

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on October 2, 2014

COMMISSIONERS PRESENT:

Audrey Zibelman, Chair
Patricia L. Acampora
Garry A. Brown
Gregg C. Sayre
Diane X. Burman

CASE 14-G-0197 - Petition of New York State Electric & Gas
Corporation, for Approval, Pursuant to Section
68 of the New York State Public Service Law,
for the Exercise of a Gas Franchise in the Town
of North Salem, Westchester County.

ORDER GRANTING CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
AND AUTHORIZING EXERCISE OF A NEW FRANCHISE

(Issued and Effective October 6, 2014)

BY THE COMMISSION:

INTRODUCTION

By petition filed May 23, 2014, New York State
Electric & Gas Corporation (NYSEG or the Company) sought,
pursuant to Public Service Law (PSL) §68 and Part 21 of the
Commission's regulations, a Certificate of Public Convenience
and Necessity (CPCN or Certificate) approving the exercise of a
gas franchise in the Town of North Salem, Westchester County,
and the construction of distribution main and service lines
necessary to render gas service. In the petition, the Company
included survey results from customers along the proposed main
extension, an economic feasibility analysis and letters of
intent from the North Salem Central School District and Wilder
Balter North Salem, LLC (the owners of Bridleside Housing
development, or Bridleside).

NYSEG proposes to provide gas service to the Town of North Salem (the Town) by installing 3,550 feet of 4-inch and 1,250 feet of 2-inch plastic gas main from the intersection of North Salem Road and Fields Lane in the Town of Southeast, Putnam County to reach North Salem Central High/Middle School (the School) in the Town of North Salem, Westchester County.

Based upon public comments made at the Public Statement Hearing and responses to Staff's interrogatories, it appears that there may be a sufficient density of residents located around the Peach Lake area of North Salem to warrant expanding the scope of the franchise expansion. These additional properties can convert to natural gas relatively easily and inexpensively if they are using propane and could have significant energy savings. To reach Peach Lake and the surrounding areas, we reviewed the adequacy of the distribution capacity as proposed by NYSEG. We found that by increasing the 1,250 feet of 2-inch main to a 4-inch main an additional 28 million cubic feet (MCF) could be used to serve an estimated 339 residential customers, 4 commercial customers and a waste water treatment facility around Peach Lake, at an incremental cost of \$25,000. We will, therefore, initiate a two phase approach; Phase 1 will address the proposed expansion to the Town of North Salem, and Phase 2 will explore the economic feasibility of a further expansion of the Peach Lake and the surrounding areas.

The Company's proposal claimed that the rate of return (ROR) exceeded the allowed system average ROR by the fifth year and, therefore, the expansion should be considered economic. Staff's economic analysis found that the expansion's allowed ROR surpassed the allowed system average in the eighth year of the development period due to the tax impacts of the up-front contributions in aid of construction.

As background, on December 11, 1989, we issued a policy statement regarding the rate treatment afforded the expansion of gas service into new franchise areas.¹ The Franchise Expansion Policy Statement established that if a new franchise proposal is projected to earn the allowed ROR by the fifth year, all investments and revenues would be afforded normal rate treatment. The Franchise Expansion Policy Statement also allowed for alternative measurements of economic feasibility. Here, we find that the expansion has a sufficient density of potential customers coupled with the alternative fuel prices that will produce conversion savings for the next decade and will lower burdens and risks upon existing customers. Therefore, the present circumstances justify the longer development period.

In this order, we grant the petition with conditions. We believe that this project is economically feasible, will result in substantial financial benefits to new customers, potentially provide further economic benefits to the North Salem community, and will not burden existing customers. We require NYSEG to (1) install 6,100 feet of 4-inch plastic main to serve two anchor customers (Bridleside Housing Development, North Salem Middle/High School), and all local residents who express interest in gas service; and (2) make a filing by March 31, 2015, to explore the further expansion of natural gas service to Peach Lake and the surrounding areas.

PETITION

On May 23, 2014, NYSEG filed a petition seeking approval, pursuant to PSL §68 and Part 21 of the Commission's

¹ Case 89-G-078, Expansion of Gas Service into New Franchise Areas, Statement of Policy Regarding Rate Treatment to be Afforded to the Expansion of Gas Service into New Franchise Areas (issued December 11, 1989) (Franchise Expansion Policy Statement).

regulations, to construct a gas plant and exercise a gas franchise granted to the Company by the Town of North Salem, Westchester County. The Town of North Salem is located in Westchester County, New York and is bordered on the north by the Town of Southeast, Putnam County²; on the east by the Town of Ridgefield, Connecticut; on the west by the Town of Somers, Westchester County; and on the south by the Town of Lewisboro, Westchester County. In its petition, NYSEG submitted a copy of the approved Town Gas Franchise, Resolution, and Affidavit of Publication. In the petition, the Company also included the results of a survey from potential customer along the proposed route, an economic feasibility analysis and letters of intent from the North Salem Central School District and Wilder Balter North Salem, LLC.

NYSEG proposes to provide gas service to the Town by installing 4-inch plastic gas main from the intersection of North Salem Road and Fields Lane, approximately 3,550 feet along the south side of North Salem Road in the Town of Southeast, Putnam County. An additional 1,300 feet of 4-inch and 1,250 feet of 2-inch pipe will be placed on the south side of County Highway 310/June Road to reach North Salem Central High/Middle School in the Town of North Salem. NYSEG states that along the proposed gas main extension route, there are approximately 31 residences. Based on customer surveys, NYSEG anticipates a penetration rate of 35% in the North Salem area within a five-year development period. The Company estimated \$558,000 in construction costs. The Company claims that the earnings

² See Case 29684, New York State Electric & Gas Corp. - Exercise of Gas Franchises Granted by the Village of Brewster and Town of Southeast, Putnam County, Order Granting Certificate of Public Convenience and Necessity (issued and effective August 10, 1990).

associated with this main extension meets the Company's allowed ROR by year five and no additional surcharge would be required.

As a result of the expansion, the Company expects to serve two anchor customers along the proposed extension line, Bridleside and the School.³ Bridleside is an affordable housing development with 65 apartment units consisting of eight buildings, a clubhouse and a waste water treatment, which are currently using propane for heating. The school consists of two buildings, one middle school building and one high school building that utilize No. 2 fuel oil for heating. The Company sent out customer surveys on January 27, 2014 and received 11 responses out of the total 31 residents in the expansion area. Of the 11 responses, 8 customers expressed strong interest in converting to natural gas. The Company noted there is also an opportunity to connect 1 to 3 commercial customers and 1 municipal customer (a town garage) along the proposed extension line. NYSEG forecasts that the project will have a peak day load requirement of 411 dekatherms (Dth) and will be served by upstream pipeline capacity from the Algonquin Pipeline. NYSEG states that its current supply and capacity contracts are sufficient to meet firm customer obligations.

PUBLIC COMMENTS

In accordance with the State Administrative Procedure Act (SAPA) §202(1), upon notice issued June 26, 2014, a Public Statement Hearing (PSH) was held in front of an Administrative Law Judge (ALJ) on July 15, 2014, at the Town of North Salem Town Hall. During the PSH, Town Supervisor Warren Lucas greatly

³ North Salem Central School District and Wilder Balter North Salem, LLC. have committed to make contributions in the aid of construction (CIAC) through their letters of intent of \$226,600 and \$70,400, respectively.

appreciated NYSEG's agreement to come into the Town of North Salem, but voiced concerns of the line being under sized and not allowing for future expansion to remaining parts of the Town. A second comment was made by the Vice President of Wilder Balter Partners, LLC (Bridleside), stating that he has installed gas services in expectation of natural gas and is currently using propane during the interim. A third comment was received by a local resident who wanted to voice her concerns relating to the amounts of radon contained in the gas being supplied to the Town. The fourth and last comment of the PSH was by a local resident, who supported the expansion because the community will have more choices in energy. A procedural conference was held on July 24, 2014, and the ALJ determined that an evidentiary hearing was not required for this case.

To date, one comment has been filed on the Commission's Document and Matter Management (DMM) System for this case. A local resident raised and reiterated concerns of radon in the gas provided to the Town. As a stipulation to NYSEG bringing gas service to the Town, the resident proposes conditions that require NYSEG to report monthly radon levels measured in its products that enter the Town to all North Salem customers, and that NYSEG provide to each end user a continuous monitoring radon detector. No party or commenter directly opposed the expansion.

DISCUSSION

Based on our review of the petition, we will grant the exercise of a limited franchise expansion, subject to certain conditions. We believe the project will result in substantial financial benefits to Bridleside, the School and customers along the route. Further, we are hopeful that further analysis of the Peach Lake area will allow for further expansion of gas service,

and economic benefits to the Town of North Salem. We, therefore, encourage NYSEG to work diligently toward gathering and providing the necessary information, and further require that such information be filed no later than March 31, 2015. We also require that NYSEG hold an informational session in the Town of North Salem prior to sending out its interest survey to inform the public about its expansion plans. The Company should give reasonable notice of this informational session and provide a copy of the presentation to all interested parties. More specifically, we require NYSEG to provide all information including the results of an interest survey as indicated in Appendix B that traverses the following route: from the intersection State Route 6 and Starr Ridge Road, south approximately 2 miles to the intersection of Starr Ridge Road and County Route 39, east approximately 1.25 miles to the intersection of County Route 39 and County Route 121, north approximately 3.75 miles to the intersection of County Route 121 to State Route 6 to the point of beginning (approximately 0.75 miles) - see map in Appendix D. We also encourage NYSEG to consider seeking authorization to serve the entire Town of North Salem (a town-wide CPCN) in its supplemental filing.

Moreover, the North Salem expansion presents an opportunity for NYSEG to propose innovative gas expansion practices. For example, we instituted a proceeding, Case 12-G-0297,⁴ to examine our Franchise Expansion Policy Statement, which has not been updated since 1989 and, in Case 12-M-0192, Central Hudson was required to "propose a limited pilot expansion program designed to test a number of innovative measures to

⁴ Case 12-G-0297, Proceeding on Motion of the Commission To Examine Policies Regarding the Expansion of Natural Gas Service, Order Instituting Proceeding and Establishing Further Procedures (issued November 30, 2012).

facilitate gas service expansion.” In another example, in Case 13-G-0136, a gas expansion collaborative is exploring innovative ways to provide service to new customers.⁵ NYSEG is encouraged to consider these and other creative ideas when extending gas service into the Town of North Salem with its supplemental filing in compliance with this Order.

In response to the comments made at both the PSH and filed on DMM relating natural gas supply containing radon, we believe that this case is not an appropriate forum to discuss this issue. If customers have a concern about radon, they are not required to convert to natural gas service; and we will not add a reporting requirement burden here.

Environmental Quality Review

Project Scope

Phase 1 of the proposed project will result in the construction of 6,100 feet of 4-inch gas main beginning at the intersection of Field Lane and North Salem Road along North Salem Road in the town of Southeast, Putnam County and along June Road in the town of North Salem, Westchester County. The proposed gas line would then end at the North Salem High/Middle School. The area the Company proposes to serve with Phase 1 is shown on the map attached as Appendix C.

NYSEG stated in its petition that two anchor customers, Bridleside and the School, had provided letters of intent to receive natural gas service. Bridleside is an affordable housing development with 65 apartment units consisting of eight buildings and is currently using propane for heating. As of July 2014, Bridleside is partially occupied and

⁵ Case 13-G-0136, Proceeding on Motion of Rates of National Fuel Gas Distribution Corporation, Order Adopting Terms of Joint Proposal and Established Rate Plan (issued May 8, 2014).

is expected to have full occupancy by the end of 2014. The School includes two buildings for its middle and high schools and currently uses No. 2 fuel oil for heating. Estimated annual savings by converting to natural gas for Bridleside and the School buildings is approximately \$116,158 and \$139,378, respectively.

Currently, there is insufficient information to determine the possible significance of environmental impacts or economic feasibility of Phase 2, although it is expected that several hundred residents, commercial and municipal customers could take advantage of natural gas service. It is also expected that when sufficient information is developed for Phase 2, the Company will supplement the record and submit an amended Full Environmental Assessment Form (EAF) to Staff, together with the required supporting information, as provided in Appendix B.

Review

Pursuant to the State Environmental Quality Review Act (SEQRA), Article 8 of the Environmental Conservation Law and its implementing regulations at 6 NYCRR Part 617 and 16 NYCRR Part 7, we must determine whether the proposed action may have a significant impact on the environment. We asserted our interest in acting as lead agency for the purposes of SEQRA on June 20, 2014, after having received the Petition and Full EAF from NYSEG for its request to exercise a gas franchise authority. No objections to our acting as SEQRA lead agency were received. We have determined that the proposal to build and install approximately 6,100 linear feet of 4-inch diameter plastic pipe in Phase 1, in order to provide natural gas service to the North Salem Central Middle/High School and the Bridleside housing development, is an Unlisted Action because the project does not meet the regulatory criteria for Type I or Type II actions.

Comments on the Petition and project were solicited from potentially interested or involved state and local agencies on June 20, 2014. Region 3 of the New York State Department of Environmental Conservation (NYSDEC) responded to Staff's request for comments by letter dated July 7, 2014.⁶ NYSDEC has identified the regulatory requirements for conforming to Article 24 of the Environmental Conservation Law for activities that may be within or near State-designated freshwater wetlands and the need for compliance with the State Pollution Discharge Elimination System (SPDES) for construction activities. No NYS-rare or threatened species have been identified in the NYSDEC report, but coordination regarding site-specific occurrences will continue.

In its Petition, NYSEG states that coordination has been initiated and is continuing with the New York State Office of Parks Recreation and Historic Preservation (NYS Historic Preservation Office or SHPO) and with the New York State Natural Heritage Program (NHP) regarding historic and cultural resources, and the potential occurrences of rare, threatened or endangered (RTE) species, respectively, that may occur in proximity to the proposed project corridor. When determinations from other regulatory agencies including, but not limited to, SHPO and the NHP are received, NYSEG shall be required to adhere to any the management techniques that are warranted and provide descriptions of the actions it intends to take in order to avoid, minimize or mitigate any potential adverse environmental impacts associated with the proposed construction, as directed by those agencies.

Putnam County Agricultural District No. 1 is located within the Town of Southeast along North Salem Road (June Road

⁶ Ashley Wilson, Environmental Analyst, to Christina Palmero, July 7, 2014.

in the Town of North Salem). NYSEG shall consult with the NYS Department of Agriculture and Markets to ensure that construction and installation activities will not interfere with, or compromise, the productivity of agriculture within Putnam County District No. 1. Because the pipeline is proposed to be installed along the existing, prior-disturbed right-of-way of North Salem/June Road, it is unlikely that the construction would occur in areas of active agricultural production. Should the Company seek to install gas distribution main in areas outside of prior disturbed lands within Agricultural District No. 1, the protocols contained in the publication, *Pipeline Right-of-Way Construction Projects: Agricultural Mitigation Through the Stages of Project Planning, and Construction/Restoration and Follow-Up Monitoring*,⁷ shall be employed following consultation with the NYS Department of Agriculture and Markets.

Construction methods generally controlled with best management practices and Environmental Management & Construction Standards & Practices (EM&CS&Ps), together with adherence to an approved Storm Water Pollution Prevention Plan, will prevent the introduction of eroded soils into wetlands and bodies of water near the project that could result in adverse water quality effects. Due to the prior disturbances along the project corridor, and the nature of the topography, it is unlikely that sensitive or endangered species would be encountered or disturbed by the construction. Moreover, the presence of a qualified environmental monitor will ensure that adequate and timely identification of any RTE species occurs and some assurance that adverse effects will be avoided.

⁷ NYS Department of Agriculture and Markets, Rev. 2-11, Albany, NY.

We conclude, based on the criteria for determining significance listed in 6 NYCRR §617.7(c), site visits, Company responses to Staff inquiries and the information in the record, that the proposed action will not have a significant adverse impact on the environment, cultural or historic resources or land uses within the project vicinity and we adopt a negative declaration pursuant to SEQRA. A Notice of Determination of Significance is attached to this order (Appendix A).

Economic Feasibility

NYSEG included projections for construction costs, revenues, expenses, interest expense and taxes, as well as projected cash flow statements for Phase 1. NYSEG used these projections to calculate the ROR over a five-year development period, where the expansion is projected to earn a ROR of 7.5%. The ROR allowed in NYSEG's last Rate Plan is 7.5%.⁸ The Company, therefore, believes the Phase 1 expansion satisfies the economic feasibility test. NYSEG did not provide any economic data, customer surveys or analysis for Phase 2.

Staff reviewed the Company's projections, and found that Phase 1 of the expansion was not economically feasible within a five-year development period due to tax implications from the contributions in aid of construction. Staff, however, determined that the Company will earn its allowed ROR by the eighth year and recommends its approval (Appendix E). Staff made a modification to the Company's conversion forecast, and forecasted 20 residential customers to connect to the system (as compared to the Company's 11 residential customers) and believes that the remaining two commercial customers will eventually

⁸ Case 09-G-0716, New York State Electric & Gas Corporation - Rates, Order Establishing Rate Plan (issued September 21, 2010).

connect too. We reviewed Staff's analysis and believe that Phase 1 is economically feasible and satisfies our guidelines for normal rate treatment. When we established the franchise policy, the prices of the alternative fuels were much closer to gas. This produced some risk as to whether or not the customer conversion forecast would be met. Now with the low price of gas as compared to alternative fuels, the risk of meeting the forecast is reduced and, therefore, allowing a longer term for the development period. To address the Town's concerns of furthering gas expansion, we will require the Company to file supporting data, customer surveys and projections for Phase 2 by March 31, 2015, so that we can perform a timely review of the economic feasibility of Phase 2 (shown in Appendix D), including the extension to the Town's Waste Water Treatment Facility.

Gas Supply Requirements

The proposed gas main is needed to transport natural gas from the Algonquin Pipeline line located in the Town of Southeast, Putnam County to supply the School located in the Town of North Salem. On a peak day under design conditions (extreme weather), NYSEG projects a requirement of 411 Dekatherms (Dth) for Phase 1, which bring NYSEG's total peak day requirements to 12,953 Dth of the Company's peak day capacity on the Algonquin Pipeline of 16,679 Dth. NYSEG, therefore, holds sufficient pipeline capacity and supply arrangements to meet the design day requirements for Phase 1.

Phase 2 of the proposed project has the potential to serve additional residential and commercial customers located within the Town near Peach Lake and its surrounding areas. It appears that NYSEG should have enough capacity for Phase 2, but gas supply will be reviewed again when the additional information is filed.

Gas Safety

Bridleside has an existing propane distribution system which provides propane gas to 65 apartments; the development is comprised of eight buildings, a clubhouse and a waste water treatment. The waste water treatment facility building is configured to be connected to the distribution system in the future once natural gas service is available; but currently the facility is fed by a separate set of three propane tanks. The distribution main is a 2-inch medium density polyethylene (MDPE) plastic gas line, approximately 2,000 feet in total length which is fed off two 1,000 gallon aboveground propane tanks. Each building is fed by a 1-inch MDPE plastic gas service from the distribution gas main; total footage of gas services is approximately 600 feet. The system has been in operation with propane gas for approximately one year. NYSEG plans to acquire the existing system installed by the owner of the development as part of the franchise proposal and convert the service to natural gas.

Prior to converting Bridleside's 2-inch plastic propane distribution main and all corresponding gas services (the System), NYSEG shall verify and provide documentation to certify that the System has been designed, constructed, and maintained in accordance with 16 NYCRR Part 255 and its applicable Company procedures. This documentation shall include, but is not limited to, pipe specifications, procedures used during construction, procedures used to qualify plastic fusion installers, destructive testing results of the specimens produced during the qualification process, pressure testing records, applicable surveillances, and as-built drawings including location, depth of cover, and backfill material used. Should NYSEG be unable to verify and provide documentation to certify the System, it shall either: (1) file to obtain a waiver

with the Department of Public Service; or (2) replace, in its entirety, the System. Any new distribution main and services shall be designed and constructed in accordance with 16 NYCRR Part 255 and its applicable Company procedures. If Bridleside's propane System cannot be utilized, it shall be required to pay a contribution in aid of construction to cover the incremental costs, which can be paid over a five year period in monthly installments.

CONCLUSION

We find, pursuant to Section 68 of the PSL, that the exercise by NYSEG of the gas franchises for Phase 1 granted to it for the Town of North Salem, Westchester County, together with the construction of a 4-inch pipeline and service to the North Salem High/Middle School as described in the Petition and in this Order, is necessary or convenient to the public. We, therefore approve Phase 1 of this expansion project as it is in the public interest, subject to certain conditions as described herein. Phase 1 benefits all customers as it allows NYSEG to be one step closer to expanding further gas service into the Town of North Salem, more specifically, the area around Peach Lake.

Finally, specific ordering clauses below address the environmental commitments made by the Company in its filing, in addition to those we have determined to be appropriate for the exercise of this gas franchise. The ordering clauses also set a time limit for the submission of information concerning Phase 2 of the project, which includes expansion to Peach Lake and its surrounding areas (Appendix B).

The Commission orders:

1. A Certificate of Public Convenience and Necessity is granted to New York State Electric and Gas Corporation, pursuant

to §68 of the Public Service Law, in order to exercise the gas franchises granted by the Town of North Salem subject to treatment described in the body of this Order and subject to the following conditions:

- a. The construction of the gas plant necessary or desirable for rendering service to potential customers shall be limited to the Phase 1 area within the proposed franchise boundary described in the body of this Order and Appendix B;
 - b. Construction shall be limited to public rights-of-way and other locations indicated on the maps submitted with the petition, as described herein, or as modified and approved by Staff.
 - c. Certificate Holders will provide copies of detailed construction drawings and specifications to the Secretary no less than ten days prior to the start of construction of either phase. Details shall include major street tree protection measures (root and branch); major street tree locations; driveway crossings; pipes, culverts and water lines and other infrastructure existing prior to the commencement of construction.
2. New York State Electric and Gas Corporation shall submit a compliance filing containing the information listed in Appendix B concerning Phase 2 by March 31, 2015.
 3. New York State Electric and Gas Corporation shall report to Department of Public Service Staff and to the State Historic Preservation Office if any historic or cultural resources that were not already catalogued are encountered during construction of any service line.
 4. New York State Electric and Gas Corporation shall file with the Secretary documentation from the NYS Natural Heritage

program and the U.S. Fish and Wildlife Service verifying the absence of any rare, threatened or endangered species of plant or animal within the current or future project vicinities. Should such sensitive resource be located in the project vicinity, the authority having jurisdiction will dictate any management measures or specific avoidance activities to be undertaken to protect sensitive wildlife resources.

5. Whenever possible, New York State Electric and Gas Corporation and its agents (i.e., contractors) shall avoid disturbance to any large tree in the project corridor. Any vegetation removed during project installation shall be replaced with the same species and type of plant material. No non-native species of plant material shall be replaced in a public right of way. Replaced vegetation shall be monitored for one year to insure viability. Where potential conflicts with existing vegetation arise and are unavoidable, New York State Electric and Gas Corporation and its agents shall use management techniques, such as tying back branches and limbs or boring beneath large trees, to further reduce the potential for damage or destruction.

6. New York State Electric and Gas Corporation shall notify Department of Public Service Staff in advance of any service extensions made beyond the current project scope, or proposed changes in routing and construction methods, either orally or in writing, and make no subsequent changes without Department of Public Service Staff approval.

7. New York State Electric and Gas Corporation shall designate a full-time supervisor with stop-work and directive authority over all aspects of this project and shall comply with the specific requirements described in this order; this supervisor shall, at a minimum: review construction procedures with on-site personnel and verify that protection measures

described in this order and required by law are properly installed prior to the start of construction; check on construction progress at least once daily and be in radio or phone contact with on-site personnel at other times during construction; and take the necessary steps to ensure compliance with this Order and promptly report to Department of Public Service Staff any violations of the appropriate environmental protection and mitigation measures.

8. Within ten days after completion of construction and restoration of areas excavated to install distribution lines, the Company shall notify the Secretary in writing. All construction and restoration activities shall be in compliance with State and local laws and regulations.

9. Prior to construction of any new distribution or service lines along existing rights of way, New York State Electric and Gas Corporation shall obtain all necessary permits and file with the Secretary copies of the permits obtained.

10. New York State Electric and Gas Corporation shall notify potential customers located near construction of new distribution system services of: (a) the estimated starting and ending dates of the construction of the proposed system improvements; (b) the procedures customers may follow to obtain additional information and/or apply for service; and (c) contact information for the appropriate Company and Town representative(s) and Department of Public Service Staff to address potential customer inquiries.

11. New York State Electric and Gas Corporation shall establish accurate maps of the distribution mains and service lines in accordance with 16 NYCRR §255.603(c). Within three months of completing construction, New York State Electric and Gas Corporation shall file a set of as-built drawings with the Secretary.

12. Prior to converting Bridleside's propane System, New York State Electric and Gas Corporation shall verify and provide documentation to certify that the existing System has been designed, constructed, and maintained in accordance with 16 NYCRR Part 255 and its applicable Company procedures, within 60 days from the issuance of this order.

13. Should the 4-inch main proposed in Phase 1 become unable to provide sufficient capacity to those of Phase 2, the Company shall bear all costs to upgrade said main.

By the Commission,

KATHLEEN H. BURGESS
Secretary

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 14-G-0197 - Petition of New York State Electric & Gas Corporation, for Approval, Pursuant to Section 68 of the New York State Public Service Law, for the Exercise of a Gas Franchise in the Town of North Salem, Westchester County.

NOTICE OF DETERMINATION OF SIGNIFICANCE
NEGATIVE DECLARATION

NOTICE is hereby given that an Environmental Impact Statement (EIS) will not be prepared in connection with the approval, by the Public Service Commission, of the New York State Electric and Gas petition for a Certificate of Public Convenience and Necessity pursuant to Section 68 of the Public Service Law to permit the partial exercise of the gas franchises granted to it by the Towns of North Salem, Westchester County and the Town of Southeast, Putnam County. The decision is based upon our determination, in accordance with Article 8 of the Environmental Conservation Law, that such action will not have a significant adverse impact on the environment. The approval of this action is an Unlisted Action as defined under 6 NYCRR §617.7(c).

The Commission has imposed conditions in the Certificate of Public Convenience and Necessity that require NYSEG to implement mitigation measures intended to avoid any potential significant adverse environmental impacts. Based upon the implementation of these conditions and our review of the record, approval of the petition will not result in any significant adverse environmental impacts.

The address of the Public Service Commission, the lead agency making this determination, is Three Empire State Plaza, Albany, New York 12223-1350. If you have any questions,

please contact Vance A. Barr (vance.barr@dps.ny.gov) at (518) 402-4873 or by writing to the above address.

KATHLEEN H. BURGESS
Secretary

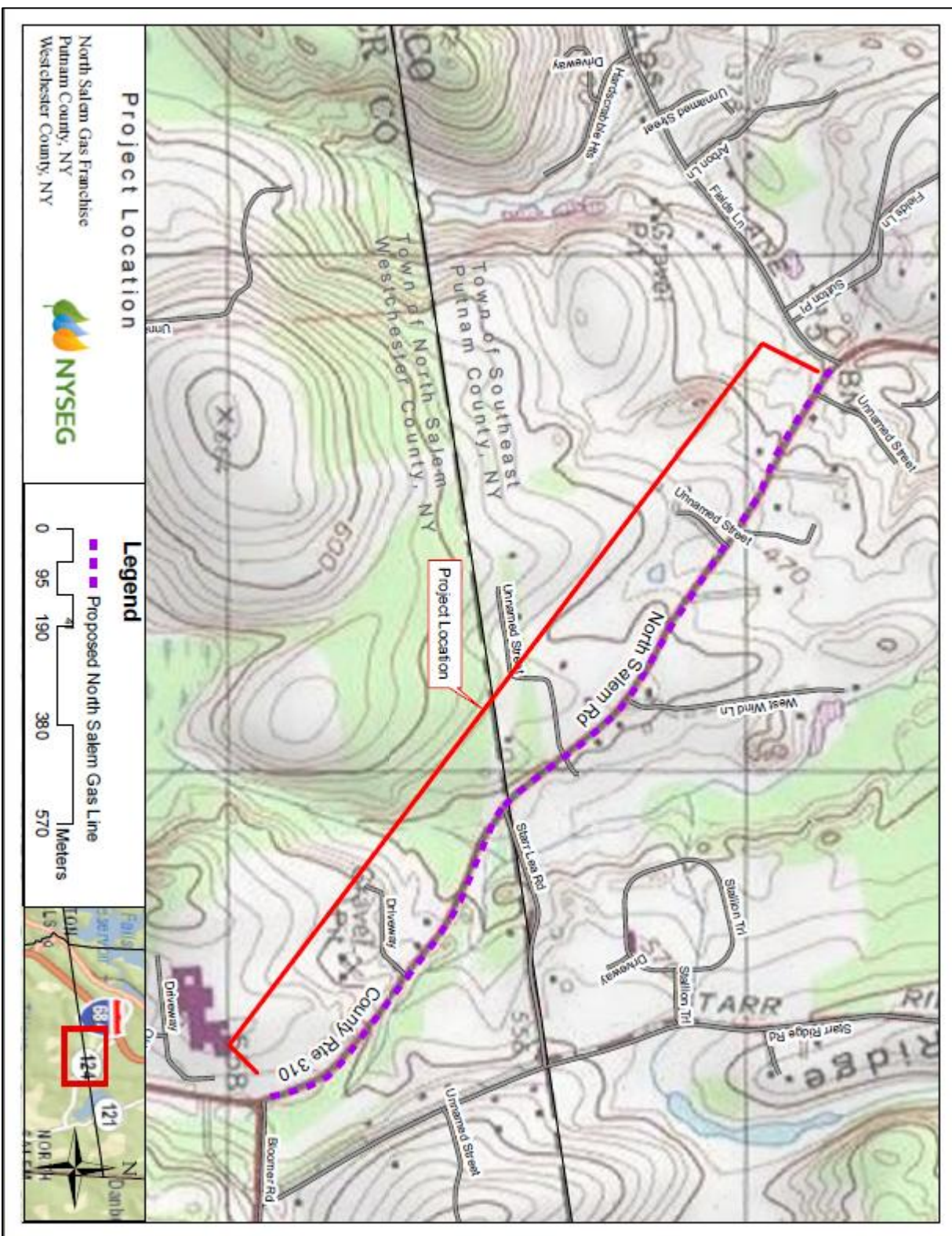
**List of Phase 2 Information to be provided to the Commission by
March 31, 2015 for Complete Review of Case 14-G-0197**

The Company Will File:

1. A Customer Survey, to be distributed to all residents and businesses within the proposed expansion area from the intersection State Route 6 and Starr Ridge Road, south approximately 2 miles to the intersection of Starr Ridge Road and County Route 39, east approximately 1.25 miles to the intersection of County Route 39 and County Route 121, north approximately 3.75 miles to the intersection of County Route 121 to State Route 6 to the point of beginning (approximately 0.75 miles) - see map in Appendix D, that identify the potential savings if a customer was to convert to natural gas, including (at a minimum) the following questions:
 - a. What is your current type of service for heating, cooking, and water heating?
 - b. How old is your home or business?
 - c. How old is your heating system?
 - d. Would you be interested in switching to natural gas?
 - e. How soon would you be able to switch (Immediately, 1 year, 2 years, etc)?
 - f. What are your current annual energy costs?
 - g. How much would you be willing to pay per month on your utility bill for the ability to switch to natural gas?
 - a) \$0 b) \$10 c) \$20 d) \$30
2. Proposed Phase 2 pipeline layout in comparable detail to the information provided in NYSEG's May 23, 2014 Petition in this case showing pipeline alignment, boring and trenching locations;
3. Proposed construction schedule for Phase 2;
4. A complete list of all construction work to be included in Phase 2, including maps and construction details;
5. A cost estimate, by account (mains, services, etc), of all construction work for Phase 2;
6. Justification for the planned route of expansion to Peach Lake;

7. All plans, details and diagrams on future plans for expansion to the Secretary;
8. Inventory of contributing elements in any historic district (e.g. structures, objects, etc.);
9. Notice of coordination with NYS Natural Heritage Program and State Historic Preservation Office (SHPO);
10. List of all state and local permits required for Phase 2. Copies of the permits shall be filed with the Secretary to the Commission;
11. Description of construction methods at road intersections, sidewalks, proximity to foundations, vicinity of major street trees and open space and parkland with Best Management Practices, mitigation techniques or adverse effects avoidance measures;
12. Inventory of major street trees with 8" diameter at breast height and larger;
13. All calculations and justifications for:
 - a. Phase 1 and 2 (combined) design day, Phase 1 design day, and Phase 2 design day;
 - b. Number of customers, usage per customer, base load per customers, heating load per customers; and
 - c. Full capacity and maximum pressure drop (at full capacity) on the main.
14. All calculations and associated workpapers for:
 - a. Expected revenues;
 - b. All anticipated expenses (O&M, property tax, etc);
 - c. Calculated Rate of Return over a 5 year period; and
 - d. Calculated Rate of Return over a 10 year period.

Phase 1 - Proposed main extension route



The map illustrates the proposed gas expansion routes for the East Branch Reservoir area. Phase 1 is shown as a dashed blue line, and Phase 2 is shown as a dashed red line. The map includes labels for various roads and landmarks, such as the East Branch Reservoir, West Peach Lake, and East Peach Lake. A scale bar at the bottom indicates distances up to 2,000 feet.

Case 14-G-0197
NYSEG - North Salem Franchise Expansion
INCOME STATEMENT

Appendix E
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	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Total Revenues with Gas Costs	\$ 32,407	\$ 106,645	\$ 110,896	\$ 113,937	\$ 116,565	\$ 116,565	\$ 116,565	\$ 116,565	\$ 116,565	\$ 116,565
Total Revenues without Gas Costs	\$ 13,664	\$ 40,975	\$ 43,029	\$ 44,544	\$ 45,815	\$ 45,815	\$ 45,815	\$ 45,815	\$ 45,815	\$ 45,815
Expenses										
Operation and Maintenance	\$ 4,514	\$ 4,911	\$ 5,156	\$ 5,407	\$ 5,580	\$ 5,580	\$ 5,580	\$ 5,580	\$ 5,580	\$ 5,580
Gas Purchases	\$ 18,744	\$ 65,670	\$ 67,867	\$ 69,393	\$ 70,749	\$ 70,749	\$ 70,749	\$ 70,749	\$ 70,749	\$ 70,749
Property Taxes	\$ 4,033	\$ 4,277	\$ 4,498	\$ 4,705	\$ 4,911	\$ 5,042	\$ 5,177	\$ 5,312	\$ 5,448	\$ 5,583
Book Depreciation	\$ 4,160	\$ 4,688	\$ 5,013	\$ 5,347	\$ 5,576	\$ 5,576	\$ 5,576	\$ 5,576	\$ 5,576	\$ 5,576
Total Operating Expenses	\$ 12,708	\$ 79,546	\$ 82,534	\$ 84,853	\$ 86,815	\$ 86,946	\$ 87,082	\$ 87,217	\$ 87,352	\$ 87,487
Operating Income Before Tax	\$ 19,700	\$ 27,099	\$ 28,362	\$ 29,084	\$ 29,749	\$ 29,618	\$ 29,483	\$ 29,348	\$ 29,212	\$ 29,077
State Income Tax	\$ 753	\$ 1,170	\$ 1,265	\$ 1,323	\$ 1,383	\$ 1,406	\$ 1,429	\$ 1,451	\$ 1,474	\$ 1,496
Federal Income Tax	\$ 3,447	\$ 5,892	\$ 6,369	\$ 6,662	\$ 6,965	\$ 7,081	\$ 7,194	\$ 7,308	\$ 7,421	\$ 7,534
Total SIT & FIT	\$ 4,200	\$ 7,062	\$ 7,635	\$ 7,985	\$ 8,348	\$ 8,487	\$ 8,623	\$ 8,759	\$ 8,895	\$ 9,030
Net Income	\$ 15,500	\$ 20,036	\$ 20,728	\$ 21,099	\$ 21,401	\$ 21,131	\$ 20,860	\$ 20,588	\$ 20,318	\$ 20,047
Rate Base	\$ 340,455	\$ 340,291	\$ 332,999	\$ 326,578	\$ 316,807	\$ 298,664	\$ 280,595	\$ 262,576	\$ 244,582	\$ 226,615
Rate of Return	4.55%	5.89%	6.22%	6.46%	6.76%	7.08%	7.43%	7.84%	8.31%	8.85%
Target Rate of Return					7.50%			7.50%		7.50%