new businesses. Our programs have included emergency economic development assistance for Hurricane Irene, Tropical Storm Lee, and Super Storm Sandy, and unique business attraction and retention projects. There were businesses in the Oneonta region of Otsego County that received funding assistance from NYSEG through these emergency programs.

The NY Rate Plan Order has approved new programs and enhancements to existing programs that were proposed by the Companies. The Companies will be offering a variety of economic development programs in an effort to help promote a strong and healthy economy in upstate New York. Our economic development efforts focus on a number of areas including: maximizing the use of existing energy delivery assets, attracting new businesses, supporting retention and expansion of existing businesses and fostering a strong collaborative effort with our economic development partners at the local, regional, and state level. These economic development programs reflect the Companies' ongoing commitment to economic development support.

NYSEG and RG&E will implement three new economic development grant assistance programs:

1. Commercial Corridor/Main Street Revitalization Assistance Program – Up to \$200,000 per project to support urban/main street revitalization efforts and distressed business corridors/districts. This program also supports assistance for sustainable investment opportunities in designated districts or zones (i.e., eco-districts);
2. Manufacturing Accelerator Program – Up to \$40,000 per project to support productivity improvement projects such as lean manufacturing and new product development and export marketing initiatives; and

3. Innovation Zone – Ignition Grant Program – Up to \$25,000 per project to foster development of high growth potential companies that establish their businesses in a recognized innovation zone.

Existing grant assistance programs have been enhanced and support projects that are endorsed by Empire State Development’s Regional Economic Development Councils and the Governor’s office, including:

Company	Program	Funding Level
NYSEG and RG&E	Electric - Brownfield/Building Redevelopment Program	Up to \$500,000 per project
NYSEG and RG&E	Electric – Capital Investment Incentive Program – Tier 1	Up to \$400,000 per project
NYSEG and RG&E	Electric - Capital Investment Incentive Program – Tier 2	Up to \$200,00 per project
NYSEG (Enhanced to include RG&E service area)	Electric Agriculture Capital Investment Incentive Program	Up to \$100,000 per project
NYSEG and RG&E	Electric - Business Energy Efficiency Assistance Program	Up to \$20,000 toward feasibility study/analysis and up to \$50,000 toward implementation of measures per project (Supplemental assistance to certain NYSERDA programs)
NYSEG and RG&E	Economic Development Outreach Program	Up to \$75,000 per project
NYSEG and RG&E	Electric - Power Quality/Reliability Program	Up to \$100,000 per project
NYSEG and RG&E	Natural Gas Infrastructure Investment Program	Up to \$200,000 per project

The Companies currently have approximately 200 active economic development projects across New York, plus numerous and increasing business attraction project opportunities. In addition to electric and natural gas infrastructure, business energy efficiency, and power quality/reliability programs for customers, the Companies continue to provide support to economic development organizations under their Economic Development Outreach Program. This program supports various economic development organizations, such as Industrial Development Agencies (“IDA”), to help support marketing initiatives such as website development and marketing materials to help attract new business to their respective regions in the NYSEG and RG&E service areas.

In addition to our existing Economic Development Outreach Program mentioned above, the following items highlight some of our programs which may be of importance for Otsego County. As part of the Brownfield/Building Redevelopment Program, the Companies will provide up to \$20,000 toward an external feasibility/assessment and/or remediation redevelopment efforts. The applicant would have to invest at least 33.33% toward total investment. As part of the application process, the Companies will need to see a summary of other sources of assistance contributing to such assessment and/or remediation. Also, the Companies have broadened the type of business sectors eligible to receive economic development assistance, which now includes the craft beverage industry. This would include wineries, distilleries, micro-breweries, farm cideries, etc. In addition, offering a Tier 2 for our Capital Investment Incentive Program will help assist smaller businesses that have at least \$500,000 in capital investment and 50 kilowatts of incremental electric load. Our Natural Gas Infrastructure Program has been increased from up to \$25,000 per project to up to \$200,000 per project based on meeting certain program requirements. Finally, our Business Energy Efficiency Program will continue and be flexible to adapt to changes in NYSERDA's energy efficiency programs. This program can now provide supplemental assistance to either certain NYSERDA programs or under NYSEG and RG&E's own energy efficiency program offerings.

NYSEG has had discussions with our local, regional, and state partners regarding creative ways to explore assistance to better prepare IDAs for shovel-ready status for sites in their respective regions.

Through our Economic Development Outreach Program, NYSEG and RG&E, in collaboration with Empire State Development ("ESD"), the New York State Economic Development Council ("NYSEDC"), neighboring utility partners, and other community partners, are helping to fund two state-wide initiatives to help attract new business to New York.

The first is an initiative to utilize a consulting firm to pre-screen potential businesses outside of New York, and sometimes outside the United States, on their interest in future expansions or relocations to the State of New York. We, along with ESD, participate on conference calls with senior executives of these business prospects. We believe this effort is prompting more interest in site selectors pursuing New York. The second initiative, which is more recent, is with a company called StateBook, LLC. StateBook LLC is essentially an online marketplace for corporate real estate site selection. This site will be viewed by site selectors and other interested stake holders about communities, sites, etc., to help facilitate their site search. It is our understanding that community partners and other utilities have begun populating information on this site relative to shovel-ready sites.

The concept of shovel-ready sites help prospective companies know that there has been some work performed ahead of time such as permitting, State Environmental Quality Review Act analysis, etc., to help accelerate the timeframe should the site be chosen for development. Key steps in the shovel-ready process include: site selection to assess market requirements and the type of business sectors to pursue, site control to ensure ownership of the real estate, environmental reviews and zoning for the types of business uses of property, permitting and infrastructure development. Being a participant early on in this process will be valuable for our economic development partner as well as our Companies having a better understanding of the

kind of potential development across our service territory. More recently, it is also our understanding from the site selector community that upstate New York needs to create more shovel-ready sites to help increase business attraction opportunities.

With these initiatives and the ever increasing requests from our economic development community on knowledge of infrastructure to help them better prepare for a real prospect and to remain competitive with our neighboring utilities, as well as outside New York, the Companies are prepared to take a step forward in this area. Continuing to work with the various economic development partners and our Regional Economic Development Councils and associated priority projects, our Companies will be better informed from a planning perspective for future infrastructure needs across our service areas.

Our Economic Development Outreach Program, as stated previously, will now have increased funding assistance from \$50,000 to \$75,000 per application. The primary intent of this program is to assist economic development organizations with strategic economic development outreach projects primarily focusing on attracting new business investment into the NYSEG or RG&E service areas. Some key requirements include 50% matching funds from federal, state, local, and/or private sources and that the initiative must promote a specific asset or group of assets that enhance the competitiveness of a specific area of NYSEG or RG&E or all of upstate New York. This could include research initiatives for defined industry targets, updates of websites and marketing materials.

One approach would be to broaden the types of initiatives that could be funded under this program such as feasibility studies to evaluate our Companies' electric and natural gas infrastructure in advance of a real project. There would be specific parameters around this enhancement such as for sites that are going through the shovel-ready process, which would have a higher probability for consideration by the site selector community. This process to obtain shovel-ready status could result in a several hundred thousand dollar expense by an economic development organization. If the Companies want to take it one step further, we could also offer to support studies for sites that have been submitted through a variety of Regional Economic Development Council initiatives, such as through the Consolidate Funding Application ("CFA") Process, priority projects, and or special programs such as the Urban Revitalization Initiative ("URI").

The applicant would have to invest at least 33.33 % of the cost of such a study by our Companies, up to \$20,000 per study. As part of the application process, we would also want to see sources of assistance from other entities such as ESD.

Conclusion

Addressing the infrastructure needs in Otsego County requires a collaborative process that involves all stakeholders. NYSEG welcomes the opportunity to continue to work with Otsego County to assist with its objectives to help existing businesses expand in that region, as well as attract more businesses to help improve the local economy.

There are some action items outstanding for OtsegoNow that need to be addressed in order to proceed. During a teleconference in February 2016, and a follow-up meeting with Staff on April 15th, NYSEG agreed to work with OtsegoNow, and its consultant, who would provide NYSEG with a proposed plan for its development at the Rail Yards. It was agreed that OtsegoNow would provide more detail regarding its proposed development, including a number of factors such as proximity of buildings, types of business operations, and projected energy loads/diversity. This information will provide NYSEG with a better understanding of how we may serve this site. After OtsegoNow is able to supply this level of information, NYSEG can provide OtsegoNow with the cost and time to perform this evaluation. As stated previously, with any new prospect, NYSEG would still require OtsegoNow to contact the Company for evaluation of any site based on specific energy requirements and timeline associated with a project. NYSEG is also open to discussing solar installations with Otsego County, and looks forward to continuing their business partnership with OtsegoNow.