STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

16-G-0058 PROCEEDING ON MOTION OF THE COMMISSION AS TO THE RATES, CHARGES, RULES, AND REGULATIONS OF KEYSPAN GAS EAST CORP, D.B.A. BROOKLYN UNION OF L.I., FOR GAS SERVICE

16-G-0059 PROCEEDING ON MOTION OF THE COMMISSION AS TO THE RATES, CHARGES, RULES, AND REGULATIONS OF THE BROOKLYN UNION GAS COMPANY, D.B.A. NATIONAL GRID NEW YORK, FOR GAS SERVICE.

TECHNICAL CONFERENCE

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10:12 a.m.
Room 223, Concourse
Three Empire State Plaza
Albany, New York 12223-1350

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(On the record, 10:12 a.m.)

MS. VIAPIANO: Good morning and welcome to our technical conference. I am going to -- up today with just a quick overview and then we're going to -- through a set of our -- experts. Our witnesses.

A.L.J. VAN ORT: Can you check your mic?

MS. VIAPIANO: And everyone is saying that they can't hear me.

A.L.J. VAN ORT: Can you just check the microphone, make sure it's on?

(Off-the-record discussion)

MS. VIAPIANO: So why don't we just jump right in? We'll get -- and get started. We're all here to talk about KEDNY and KEDLI, which is our downstate companies.

So the agenda for today, as you can see, I'll do a quick overview. Then we'll do a revenue requirement, which will be led by Stephanie Briggs, also supported by James Molloy and Dave Doxsee, the witnesses in the case.

Kate will step up and talk about low-income. Then Sue Mais on call centers and customer performance. We'll do a quick lunch break and then come back and talk about infrastructure, O and M, customer products, rate design, and then we'll do a quick wrap-up. Certainly talk about questions and next steps. So hopefully this will

provide you with a good overview of the case and the basis by which we can begin our discussions.

So to get started, just some background on the companies and remind folks, KEDNY and KEDLI are our operating companies downstate in -- in New York and Long Island. We represent or we serve about 1.8 million gas customers.

We have approximately 4,000 employees. We represent over 4 billion in rate base across the 2 companies with 12,000 miles of -- of -- of gas main.

Meeting our commitment to customers. So some of the things that these companies have been doing since 2008, we've invested over 4.5 billion in our downstate companies' gas networks. And what that has delivered is a seamless transition of our Long Island Electric business to LIPA, PSEG. We've established new call centers, customer billing systems for our Long Island customers. We've completed a rollout of AMR. And we've also built a new gas control center.

We continue to main strong -- maintain strong operational performance even through increasingly severe weather events. We're all very familiar with Super Storm Sandy and the very cold winters of 2014 and '15. So we've been able to withstand that and consistently deliver on our

reliability metrics. So these companies continue to support our customers.

We've accelerated leak-prone pipe replacement and we are starting to deploy new state-of-the-art technology, which you'll hear about later on in the -- in the presentation. And we continue to complete major gas infrastructure projects across Long Island and the City.

So what is the story? Well, we're here because rate cases, generally what KEDNY and KEDLI have been able to do is show an overall delivery rate decrease since 1995 when you take into account inflation. Significant decreases from what they had been paying before.

We've been doing that at the time same as continuing to increase significant levels of -- or putting in significant levels of investments since 2012.

So again, increasing investment, holding rates flat or stable and lower than inflation ultimately has yielded us for 2015 test year returns well below the allowed. So we're here to talk about a rate case.

Again, these slides show, again, the stability of our -- in -- in just different formats, the stability of our delivery rates, and as well as on top of that a declining commodity rate. So again, good story for our customers.

But there is a need for rate relief, as you can see. Test year returns, as I had mentioned earlier, and you will see again in the revenue requirements discussion, are in the range of 4 to 6 percent, well below the allowed. And our credit agencies are acknowledging that. And we're seeing a -- we saw a recent decline in our credit ratings. So hence, we are seeking rate relief.

So what is the overview of the case? What did we file on January 29th? I remember that day very clearly. It was -- we proposed, for both companies, an ROE of 9.94 at an equity ratio of 48 percent. Annual capital programs for KEDNY, a little over 600 million. And for KEDLI, 340 million. Operating expenses, as -- as I note before in the range of -- over 500 million, and 283 million for KEDLI.

These are on-total rate bases of 2.8 and 2.2. So these are for the rate year. Overall requests of 245 million and 142 million. And these -- this is a net delivery in bill increase. I just want to point that out. That includes a reduction in the SIR surcharge, as well as base delivery rate increases.

So what we're going to talk about today, and I just want to be clear, is we're going to largely focus on the 1-year case that we delivered on January 29th. That

being said, our case does include 2 years of data in the hopes of being able to phase in the rates or discuss settlement.

We used a historical test period. And again, our revenue requirements panel will talk about that. The 12-month ending September 2015. And we believe that this request will give us a reasonable opportunity to earn our allowed.

So given -- to give you a sense of what are the key drivers to these cases and what you're going to hear about today, we've compared the current rates, so what rates are in effect today, and what are the basis behind those rates and the revenue requirement to what is being proposed.

To give you a sense, KEDNY's current rates are based on a cost of service that would have used a historical test year of 2011. That was the rate extension. And then the rate years were '13 and '14. KEDLI's last cost of service used a historical test year of 2005, and it was the full merger rate plans. So the rates -- the rate years were 2008 through 2012.

So you're going to see some differences when you compare that. So the return on rate base, you're seeing what the impact is and what we need for our increased investment. On KEDNY, what you can see is that that is --

because the test year is sooner, you're seeing the true impacts of the increase in our investment, whereas KEDLI, because historical test year is a little older, you're seeing the benefits that weren't embedded in that original 2005 test year of bonus depreciation and repairs tax that are impacting deferred taxes.

Depreciation recognizes a revised depreciation study and the acceleration of depreciation on leak-prone pipe. Taxes of an income largely related to property taxes and, again, you'll be hearing a lot more detail about this as we step through the day.

O and M expense, large driver to our case. And you can -- and you -- what you will hear about today is that these are -- these -- this includes a lot of different items, but it is very much an operational issue. We need operational expense. We're seeing increases in workload. We're seeing increases in O and M related to our capital investment and the need for our capital investment, and also in the safety area.

The regulatory deferrals, that's largely the impact of reductions. And again, you can look at these two, O and M and regulatory deferrals, almost as a net decrease in an SIR surcharge or the environmental cost surcharge, but you're seeing an increase of the SIR moving into base rates.

So they -- they're -- they're largely netting themselves out.

And then net revenues is just largely -- and, again, you'll hear a little bit about that today, it's just growth revenue. So again, you get to a place where we're seeing a revenue request at 245 and 142 million, or 18 and 16 percent respectively.

What does this mean? It means that it's a -- it's showing a significant customer bill impact. We talk a little bit about that. And again, you'll hear more comparisons later on in the day. But just to be clear, when we compare the historical test year, which reflects the impact of commodity, to what we're proposing for the rate year, which would be 2017, we're seeing a 14 percent increase for KEDNY or 1398 a month. And we're seeing a 12 percent increase for KEDLI or 1340 a month for our Long Island customers.

These proposed bill impacts, although big, when you take it all the way back, they are at or around inflation. And we are offering, as I said earlier, to mitigate these impacts because we recognize that they're significant over a multi-year plan.

UNIDENTIFIED SPEAKER: Pam, what are those percentages on delivery only? That first bullet.

MS. VIAPIANO: Pam will talk a little bit

about that later on in the day. But they're, I think, 27 prospectively or in the 20 -- in that -- in the high 20s.

What are the benefits that our proposal is providing for customers? Again, we -- we are seeking this increase to be able to modernize and enhance our infrastructure and provide safe and reliable service, respond to the industry-wide focus on gas safety, and introduce some new and innovative technology in -- in -- to create a more resilient network. And again, hear about that more today.

We want to enhance our customer experience, AMI deployment, customer outreach. You'll hear about programs later. We want to expand gas -- we want to do gas -- further gas expansion and gas growth, and we are expanding our assistance to low-income customers.

We want to promote economic development, and you'll hear about some economic development programs. But we do need to -- and that's what that bullet says below. We do need to address the cost increase associated with delivering this service. So these cost increases include addressing property taxes, benefits, environmental costs, and providing stability for the Company.

I'm looking at a lot of faces and this -- this slide’s just out here to let folks know that we have continued and we hope that this case is not a surprise. We

did extensive customer outreach, worked with all of you -- I see a lot of familiar faces -- in an effort to make sure that people understood why we were seeking the rate increase and seeking to make this filing. And will -- we hope to continue to work with you throughout this process to make sure that folks are -- we're as transparent as possible as to what we're doing and getting the feedback that we need in order to have a good outcome in this case.

So with that, I'll pause in case anyone has any direct questions to me, because we're about to start the more detailed session of the day.

All right. With that, I'd like to introduce Stephanie Briggs. She's one of the witnesses in our case.

Stephanie?

She'll talk about revenue requirements.

MS. BRIGGS: Thanks, Pam.

And as Pam mentioned in a couple of hers, I'm going to give a high level of the components of the revenue requirement. And then a lot of the bigger issues, dollars, and they are going to be subsequently talked about by other panels later on today.

As far as the revenue requirement, I'm going to briefly touch on what Pam started talking about, the comparing the last orders to our current rate filing. The

key components rate -- of rate base, operating expense, taxes other than income. And then we have an appendix referencing our schedules that are in the case, with the book numbers.

This is the same slide that Pam brought up a few minutes ago, talking about comparing our last rate orders to our current filing. A couple other things to note beyond what Pam had talked about is the big change in the operation and maintenance expense. A lot of that is driven by our test year compared to our rate year, which we'll be discussing in a few more slides.

The return on rate base, that's mainly driven by the increase in that utility plant offset by ADT. The -- and Pam noted the net delivery of the 244 and then this next slide as well, which is the KEDLI. Those are net of the SIR surcharge reduction.

MR. RIDER: Stephanie?

MS. BRIGGS: Yes.

MR. RIDER: Can -- can we just clarify something right now? The -- these two slides say total delivery revenue increase. And -- and I know that Pam's previous slide had mentioned that it was net of SIR surcharges.

MS. BRIGGS: Yes.

MR. RIDER: So can you clarify for us what

the total delivery revenue increase is?

MS. BRIGGS: For -- for KEDNY, it was about --.

MR. RIDER: For both companies.

MS. BRIGGS: Yeah, I believe it's 160-ish, and 280 or so roughly for KEDNY.

MR. RIDER: 280 --

MS. BRIGGS: Yes.

MR. RIDER: -- and then 160?

MS. BRIGGS: Roughly, yeah.

MR. RIDER: Okay. Thank you.

MS. BRIGGS: All right. So we'll move on to the key components of the revenue requirement. The first, this is the rate base. Two -- this slide and the next slide, KEDNY and KEDLI are separate. In the filing this is RRP 7, the rate base pages. You'll see the key components, net utility plant reg assets and liabilities offset by ADIT, and then working capital. And I'm going to go over, in the next slide, the assumptions we used in developing these.

So first is gas net utility plant. The key components, plant and service. We took the September 2015, which was our test year, we took the plant balance plus forecasted cap expenditures close during the rate year. These cap expenditures are linked to the business plan. It

will be discussed later in a lot of the GIOP panels.

For the closing rules, for the major projects, we used specific in-service dates. And for any other projects and programs, we based it on the closing rule for that type of asset. Then we -- we flowed through the retirements during the period. And then we have, the next component is depreciation reserve, which took the September 2015 test year balance plus the depreciation through the rate year. And then we also flowed through the retirements and the cost of removal.

The next component is the non-interest bearing QWIP which incorporates the CapEx forecast and historic analysis. And then we did have a depreciation study as part of this case. This recommends average service lives, H-curves, and net salvage percentages along with fully recovering accelerated leak-prone pipe retirements. And these -- the recommendations from the depreciation study are reflected in our depreciation expense that's in the revenue requirement.

The next key component in the rate base is the regulatory assets. These 2 tables show the regulatory assets that we have asked to include in rate base. So these are the only ones that are reflected in the rate base. For the -- the amortization expense that's on the revenue

requirement, it's only for SIR related deferrals. The rate case expense, that's -- we've amortized that over 3 years, and that's reflected in our O and M expense in the filing.

In addition, the Company has proposed to change the carrying charges on the deferral balances from the AFUDC rate to the weighted average cost of capital. So this shows our historic test year balances and then the forecast balances for the rate year and the 2 additional years.

Deferred taxes, ADIT, we took the balances at September 30th, 2015, and we calculated the forecast based on changes in regulatory assets in movement and plant additions. For the regulatory assets, that's the change in the forecast from a September 2015 through our rate year change. And then for plant related additions, it was in 3 layers. It would be assets affected by bonus depreciation. And that is applied for federal taxes only through calendar year 2019.

And then we had the assets that were affected by the -- eligible for plant for repair costs. We assumed the 37.263 for KEDNY and 33.071 for KEDLI. And then the remaining plant would be follow the normal MACRS depreciation rates. And then the book depreciation expense was compared to the tax depreciation and the deferred tax liability was calculated.

This next slide is a summary of our operating

expense at KEDNY. You'll see the -- this shows the adjustments we made to our test year, and then actually the rate year that says 2014, that should be rate year 2017 on this table. We're going to go through a lot of these in the next couple slides and then additional panels, but there's a few highlights on here. The -- in a test year, injuries and damages, that was for a reserve entry made in the test year. We have some PEX savings and then regulatory assessments. We were adding back deferral entries that were made during the test year.

And then we have some true-ups to normalize the test year which we'll -- I'll talk about the process for normalizing. In the rate year adjustments, the largest one, the additional OpEx, labor and other, the operations panels will be discussing most of these items later on. And then we also have general inflation, rents, facilities, and service company assets. And we also have increase in labor and related productivity offsetting, a reduction in regulatory assets with 18A surcharge going -- going down, and then an increase in SIR So those are the major drivers which we're going to follow up on with more discussion.

This is KEDLI, which follows the same major drivers. So the O and M expense assumptions, for major rate year adjustments we'll talk about, any of the ones that

generally we don't specifically talk about, they use general inflation at a rate of 4.3 percent to go from the test year to the rate year.

Labor, we took the September 2015 test year headcount and made any adjustments and then used a payroll inflation rate.

The facilities rents, that's based on a forecast of our leases and any -- if we know of any future -- known changes in the facilities. Service company rents, this includes IS and facility service -- service company owned assets that are shown as service company rents on the operating company books.

Pension and OPEB, those are -- those were forecasted using specific pension OPEB forecasts.

Transportation, that reflects lease and fuel forecast.

Uncollectibles, we used the uncollectible rate and then reflected that on the revenue forecast.

Productivity is a -- is a 1 percent related to the labor costs.

Rate case expense, that was based on our cost to compile the filing. And as I mentioned before, we were amortizing that over 3 years.

And then injuries and damages is 2 components

of that. The insurance is based on our current contracts for insurance premiums. And claims we used a 3-year average of our claims expense to forecast that.

This next group, operational related rate year adjustments, these are the ones that are going to go into a lot more detail throughout the day. Operation expense, labor, and other economic development programs. UTD program membership, gas growth marketing.

SIR, we forecast our SIR, what we think our costs are going to be for SIR In addition, we had some shift movement between KEDLI and KEDNY depending on the workload.

Commercial gas demand response pilot incentive programs. Incremental FTEs which were amongst a few different departments, HR, customer. And as I mentioned, those will be discussed. The need for these -- for operational needs will be discussed later on. And electric bills due to PSEG LI and then the incremental IS run the business costs.

The following 18A energy efficiency and joint facilities, these are included in our O and M expense, but we also have an equal and offsetting in our revenue -- in the revenue requirement.

For O and M expenses, we started with the test year of September 30th, 2015, and we made these

normalizing adjustments to the rate year that I just discussed. But we also did normalization to make sure that we were starting with a normalized test year. One component of that was we had PWC come in and they reviewed our service company and our operating company expenses. Their procedures included validation of data based on examination of underlying source documentation, and they had them into 4 different groups that they tested on.

The first was vendor costs where they looked at the top 25 vendors' dollar amount in the test year. Then they did 13 random sampled vendors that ranked in the top 26 to 100 spending in the test year. And then they did 10 random sampled from vendors ranked over 100.

The next category they looked at was payroll expenses. On the service company, they sampled from the largest 20 operating departments and then they sampled from 20 random departments.

For the operating companies, they did random samples of outliers, meaning that they looked at things that didn't look consistent on the operating companies.

The third category is employee expenses. They took the top 25 single expense reports and top 25 -- 50, excuse me, P-card transactions. They randomly sampled 15 expense reports ranked 26 to 100, and 10 random sampled from

expense reports ranked over 100. And then they sampled 25 random P-card transactions.

The last category that they did was general ledger journal entries. These are judgmental sampling of specific transaction types, adjustments, corrections, manual uploads.

In addition to the PWC review, the Company performed additional normalization checks. That consisted of searches of vendor name, project titles, manual journal description and employee expense keyword searches. So the results of those we used for the normalization of the test year.

MR. CONWAY: Can I ask a question on that?

MS. BRIGGS: Yes.

MR. CONWAY: So this is for both KEDNY and KEDLI?

MS. BRIGGS: Yes.

MR. CONWAY: And then -- so can you just clarify for me this test your normalization process? What the end result dollar-wise was? Was that shown on one of the prior slides? Can you maybe point me to -- basically, I'm just trying to figure out what's the bottom line from this exercise in terms of dollar amount?

MR. O'BRIEN: So if you look at -- it's in

the revenue requirement testimony.

MS. BRIGGS: RRP 2.

MR. O'BRIEN: Yeah. This is an exhibit we attached to reports. And it shows there's -- there's very clear schedules that, you know, set forth total expenses that we looked at and then the net result.

MS. BRIGGS: In RRP 2 in the filing it's for normalization adjustments.

MR. CONWAY: Yes.

MS. BRIGGS: And that has the adjustments we made, and it would say like vendor name, project title. And then those flow to the -- flow through to the individual. If you were looking at a certain expense type, like consultants --

MR. CONWAY: Yes.

MS. BRIGGS: -- if we had an adjustment related to that type of expense type, it would also flow through. And on -- on the individual O and M exhibits, if they had an adjustment it would say test year normalization and the amount.

MR. CONWAY: Okay. Was it shown on Slides 23 or 24 anywhere?

MS. BRIGGS: No. It's embedded.

MR. CONWAY: It's -- okay.

MR. O'BRIEN: It's embedded in some of the numbers.

MS. BRIGGS: It's embedded in them.

MR. O'BRIEN: KEDNY, just to give you an example, is 2.5 million dollars assessments that we made.

MR. CONWAY: Okay.

MS. BRIGGS: Yeah, so the detail is within each -- each type of cost type, consultants, contractors, employee expenses. If there were specific adjustments we made for the normalization, they'd be reflected in those specific exhibits in the filing which is RRP 3 is the O and M exhibit. So they would be reflected on all the individual ones in there. And as Patric mentioned, RRP 2 has a summary of the adjustments by the type of analysis that was performed.

This is actually -- so Slide 27 was a duplicate of Slide 26. Another normalization -- part of our normalization process we did is -- there was a trending analysis done of O and M expense, which compared the changes from calendar year 2005 through our historic test year, the purpose to identify trends in cost by functional area.

As Pam mentioned as well, you'll hear the theme today, one of the main drivers -- major drivers in this was the increase -- increase in operational workload. That

was driving most of -- of -- a majority of the increase along with increased benefit costs, increased energy efficiency program expenses, increased uncollectible amounts, increased shared services costs, and then increases due to effect of more than 10 years of inflation comparing the 2005 through our test year.

These were offset by decrease in injuries and damages cost, decreased storm costs, and decreased regulatory assessment costs.

MR. RIDER: Stephanie, you have a line item there that says increased energy efficiency program expenses. But isn't it true that there's a matching revenue?

MS. BRIGGS: Yes. This was -- this was just looking at the trend in the O and M.

MR. RIDER: So it's really just the change. It will show as an O and M expense change, but it's not driving rates?

MS. BRIGGS: Right. This was -- this was just an analysis looking at our -- our O and M cost from 2005 through our test year. This was not looking at the revenue requirement change over that time. It was the O and M expenses that we looked at.

Moving on to the next component of revenue requirement was other taxes. The key components of this are

property tax, gross receipts tax, payroll taxes, and other taxes. For property taxes, the calculation of the rate years reflect adjustments for new plant closings above the historical average, plant retirements, and growth factors. Any known obsolescence changes were also included in this forecast.

Gross receipts tax, that was calculated for the rate year using the GRT taxes per the revenue forecast. Payroll taxes follow the same assumptions in process as the labor amounts in O and M. And then other taxes, any historic year, normalizations were made. And then it was increased by general inflation rates.

And then the next few slides, the -- these -- this appendix, this is showing you the books in which schedules are in the rate case. So as you mentioned before, you'll see on -- in Book 10, RRP 2 was a summary -- summary of our normalization analysis and adjustments. So hopefully this is a guide that can help you when you're looking for certain areas, which exhibit number and which book to go to.

Any other -- any questions now?

MR. LOUGHNEY: Can I ask a question? Back to Slide 20 about leak-prone pipe, and the -- the depreciation study, it says recommending fully -- fully recover -- full recovery of accelerated leak-prone pipe retirements. Could

you explain what that is? Is that because you were projecting a longer life on some of these pipes, and now that you're not getting that longer life, you have to advance the recovery?

MS. BRIGGS: Yes, we were propose --

MR. LOUGHNEY: I see head -- heads nodding.

MS. BRIGGS: -- proposing a 20-year life on the leak-prone pipe.

UNIDENTIFIED SPEAKER Y: -- accelerating to a 20-year plan to get rid of all leak-prone pipe, we figure this 20-year life depreciation would match that replacement strategy.

MR. LOUGHNEY: So is this for the new pipe or for the pipe that's coming out?

UNIDENTIFIED SPEAKER Y: The pipe that's coming out.

MR. LOUGHNEY: Yeah. Okay.

MR. RIDER: I'd like to answer that -- well, I'll ask it. Did you guys consider extending the life of plastic mains that you were going to put in the ground? Kind of the same approach that you did for looking at the group of assets that you're taking out, did you consider saying we're going to put these longer lived assets in the ground. And should they last significantly longer than your -- your

average service lives for that -- that asset group?

MS. BRIGGS: Joan?

UNIDENTIFIED SPEAKER Z (JOAN): That actually is all part of the depreciation study. And there is changes in lives, net salvage factors. And I do believe that in some cases the main lives have been extended. The study is a pretty extensive study. It's got a lot of details. It looks at retirement history, dispersion curves, so there will be a lot of different changes per each account for each company.

So there is -- it's -- it's in the -- I'm not sure of the book that the depreciation study is in, but there's a lot of detail of the study where you can look at all that information. So there are definitely changes in lives and extensions of some of the main lives.

UNIDENTIFIED SPEAKER: And Joan, it's Book 3.

UNIDENTIFIED SPEAKER Z (JOAN): Book 3?

UNIDENTIFIED SPEAKER: 3 or 4.

UNIDENTIFIED SPEAKER Z (JOAN): 3 or 4? Okay. And there was some prefiling IRs that had a lot of detail analysis, band analysis that were also included as part of the study results.

UNIDENTIFIED SPEAKER: Book 5.

UNIDENTIFIED SPEAKER Z (JOAN): Book 5? Okay. Sorry.

UNIDENTIFIED SPEAKER: Anymore depreciation questions while you have Joan?

MS. BRIGGS: Any other revenue requirement questions? All right. Then we'll move on to Kate Granger, who's going to talk about the low-income.

MS. GRANGER: I thought I'd start by talking -- giving you a snapshot of where we are today with our low-income programs. So for KEDNY on the reduced residential rate, we have about 61,000 customers of which 39,000 are heating customers and close to 22,000 non-heating customers. Our annual spend is about -- well, in 2015, was 9.5 million.

For KEDLI we have 11,000 customers. 90 percent are heating customers and the remainder are non-heating customers. Our annual expenses for 2015 were about 3.3 million.

What -- what the Company is proposing is to raise --.

MR. LOUGHNEY: I'm sorry; could you go back to that one?

MS. GRANGER: Sure.

MR. LOUGHNEY: You didn't talk about the overspend and underspend. So the balance -- the -- just looking at KEDNY, it says the balance as of December 31st, 2015, is an overspend. Is that just in 2015 or is that

accumulated?

MS. GRANGER: That's accumulative.

MR. LOUGHNEY: Okay. And then so why -- why is there such a discrepancy between KEDNY and KEDLI where you've got an underspend on KEDLI and an overspend on KEDNY?

MS. GRANGER: When -- when we originally negotiated the -- the KEDLI reduced residential rate program, it was during our merger. And at the time, we didn't know how many low-income customers that actually were on Long Island. And so we looked at KEDNY and we knew there were about 60,000 and determined there were probably about half of that on Long Island, and -- and -- and determined the budget based on that.

Experience has shown that that's not a true reflection of what the actual number of customers -- low-income customers are on Long Island.

MR. RIGBERG: And Kate -- Kate, this is Saul. It -- it -- it looks, from the -- the -- the census data, that there are a significant number of low-income people on Long Island?

MS. GRANGER: Right.

MR. RIGBERG: So -- but why are so few enrolled in your program?

MS. GRANGER: That's a good question, Saul.

You know, I liking -- I liken it to HEAP. So we know nationwide that only 1 in 5 customers who are eligible for HEAP actually get it. The numbers are probably very similar in Long Island. We've had a -- we've always had a difficult time in identifying those customers for -- for various reasons.

So most recently, we've increased our consumer advocacy efforts. We're mirroring the Upstate New York model, so we're doing a lot more outreach. We're doing expos on Long Island now. And hopefully we'll be -- be able to identify more.

MR. RIGBERG: Well, the -- is the constraint to enter the low-income program the receipt of HEAP benefits? Or can -- are there other ways people can enter the low-income program as in KEDNY and Con Ed?

MS. GRANGER: There's -- there's 2 ways to qualify for the program. If you get a HEAP payment, then you're automatically enrolled by our system. You can be enrolled manually if you qualify for the same programs that you qualify on KEDNY, which are Medicaid, temporary assistance, SSI, Veterans' benefits, Child Care Plus, SNAP, et cetera.

MR. RIGBERG: Okay. I think that's one issue we'd like to explore with the Company, you know, how to

increase the participation in the low-income program through -- through other means since HEAP is constrained by the budget of -- that's allocated to HEAP.

MS. GRANGER: Okay. Thank you.

Any -- any other questions on this slide?

So the Company is proposing 5-percent increase in the residential reduced rate program. And I thought it might be helpful to show you how significant the discounts are currently.

So for KEDNY heating customers, for their monthly service charge, they're currently getting a 5 -- or 56.52 percent discount. And our proposal will bring it up to 61.52.

And for KEDNY (sic) heating customers, it's currently at 83.19 percent and the proposal is for 88.19. And on the second rate block for heating customers, in KEDNY it's 49.61 percent. And the proposal will bring it to 54.61 percent.

MR. CONWAY: Can I ask a question on that?

MS. GRANGER: Sure.

MR. CONWAY: The -- the proposed service charge discounts, are -- are those off the -- first of all, I guess, are the customer charges changing under the proposed rate case?

MS. GRANGER: Yes.

MR. CONWAY: They are? Okay. So is this -- the -- the column with proposed service charge discount, is that the proposed discount off the changed customer charge?

MS. GRANGER: Yes, it is.

MR. CONWAY: Okay.

MR. COLLAR: Kate?

MS. GRANGER: Yes.

MR. COLLAR: So -- I guess asked another way, just to clarify, the proposed discount -- increased discount offsets any increase in the customer charge?

MS. GRANGER: Sure.

UNIDENTIFIED SPEAKER: -- specifics, but the only customer charges that were increased would be residential -- all other residential heating --.

A.L.J. VAN ORT: Can you say that again louder? We're -- we're losing you here.

MS. DISE: So, yeah. And I'll go over this and I'll -- in more detail when I do rate design. But the only customer charges that were changed were the residential non-heating customer charges. Because of the increase in the low amount of volumes that flowed through the non-heating customers, it was unrealistic to put it all in the volumetric charge.

MR. COLLAR: So -- so does this increase in the discount offset the complete increase in the non-heat customers?

MS. DISE: I don't think so, but before I get up I'll have that answer for you. Because I wrote down the customer charge increase and then actually what it was, so.

MR. COLLAR: Thank you.

MS. DISE: Yes, you're welcome.

MS. GRANGER: Okay. So this increase would increase the current spending in KEDLI by just over 3 million dollars. And it would increase the current spending in KEDLI by about 1.3 million. We -- we -- we're proposing to work with HRA and OTDA to automate the program enrollment which would expand the eligible pool of customers.

Based on the experience that Con Ed has with -- with this file, customer identification and file transfer, it could pose a significant increase to the number of customers eligible for our program. So we're proposing to collaborate with Staff, HRA, OTDA, and other interested parties to -- to develop a means of -- of prioritizing these matches. And we think it -- it deserves a -- really a lot of consideration. And we -- we want all the interested parties involved in that.

And then -- is there a question?

And then the last one is to propose the elimination of the On-Track program.

MR. COLLAR: Kate, one quick question. Have the companies reached out to OTDA already to gauge -- to gauge their interest in that?

MS. GRANGER: Not with -- we started with KEDNY and have had some talks with H.R. -- HRA. We haven't talked with OTDA yet.

And in terms of energy efficiency, the Company's proposing an incentive of $7500 for our low-income customers to convert to natural gas. And given the cost difference between natural gas and oil, we think it would be a significant savings to our low-income customers.

And -- and I just want to comment on the amount of the incentive and the number of customers. We have a pilot, similar, in Upstate New York, and we've converted about 49 customers.

And we really would like to experiment to see what it would take to do the conversions in both KEDNY and KEDLI. The conversion incentive program would work closely with weatherization agencies who -- who would not only handle the conversion, but would make sure the customer got all the weatherization assistance they needed.

Are there any questions?

Okay. That's all I have. I'd like to introduce Sue Mais, who's the vice president of Customer Care.

MS. MAIS: I'm going to start out by talking about the proposal for our new quality service program first. The overall proposed program for new service quality is designed to, first, drive a higher level of customer satisfaction to our customers across our business. Two, it's including more stringent metrics in some cases. And, three, it includes a scoring mechanism that allows the Company to offset underperformance within one metric to be offset by superior performance of another.

Also prior to this proposal, KEDLI was not a regulated business for us. And KEDNY is. So what we're proposing is, and what we're recommending is that KEDLI become a regulated business. And we're also proposing that it go in as the -- at the same level of service as KEDNY.

In addition, we -- we believe we've proposed or we are -- we're going forward with a -- a proposal for more controllable metrics, actionable metrics. And the reason for this is because actionable metrics will lead us to an opportunity for continuous process improvements. We're also looking to bring in new metrics that are less influenced by external factors such as weather or commodity pricing.

Our customers are also becoming more technically savvy, and they've -- they have really shown a strong desire to be serviced through multiple channels beyond the call center itself, such as web and self-service. So we're proposing to capture this experience and measure them. And in that case, we've broadened our metrics to include these experiences, as well.

So -- so we're introducing a new scorecard and I'm going to put the scorecard up here as I walk you through it. The -- the new scorecard concept is -- is very simple. Just as before, as you -- as you look at the scorecard, just as before, if the Company misses a penalty threshold metric, we are subject to the penalties. And the penalty, in the slide in front of you, is the band that is in yellow.

However, if the Company achieves an offset target, which you'll see in green on the slides here, we -- we've set it at a level such that those -- we've set the scorecard at a -- at a level designed to achieve stretch performance. And if we do achieve that offset level, we can apply those offsets to any other metric that is at a penalty amount.

Offsets can only be applied, however, when a penalty is incurred. If there are no penalties in the

entire scorecard, then there are no offsets that can be applied. Even if they're earned, they can't be used.

You'll note that for each metric there is a floor, and the floor is shown in red here. And each -- for each metric, a floor has been established. The Company cannot offset a metric if it falls below the floor. So I'll provide you with some examples in a moment of how that works.

Also you'll see on the chart here that we've added to incentive-only metrics. If we earn -- and the way these incentive metrics work is if we earn the positive revenue adjustment incentives-only metrics through performance -- through our performance, these amounts can be reduced by a negative revenue adjustment of any other metric where we've achieved a negative.

So I'll give you a couple of examples. Oh, I'll keep the scorecard up, actually. It will work better that way. So let's say that 72 percent -- if the -- the contact center itself achieves a score of 72 percent, if you look at the chart that's up here, 72 percent falls above offset level, because you'll see that our offset level is set at 62.2 percent.

In this case, we would achieve no penalties and there's no positive revenue adjustment that's given to us. Okay?

Another example I'll provide is, let's say, appointments kept falls below 87.9 percent. So in this case, if you look at the chart, that's below the penalty floor. This -- this would result in a penalty of 1.98 million. You'll see that in red.

If, during that same period of performance, the contact center being at 72 percent was -- which is exceeding the offset level, there is no offset since the 1.98 million penalty for performance fell below the penalty floor for appointments kept. So again, cannot be offset if it falls below the penalty floor.

Third example, appointments kept performance is at 89 percent this time, which is below the penalty threshold but not the floor. Okay? And the contact center level is at 72 percent, which is above the offset level. A penalty of 1.98 million is incurred for appointments kept, due to their performance, which would then be reduced by point -- or a half a million offset for performance on the contact center level, which would ultimately result in a negative revenue adjustment or penalty owed by the Company of 1.48.

So you're going to be deducting the .5 that's earned by the offset performance of the contact center, where they've gone above and beyond, and it can

offset that metric with appointments kept because they fell into the penalty level above the floor.

MS. JORGENSEN: Excuse me; I have a question. This is Lisabeth Jorgensen from PULP.

Can you explain please how you determined the weight percentage per metric, especially the last one listed there for escalating complaints?

MS. MAIS: The weightings were determined on the values that we've had in the past -- in our past scorecards.

MS. JORGENSEN: For -- for a particular year or just 2015, for the test year?

MS. MAIS: No; we went back 3 or 5 years, I think -- 3 years with performance -- 3 years, yes.

MS. JORGENSEN: 3 years? Okay.

MS. MAIS: We've also added new metrics to the scorecard, again, to reflect the experience of our customers. So we had to rebalance with that.

MR. LOUGHNEY: What are escalated complaints? That's not just the normal complaint? That's --

MS. MAIS: No --?

MR. LOUGHNEY: -- somebody who's really mad?

MS. MAIS: Escalated complaints are when a customer goes beyond the contact centers and puts a complaint

in to the Commission. It then would be looked at by the Commission, comes back to the call center by the -- and is looked at the by escalated complaint group. It's considered a QRS. We work it. If we're successful, then that complaint is resolved. If we are not successful and the customer believes that they are, you know, still wronged or the issue still exists, then it will become an SRS which is a chargeable complaint.

In this case, the escalated complaint is set at a 100,000. The -- the percentage is set at a metric that is a 100,000 per customer -- or set -- metric is set for 100,000 customers.

MS. JORGENSEN: Just one follow-up. So just so that I'm reading this correctly, will you only -- will the penalty amount in that calculation only take place if 100,000 customers or 200,000 or 300,000 were to be accumulated for escalated complaints?

MS. MAIS: No; we've got to have one point -- in yellow, you'll see here, we've got to have fewer than -- in order to hit the target, we've got to have fewer than 1.1 percent of 100,000 customers.

MS. JORGENSEN: Oh, okay. Thank you.

MS. MAIS: Yeah, I wasn't clear on that. And that's for KEDLI.

MR. DICEGLIO: Doug DiCeglio from URAC. I'm just curious what the logic is by offsetting different metrics with positive metrics? Poor metrics to positive metrics? What -- how does that help the -- the poor metrics columns? You know, how -- how does that improve the ones where you're not doing so well?

MS. MAIS: Actually, we believe that it incents us to go above the floor. The floor, as you see, is -- is below our penalty threshold. So by not being able to offset when it falls below the floor, it's driving us to a higher level of performance in the scorecard.

MR. COLLAR: I think -- I think -- go ahead, Aric.

MR. RIDER: You sure?

MR. COLLAR: Well, I just got to top that, I guess. A piggyback on that if -- if say your complaint rate is low, but your satisfaction level is high, where is the incentive to improve the complaint rate as opposed to just maybe even improve the satisfaction level even more to offset the complaint rate?

Did that make sense?

MS. MAIS: It -- it does. It does.

MR. COLLAR: I don't see the incentive on the negative side versus just increasing the positive side.

MR. RIDER: I -- I guess maybe to even say it a different way, what happens if it's very cheap to improve one of the metrics and your focus then is to spend a very little amount of money to improve a certain bucket that completely offsets a -- a penalty somewhere else? How do we balance the -- or -- or is there a -- a cost per metrics to -- to achieve or something like that, so that we can try to determine whether the -- the appropriation of -- of penalties are fair?

MS. MAIS: Yeah, we -- we didn't change -- first of all, we didn't change the overall penalty amounts. And, you know, we are --.

MR. COLLAR: I'm sorry; just -- sorry to interrupt you, but that's -- that's my next question. Is that 9.9 million -- that's the same amount you have now for four metrics?

MS. MAIS: Yes.

MR. COLLAR: So you're adding three metrics and keeping the same amount?

MS. MAIS: Uh-huh.

MR. COLLAR: Okay. Thank you. Sorry.

MS. MAIS: Yes. Yes. And so each of these metrics has a dollar value associated with it. And our goal is not to have a negative revenue adjustment period. No one

wants to have a negative, you know, revenue adjustment.

And truly, the goal of this scorecard and these new metrics are to drive higher performance, not, as you said, game the system. I mean, we -- there's nothing that is -- there's no value to us. There's no value to the customers to doing that.

We'd only have to find an offset if we fall below in that area. We'd have to overachieve in another area in order to, you know, eliminate that negative offset -- or that negative revenue adjustment.

MS. VIAPIANO: Sue, I just wanted to ask you if you can clarify, the penalty amount which is the threshold where we incurred the penalty, these are at or above what we currently have; right?

MS. MAIS: These are at, yeah -- yeah. This is at.

MS. VIAPIANO: So we -- we are basically incenting our -- we're saying we'll pay a penalty if we go below what we currently have for service quality, period. Because it would hit the threshold. We are just trying to get -- pay some incentive to --

MS. MAIS: Incent our performance up.

MS. VIAPIANO: -- ourselves up and get better.

MS. MAIS: Right. Right. So we will -- we will pay a penalty if we fall below.

MS. VIAPIANO: Where -- what our current threshold is.

MS. MAIS: The floor. Right.

MR. COLLAR: Right. But that penalty is offset if you overachieve on another metric --

MS. VIAPIANO: No.

MR. COLLAR: -- correct?

MS. VIAPIANO: Because the threshold would pay regardless.

MS. MAIS: Right.

MR. DICEGLIO: Is there a reason why the threshold and the floor are not the same number? I mean why -- why do you have that -- that gray area in between the two? Why wouldn't you just have it where you -- if you fall below the threshold, then you get a negative --?

MS. MAIS: We set the floors to ensure that we aren't exactly -- that we aren't leaving a one metric, you know, on the side. The floor is designed to ensure that the Company is looking at all metrics balanced across all the businesses. Because if you fall below that floor, there is no ability to do an offset, and you are going to pay the penalty.

MR. RIDER: Are -- are these metrics at your current performance levels? I mean, did you increase them at all? They're -- they're at the standard?

MS. MAIS: Yeah. I'll give an example of -- of one that increased. Complaints for -- PSC complaints for -- in this case, this is KEDLI. But for KEDNY, to show you more stringent, prior to 2013 our complaint rate for KEDNY was 1.7 complaints per 100,000 customers. In 2013 it went up to 1.1 per 100,000 customers. And we're recommending that we make it a little tougher and we move it to the 1.05. And that's based on our performance over the last 3 years.

MR. RIDER: I just have one more question. Is there anything in your case in terms of FTEs or capital expenditures or O -- O and M expenditures that you believe will improve any of these metrics?

MS. MAIS: Yes.

MR. RIDER: Thank you.

MS. MAIS: Any other questions?

Okay. All right. So changes to staffing. So we're proposing to add 2 new employees dedicated to the Commission-related escalated complaints. These are the QRSs and the SRSs I just mentioned. There would be one addition for KEDLI and one addition for KEDNY.

We are also proposing to add 6

incremental call center representatives and 1 supervisor for KEDNY. And we're doing this in order to meet the higher service level that we are proposing. That's one of the other changes that we have in the scorecard is to move from a 59 percent service level to a 62 percent service level.

In 2013 the service level was moved from 52.9 to 59, and that was achieved without additional funding for FTEs. We're now proposing that we move to -- from 59 to 62.2 and we believe that we need, in order to do that, to add these additional FTEs.

MS. JORGENSEN: One question.

MS. MAIS: Uh-huh.

MS. JORGENSEN: Thank you.

I'm wondering how many employees you have currently in KEDNY and KEDLI dedicated to responding to Commission-referred escalated customer complaints?

MS. MAIS: I'm drawing a blank. I want to say 10. I -- can I take that offline and give it to you?

MS. JORGENSEN: Absolutely.

MS. MAIS: Because I'm going to guess. I think I know the answer, but I -- I just drew a blank.

MS. JORGENSEN: Okay.

MS. MAIS: I can see the group, but -- in my eyes, in my mind's eye --

MS. JORGENSEN: Thank you.

MS. MAIS: -- but I'll let you know. Yes. Okay.

Okay. Now we'll move on to the customer offices. And first what I want to say is that we are not proposing to close any of our Long Island customer offices. Instead, what we're looking to do is to improve accessibility and service, particular to our low-income customers on Long Island. So in -- in order to improve outreach, we're looking to build a Brentwood Long Island standalone office.

Brentwood, we know from research, is one of our cities with the highest concentration of low-income customers. So what we plan to do is to build out this standalone customer office and include within that office space to enhance space, to be able to hold our expos.

Expos are a flagship program that we began in New York. It's a opportunity for us to bring our low-income customers together under one roof where we provide them with support and help for their National Grid bill. But we also bring in and partner with human and -- and social services agencies to also help our low-income customers. So it's really a one-stop shop under one roof for our customers. This enhanced space will allow us to do this right at -- at -- within the Brentwood facility.

We're also looking to add two additional new customer -- or consumer advocates to man that office. With the addition of Brentwood, we will now have two standalone office -- or not two standalone offices, but two all-purpose offices. So we'll be able to take payments and meet with customers on all their inquiries in an office in Suffolk County, as well as an office in Nassau County on Long Island.

Okay. In addition, we propose to add a network of third party authorized payment centers. And this will make it even more convenient for our customers. Today our customers make payments at the existing offices that are PSEG offices. We have a contract for PSEG to take those payments.

So what we're seeking to do is to increase the number of offices that customers can make payments in and put them in areas or open them in areas where it's convenient, where customers shop, et cetera, and -- and, again, on transportation lines, making it convenient.

We're also seeking to eliminate the $1.25 fee that are -- are -- that are charged by our third parties. We think that will make it more affordable, again for our low-income customers to do that.

Okay. We're also not seeking to close

any Downstate New York customer offices. Instead, what we'd like to do is improve, again, outreach and education. And we'd like to do that by enhancing our Metrotech customer office. Our Metrotech office is in an ideal location. There is a lot of foot traffic there. There's also -- we are surrounded by a number of colleges where we would have an opportunity to partner and design an internship with those -- with those colleges, and use those interns to come in and man the -- what we're going to call a sustainability hub. And that would be within the customer office. So we would build out that existing customer office at Metrotech.

The sustainability hub would be a place where customers could come to learn about gas safety, but also about energy efficiency and other programs and resources. So even as they come to make a payment in Metrotech, they'll be able to stop by the sustainability hub at the -- at the same time.

We have a current sustainability hub in Massachusetts, and we're using this as the basis to build one in New York as well, but with the added bonus of adding gas safety to this one in Metrotech.

Any other -- any questions?

MR. COLLAR: Just a quick question. Does -- oh, wait. I'm sorry. Does the Company take or each --

either company take payments by credit card over the phone?

MS. MAIS: Yes.

MR. COLLAR: Do they charge for that?

MS. MAIS: There is a charge.

MR. COLLAR: What is that?

MS. MAIS: Larry, do you know what the credit card charges are?

(Off-the-record discussion)

MS. MAIS: Okay. I'll take that offline, too, because I -- yeah, to check.

MR. COLLAR: So there's no -- there's no proposal to credit that -- that still?

MS. MAIS: No, that's still just --.

MR. COLLAR: Okay.

MS. MAIS: Any other questions? Well, if not, then I think -- you want to keep going?

MR. O'BRIEN: Judge, we're at the time for a break, but it's early. So about an hour we can weave somebody else in or we can break now.

A.L.J. VAN ORT: How long -- how long's your next presentation?

(Off-the-record discussion)

A.L.J. VAN ORT: Folks, if you didn't hear that, we're going to turn to Slide 91 and take this out of

order.

MR. MONGAN: So I'm holding everybody up for lunch?

A.L.J. VAN ORT: Just give us a moment just to get -- get there.

MR. MONGAN: Sure.

A.L.J. VAN ORT: Okay. Looks like everybody stopped moving.

MR. MONGAN: All right. Hello everyone. I'm -- I -- I have an opportunity to talk to you about the customer products and gas growth proposals. We have -- and I'm going to go through two -- two areas. We have new -- new target programs where we're going to be enabling more access to -- to clean and versatile gas -- natural gas really to help business owners and -- and customers in their homes to -- to better manage their energy. And I'm going to walk through those programs both for -- for KED Long Island, KED New York City.

And I -- then -- then I get a chance to talk about three exciting past REV demonstration projects that we're -- that we're proposing, really to help us integrate safety with more resilient gas systems, as well as to give customers and enable customers for more engagement and -- and own -- their own choice on how they deploy energy.

So let me start with, you know, this overall slide is about KED Long Island. And I'm going to cover a couple of the programs up front and then I'm going to talk about economic development. And I'm going to talk about the utilization technology development program collectively with -- with New York City because they're -- they're integrated programs.

But for Long Island, we're looking at an incremental investment of about 3.3 million dollars. And of that, about 3 million are associated with new programs, predominantly focused on economic development and expansion -- and gas expansion.

The -- you know, the best way to start on Long Island is really to talk about where we are from a saturation standpoint. Across Long Island, 55 percent of the structures currently have gas service, which means that there's a significant number of customers, 394,000, that still do not. There's only about 31,000 structures on Long Island along existing mains. And we still have about 100,000 customers that have gas into their house but they're not heating with it. So there's -- there's some messaging that still needs to be continued on an ongoing basis.

So what I'm going to talk about now with the -- on -- I'm on Slide 93, which is the -- the -- the

structures along main -- structures without main, 394,000. We -- we have and introduced a program, which we're going to continue to sponsor in the rate case, which is neighborhood expansion program. And what that program is enabling us to do is to get out and -- and run incremental main prospectively to customers and neighborhoods that -- that we see we can convert in a period of time. And it's a neighborhood program. It's not miscellaneous calls.

Second thing is that it's -- by running this incremental main, it's putting us in front of over 3,000 new customers that currently aren't served today. As well, during the process, we're -- we'll be actually converting about 1,000 customers. So it's an annual program and essentially giving us a -- a significant increase to our annual main, again, toward serving the 394,000 customers.

So for this, for both the neighborhood expansion program, as well as the approximately 12,0000 customers that are within our territory, within our main today or on our main, we're -- we're proposing to increase our marketing and -- and increase our education and outreach activities. And there's about 350,000 targeted for the neighborhood expansion programs.

Most of that focus is going to be to -- to reach customers that we want to inform of the

opportunities to convert. There's a -- it's a significant marketing effort to get to customers along prospective main extensions. You have to introduce them to gas. You have to convince them of the -- of the values. And we have to aggregate a group of folks along these mains in order to -- to actually agree to convert at the same time.

Separately, we're proposing about $400,000 to increase our efforts on existing customer -- low-use customers, as well as customers along main. If you look at the drop in oil prices, the -- you know, a lot of these customers right now aren't thinking of gas as they were a year ago or 2 years ago. So our spending had dropped off commensurate with the prices of oil. At this point we -- we really do have to boost that outreach, that education, that advice to customers about actual gas and its value.

So one other product offering for Long Island is an offering that we're looking at for getting a great value and integrating with some of our other programs, some meaningful opportunity to align with this particular rebate offer for residential customers along the mains where we're -- we're going in to do replacement work.

We're proposing about $1,000 dollar -- $1,000 rebate for customers to connect now while we're replacing that main. You know, the value from being in the

street, having the trench open is considerable. A $1,000 rebate probably is approximately what half of the cost the customer would incur to connect an appliance -- get a plumber in, connect appliance, buy an appliance.

That value, you know, applied now, relative to coming back and doing that installation 3 years from now is -- is significant. We see it as almost a break-even. And we've also included in the -- in -- in the case $56,000 of revenue towards this.

So let me -- let me briefly talk about New York City. Very similarly, New York City has built into it some proposals for new programs.

MR. RIDER: Sean?

MR. MONGAN: Yes.

MR. RIDER: Can I -- can I just ask a question before you go on to --

MR. MONGAN: Yes.

MR. RIDER: -- to New York?

And -- and this may involve Ross and Lauri in terms of the -- this infrastructure panel. But when I look at the gas infrastructure and operations panel budget for growth, the historic budget is 135 million. And in calendar year -- and that was the historic test year. The calendar year plan is 98 million, then it goes to 82 million, 81

million.

If we're increasing spending on this neighborhood expansion program, I would expect that we would see more money spent on growth. Do you -- do you have an understanding of how the budgets could be going down, but yet we're trying to get gas to more customers?

MR. MONGAN: Which line items are you referring to there? I'm sorry?

MR. RIDER: If you look at the exhibit, Gas Infrastructure and Operations, Panel One.

MR. MONGAN: Okay.

MR. RIDER: That -- that's -- I'm just -- you must have coordinated with -- with those folks in terms of what the -- the growth spending was. And I'm just trying to understand, you know, why that spending would go down? Maybe I could save that for that group, but just want to get an understanding of how -- how your testimony relates to their testimony.

MR. MONGAN: So -- so relative to the new connections part, we are -- we've included a consistent pattern of -- of growth of new connections going out. It hasn't really varied much. There might be some slight changes per year. But the -- the intention about the way we see growth forward is that there's going to be a consistent

amount of services that are going to be built into the outer years.

And I would suggest to you on Long Island they probably range between 6500 and -- and 7 -- 7500 normally. So that's, I think, what we've included, looking forward.

From a main standpoint, you know, we had already begun in a test year to do some of this main as part of a neighborhood expansion program. So we've built it into the plan going forward to have a consistent and continuous advancement of new growth main.

And it's not to say that we don't get customers that request gas and we run main to them. This is meant to be prospectively growing at a -- at a pace. So I -- I don't believe that we've dropped off main. I think we've kept it relatively flat with the intention that we'll have a -- a big din about 25 -- 24, 25 miles of -- of consistent neighborhood expansion main.

So I think we'll -- we'll just -- at the break we'll take a look and see how that relates to the other numbers if that's okay.

MR. RIDER: Thanks.

MS. JORGENSEN: Mr. Mongan?

MR. MONGAN: Yes.

MS. JORGENSEN: Yes. Hi. May I ask you a question about the neighborhood expansion program?

MR. MONGAN: Sure.

MS. JORGENSEN: It's -- I'm looking at Slide 93. I was just wondering if you have the demographic makeup available of the residential population within the different expansion areas, the neighborhood expansion program?

MR. MONGAN: We do. We -- there's a -- right now we probably have identified -- in fact, the first pass, I think we identified 800 different areas that we could run main extensions in excess of 500 feet. And the criteria that we're using include having a density. So the density in that 500 foot of main has to be 8 potential customers, with the intention that the way the program would work is if we got 3 to say yes we'll run the 500 feet today, you know, that -- that mindset.

Within the demographics or within that data, we do know, you know, different elements. We -- we -- we can identify if they're low-income from the data that -- that we have. So far I think there's been some miscellaneous. I -- I can't tell you if there's anything specific to low-income customers. I don't believe we have targeted the low-income area yet.

We are looking, though, at broader main

extensions. We're looking at Mastic Beach as an area. Again, it's -- you know, there'll be main extensions that will touch some neighborhoods that are low-income. But it's -- the prospective main takes into consideration how do we deliver the best value for neighborhoods but also the system. And you want to expand smartly across the system from the ends of our mains out into the areas that have high density.

So it's not a particular requirement for low-income, but you know, we -- we factor that into some of our -- our scoping and -- and assessment of where we can go next.

MS. JORGENSEN: Thank you.

MR. MONGAN: So I'm going to talk about New York City, KED New York. And there's about 2.8 million of incremental investment built into this plan. It really is exclusively for new -- new programs. You know, one -- one of the drivers here is natural gas vehicles, so I'm going to touch on -- on -- on what we're doing with natural gas vehicles.

The -- we're proposing a -- a rebate in New York City to try to increase the amount of vehicles that are converted to -- to NGV. The pricing for converting a vehicle it's about 35 percent cost above what a normal vehicle would cost. The -- the stations in New York City --

we're not proposing to do anything about the stations, just to create some more throughput.

What we have here is a -- what we think is a -- a smart rebate offer, one that would provide enough money that customers would be interested in -- in moving their fleets, but it also would have an offsetting revenue that we've built into the case. So we're proposing $475,000 worth of annual rebates which may -- may get you about 400 vehicles. And we have $18,0000 revenue offset.

We found in New York City that it's been flat and dropping in terms of NGV vehicles being increased to fleets. Long Island, on the other hand, we actually have seen some growth, so we haven't, you know, included an NGV rebate proposition for -- for Long Island.

So I'm going to talk about economic development. These are -- out of -- out of the requests, these are the most significant parts of our ask. Both for Long Island and for New York City, we're proposing $2 million of portfolio for grants that we can apply in the territories. And we found and we've been involved in economic development in Upstate New York and -- and had some great success. So we modeled the programs for Long Island and for New York City based on that success.

We've spent the time going out and

structuring these programs, meeting with the local economic development and IDA organizations in New York City and in Long Island. And you know, we see a tremendous opportunity to leverage the -- you know, the program learnings from Upstate New York, the program learnings from Sandy, which were, the end of the day, successful. We -- we helped about 360 businesses recover from Sandy. We spent about $10.3 million, you know, in that process.

But putting in place a stable program that we can deploy each and every year has -- has huge advantage for building out the -- the economy and also building out the local communities. So some of the areas that we've -- we've had success in the past and we intend to deploy in New York City and Long Island is -- are on -- on this page, but urban revitalization, energy infrastructure assistance, brownfield industrial building redevelopment, manufacturing, productivity assistance, entrepreneurship and innovation, clean energy and economic development and strategic business recruitment.

So we -- again, we -- we've been involved in programs like these before. We see great value in the Downstate New York region.

And customer R and D, we had been involved and I'm not sure how long ago it was, but there's an

opportunity for us and we put it in the proposal both for New York City and for Long Island -- it'd be a $25,0000 impact to budget. But to rejoin GTI's utilization technology development collaborative.

And this particular collaborative is focused on end-use customers. It's focused on some technologies that we think have some -- some great value, and certainly are very timely to customer choice. This particular R and D, it's not funded by millennium surcharge. And it will be -- it's looking at first costs, environmental benefits, other advantages for customers. We see this and we have had some great experience with this in the past. We -- we're -- we're proposing to rejoin it in -- in this period of time.

So I get to talk about 3 exciting gas REV demonstration projects now. And one of them is -- and -- and these really are a way to develop and use our technologies to help gas customers. And we see an opportunity to test these. We see an opportunity to help promote customer engagement and customer choice.

One of them is a -- what we're calling the flood zone protection package. And -- and I'll go -- go into that in a little bit more detail in the next slide. But it's the broader demonstration project, because we're looking

at 500 customers in each Long -- Long Island territory and the New York City territory and the flood -- flood zone protection areas.

We're also looking at installing micro CHP -- micro CHP home energy management solutions. So this is home level CHP units. We see that advantage, one, it will impact customers, you know, their costs -- their energy costs. And we see an opportunity to kind of build a -- a share in there. It absolutely -- we want to look at its resiliency. We want to look at how it might become a source for the electric grid.

And also we -- we see an opportunity to learn a lot about the customers' usage and tendencies and changes in pattern of usage because we're going to tie this together with some of the technology in the flood zone protection package.

And the -- the third program is a customer demand response program. I mean, this is really -- how do we influence the decision making of businesses to participate with us, you know, and agree to participate with us to lower demand when we're on those peak days? So there's a rebate intended value built into this program. We want to test it. We want it to be certain. We want to make sure that we can depend upon it. But it's a -- it's a pilot

looking at 20 customers in New York City and 10 customers in Long Island where we would have control over some of their gas devices.

So to just to get into flood zone protection, give you a feel for some of the technologies that tie into this, you know, we're looking at gas automated metering, AMI, to give us the source of communications -- to give us the source of controls, but also to give us the source of information.

So we're talking about having flood and methane detection. We're talking about having, you know, auto shutoff capability for the gas service to the house. We're looking at usage analysis over the AMI on when and how the customers use energy more specifically, and in much shorter time intervals, how would that, therefore, inform the way we can build out new programs for energy efficiency and -- and -- as such. And we're looking at pressure switches and on -- on-grid sensors. That combination of packages built into these 500 sites is what our intention is.

We see the same 500 sites or some of those sites being the -- the source of where we're going to put the micro CHP because we want to take advantage of the AMI So one program can be built into 10 -- 10 of those houses in each of the regions as part of our -- our proposal.

This is -- I mean we look at gas REV as an opportunity to learn a great deal that we can then come back and figure out how to build into broader programs. In this -- in these proposals, we're -- we're talking about an investment of 1.35 million for New York and 1.23 million for Long Island for the programs that I've outlined.

Any questions?

MR. RIDER: I got a couple, Sean.

MR. MONGAN: Sure.

MR. RIDER: So -- so the first question is for the flood zone protection package, are -- does the Company want to target low pressure systems, high pressure systems? Or is that not a factor in -- in that plan?

MR. MONGAN: It is. It's the -- we're going to target low pressure flood -- flood zone area.

MR. RIDER: Okay. And then the next question I have is in terms of economic development is there a corresponding customer or volume adjustment to the sales forecast for -- for implementing those programs?

MR. MONGAN: Not -- not built in. I think if -- if you look at a lot of the programs, I think there's matching investments. There's development of, you know, areas that are -- would otherwise not be developed. So the timing -- I mean, there's absolutely going to be the ability

to target specifically what margin will come out of this.

It's more about job creation. It's more about retention. It's more about, you know, enabling, you know, the buildout of businesses. So we don't have a clear tie to revenue. I -- I don't expect it to be an exceptional amount of revenue, but we do track jobs. We track jobs, created jobs, retained.

A.L.J. VAN ORT: Can I just ask one question about the automatic shutoff? Is this something that goes to the curb stop or is it something within the home?

MR. MONGAN: Anybody? John?

MR. JOHNSTON: It would be with the -- in the home. It's an electron device that -- that sits on -- just butt next to the meter and what's on the -- the same technology as the AMI device.

A.L.J. VAN ORT: So it's inside the home?

MR. JOHNSTON: It's inside the home.

A.L.J. VAN ORT: Do you wish to continue or did you -- or you wish to take a break?

MR. O'BRIEN: We're proposing to take a break until 12:30.

A.L.J. VAN ORT: Okay. Okay. Then we'll recess.

(A luncheon recess was taken at 11:48 a.m.)

(The conference resumed at 12:33 p.m.)

MR. TURRINI: All right. So welcome back from lunch everybody. My name is Ross Turrini and I'll be walking through -- you through the infrastructure and gas safety and performance metrics portion of the presentation.

So just first, this investment plan is designed to provide safe, reliable gas service at a reasonable cost to our customers. We are going to make significant capital expenditures as part of this plan. They're going to be around increasing gas safety and reliability of the gas networks, modernizing the gas transmission system and distribution infrastructure, promoting gas growth in a manner consistent with our policy objectives, and enhancing storm resiliency and our ability to respond to future weather events.

The investments are basically broken into 4 broad categories, growth, mandated, reliability, and non-infrastructure investments.

This slide just outlines the 3-year investment plan for KEDNY. It starts at 603 million in calendar year '17, 677 million in calendar year '18, and $632 million in calendar year '19.

This is just a graphical representation of the investment plan and also starting from our actual

spend in fiscal year '13 and '14. As you can see, the biggest piece of these slides on the graph is the blue section, which is the mandated which is being driven primarily by two things, City-State construction investment and the increasing main replacement programs that we're proposing.

For KEDNY, just to talk about some of the major drivers of the capital investment plan, main replacements are proactive leak-prone pipe replacement. We are ramping up the 50 miles in the first rate year. There are some increases in growth and then we've seen a significant, significant increase in our City-State construction public works that we do in support of infrastructure replacement by the local municipalities including New York City and the State.

Incremental investment projects. Our Northern Queens Master Plan is a big reinforcement project of the Northern Queens area. Citizens Tunnel Reliability Project is a -- is another reinforcement reliability project to reduce risk on the system.

Our large diameter cast iron system ceiling and lining -- when you look at our leak-prone pipe replacement programs, they are on 12-inch pipe and below. We have about 100 in New York City of larger diameter cast iron

pipe, 16 inches and above. This is very difficult pipe to replace. One of the main reasons is the lanes. There's just not a lot of room when you start to try to replace 36- or 42-inch pipe. What we are using is a -- a new lining system and also cast iron joint ceiling to extend the life of those pipelines.

We're also looking at our LNG Tank 2 upgrade at Greenpoint. The LNG provides critical part of our supply on peak day. Right now those tanks are -- are over 40-plus-year-olds and we're going to be looking to do some work to modernize them and -- and ensure their reliability, going forward.

Metropolitan Reliability Infrastructure Project, we actually have a slide here later. We'll -- I'll talk a little bit more about that, but that's a big transmission main project in Brooklyn.

And AMR deployment. We have a lot of AMR deployed across New York City already and we're going to be continuing and finishing that program.

Switch to a minute for KEDLI. Our first year of the rate year we're proposing $337 million. Second year, 381, and then 371 for the third year. Again, this is just a graphical representation but, again, you'll see the big sections here are the blue sections which is the mandated

work which has our leak-prone pipe replacement projects.

Just an overview of some of the major investments that we're making on Long Island. Our main replacement program proactively planning, we're looking to increase that to a base of 115 miles a year, our base growth, and then we also have a lot of enforcements and reliability investments.

Some of the big incremental projects are storm hardening, remote shutoff valves, the LNG tank upgrade. We have a small, small portion of large diameter cast iron lining that we would do on Long Island. It's not as significant as in New York City.

And then our northwest Nassau transmission main and control valve, this is both a reliability and reinforcement project for our transmission system in northwest Nassau. And we'll talk more in detail. I have a slide on that.

So first, I'll just start with KEDNY, our accelerated leak-prone pipe replacement. That is defined as unprotected, bare or coated steel, cast iron, wrought iron mains, and unprotected steel or wrought iron services. We have approximately 1900 miles of this low leak-prone pipe in New York City.

We're proposing to increase that program

from 47 miles to 50 miles in the rate year, also replacing 250 gas services.

We're proposing a mechanism to fund the leak-prone pipe retirements above the base level included in the rates. This is designed to give -- drive us to get to a 20-year replacement program compared with the current rate of over 40 years.

The leak-prone pipe replacements will reduce risk of gas leaks and main breaks, improve gas system performance and gas reliability, and also reduce methane emissions. Okay.

MR. LOUGHNEY: Question?

MR. TURRINI: Sure.

MR. LOUGHNEY: What's the cost associated with a mile of replacement of leak-prone pipe? So you're going from 47 miles to 50 miles. What's the incremental cost associated with it?

MR. TURRINI: So it can -- so New York City can vary greatly, depending on where that actual project is and what size the project is.

MR. LOUGHNEY: Okay.

MR. TURRINI: Do we have -- we have the average unit cost that we're using?

MR. PETROCCIONE: Yeah, so it's running at

about $600 a foot.

MR. TURRINI: It's a -- yeah, about $600 a foot.

MR. LOUGHNEY: So it's almost $10 million for this incremental 10 -- or 3 miles then; right?

MR. TURRINI: Yeah, roughly.

MR. LOUGHNEY: Okay.

MR. TURRINI: But, again, it -- it depends on -- you got to be careful when you look. Yes, it depends on the mix of work, how much 4-inch versus 6-inch versus 8-inch versus 12-inch we're doing. Right? It depends on -- on where we're locating the main or it depends on where we can get the lane.

It's a very, very dynamic process when you look at the costs, you know, in -- in New York City on -- on -- on the main replacement work.

MR. LOUGHNEY: Just one other question. I guess it's for KEDNY and KEDLI. How do you prioritize where you go first? Like are there certain pipes or --?

MR. TURRINI: So we have a -- we have an algorithm. We have a risk model where we rank -- we -- we rank the pipe based on risk.

Active corrosion in accordance with the code always rises to the top of the list and that gets

replaced first. Then we do look -- have some flexibility how we manage that depending on public works projects, because you don't want to be replacing a main before a public works project. You want to do it in conjunction with it because we save the paving, helps reduce the cost.

MR. LOUGHNEY: Thanks.

MR. TURRINI: Okay. Accelerated leak-prone pipe replacement on Long Island. One slight difference on Long Island, we do have some vintages of plastic pipe that is considered leak-prone. This is the pre-1985 outerlay plastic pipe. We manage the performance of that through the leak-prone pipe replacement program.

Our inventory on Long Island is approximately 3800 miles of leak-prone pipe. We're proposing to increase our rate of leak-prone pipe replacement from 95 miles a year in calendar year '16 to 115 miles in rate year. We're proposing a mechanism to fund the retirement of the 20 miles or more of each following year of the leak-prone pipe, incenting us to get to a 20-year replacement program compared to the 40-year program where we currently are.

And, again, this is just about reducing. We're also proposing to enhance reporting on our leak-prone pipe replacement so there's more transparency about it.

Would want to spend a minute on joint

ceiling and cast iron lining. As I said before, we have, especially in New York City, about 107 miles of very large diameter cast iron pipe. When you look at these roadways, there are a ton of other infrastructure that is underneath the ground. Sewer, water, storm drains, electric, you got old fire lines in there. It -- there aren't a lot of lanes. So to go in and leave that main active at 42 or 36 inches and then try to find another lane in the street, in order to be able to replace that, is extremely difficult to do.

One of the techniques or 2 of the techniques that we're using are cast iron lining. We actually line the pipe with a -- a synthetic fabric. And also joint sealing, where we robotically go in and -- and seal the internal joints. There's a big difference in the mode of failure between 12-inch pipe and below, and 16-inch pipe and above on cast iron.

The real risk and a danger on 12-inch and below is breaks. Okay. It's a catastrophic failure of the main which causes very, very severe leak, as opposed to on the 16-inch and above -- and above -- excuse me -- above cast iron, that pipe leaks at the joints. It doesn't break. If you've ever seen a -- a 16- or a 24-inch cast iron main, it's about an inch and a half or an inch and a quarter of -- of cast iron. They -- they don't break. They leak at the

joints.

The CISBOT technology, the robot technology, as well as the -- the lining technology are -- are great technologies to repair -- actually not repair, to extend the life -- I'm sorry; Bob's eyeballing me from the back row there -- actually extends the life of the pipe to 50 -- 50 years or more. So that's very important for us.

The lining also forms a new layer impervious to gas, eliminates existing leaks, and prevents future leaks, extends that life to more than 50 years. The reconditioning the pipe and extending the life of the larger diameter pipe and defers this replacement allows us to invest the capital and resources directed at the smaller diameter pipe which is the much higher risk. And we're also proposing a productivity sharing mechanism for any cost underruns around this.

MR. LOUGHNEY: What does that --?

MR. TURRINI: Yes?

MR. LOUGHNEY: What does that mean? So underrun.

MR. TURRINI: So we're going to do a -- we're look -- we're -- so we're looking -- so each one of these projects tends to get individually estimated because they're a complex project to do, right. And what we're looking to do

is propose a pilot with the Commission where we would look at managing the productivity and -- and the efficiency of those. And if we're underrunning those projects, there would be a funding mechanism or a sharing mechanism back with the -- with the consumer.

MR. LOUGHNEY: Okay.

MR. TURRINI: Storm hardening. We're looking at a storm hardening for 25,000 gas services within the FEMA designated flood zones on Long Island, 85,000 services within the designated flood zones in New York City. These would be automated gas shutoff valves that would truly be triggered by flooding, and they would be on a fixed communication network. We'd be doing the work over the next 5 years.

It would allow for the remote gas operation and monitoring and shutoff, stop the gas flow when flooding is detected preventing regulator over-pressurization and the potential of risk -- potential incidents, and provides a real-time customer account of services impacted interruption for the impacted customers.

This is -- the shutoff technology is the same technology that Sean talked earlier about as part of the REV Project. The REV Project is much more comprehensive where it looks at methane detection and AMI metering at the same time.

System reinforcement. So we all saw the cold -- extreme, extreme cold weather we had a few weeks ago. Our system reinforcement projects every year are designed to ensure that we can provide safe and reliable gas service to our customers on a peak day.

We had near design conditions or near peak day conditions Sunday, February 6th, I think it was. The system profound -- performed extremely, extremely well, and we had no system-related outages.

Reinforcement projects are essential to support and continue to serve the growing demand that we have. We're replacing undersized mains, looping or connecting system end points, uprating system pressures from low pressure to high pressure, replacing and/or rebuilding undersized district regulator stations, and transferring customers from low pressure to high pressure systems.

I would just like to spend a few minutes talking about the Metropolitan Reliability Infrastructure Project. This a $252 million project consisting of 34,000 feet of 30-inch, 350-pound transmission pipeline from Linden Boulevard in East New York to Maspeth Avenue in Greenpoint.

The project completes a loop of the Brooklyn backbone. The Brooklyn backbone is our main transmission facility that runs through the heart of Brooklyn

and, therefore, greatly enhances the reliability of the Downstate New York transmission system, allowing for continued operation during contingency scenarios.

The project also supports the use of remotely controlled valves once installed. Should there be a need to shut down a section of the system, allowing for sections of the backbone to be shut down in emergency situation without generating large scale system outages.

The project reduces or eliminates dependency on increasingly constrained Newtown Creek transfer station where we get gas from Con Ed. The project reduces and eliminates system dependency on Greenpoint LNG facility and supports the shutoff -- the shutdown of tank 2 for the planned capital maintenance. The project also supports the long-term growth allowing for incremental supplies to be transported across the Downstate service territory in Brooklyn.

So now just a minute about the Northwest Nassau Project. Northwest Nassau Project is a transmission main replacement and gas system reinforcement project located in Northwest Nassau, part of Nassau County. This is our first transmissioning that was built in -- on Long Island. It was installed in the early 1950s. It's getting close to being at the end of its useful life, and we need to replace

that main before it gets to the end of its useful life.

Phase 1 is fiscal year '18 and '19 with a construction price of about $61 million, installing about 1.7 miles of 24-inch transmission main and installing 2 regulator stations.

Phase 2 takes plane in -- takes place in fiscal years '19 and '20 with a price of about $100 million, installing approximately 3.9 miles of 350-pound transmission main.

And phase 3 is in fiscal years '22 and '23 with a price tag of about $123 million. And that's the relaying of approximately 4.8 miles of gas main 1, which runs along the Long Island Expressway Service Road in Northwest Nassau County.

So now I'm just going to switch to -- for a minute to one of the primary drivers, especially in New York -- specifically in New York City, of our -- our capital expenditures. City-State construction projects are projects where we have to replace our main due to interferences with City construction projects. While we coordinate with New York City to forecast these projects as accurately as possible, the City has significantly ramped up their infrastructure replacement over the last 5 years, and they continue to ramp up their infrastructure replacement.

While we do replace some leak-prone pipe on these projects, we do also replace gas main that's already been installed or plastic pipe that's been there, too, because it's in conflict. You can see the spend here down in the bottom of the page, but fiscal year '14 we're at $106 million.

Last year we spent about 157. Our forecast for fiscal year '16, based on this proposed City budgets, are $196 million. Fiscal year '16 is this actual current -- starts April 1st for us. And in fiscal year '17 we're, again, based on the City's forecasted spend, we're looking at $237 million.

For these reasons, we are proposing a mechanism to reconcile the cost of the City-State construction that exceeds or falls below, so choose up or choose down, with the Company's rate allowances.

MR. RIDER: Hey, Ross?

MR. TURRINI: Yes.

MR. RIDER: Has the Company -- has the City been able to spend its forecasted budgets?

MR. TURRINI: So I can't -- I can't tell you whether they're spending their forecasted budgets yet. What I can tell you is -- is that when we get down to the level of spending to ramp up, they continue to ramp it up, ramp it up,

ramp it up. And we're continuing to have to meet that demand.

They seem to be insatiable with the amount of work that they're doing. They're hiring another 100 engineers specifically to do City-State construction work in the -- in the Brooklyn-Queens area. You know, so they're -- they're making the investments and they're ramping up the resources to do it.

And we expect -- we seriously expect to see these -- these types of numbers. They're -- they're -- I know they're incredible when you look at the -- the historic spend, but they have just continued to ramp up.

MR. LOUGHNEY: So does that mean like the City's construction schedule is more than double what it was in '14?

MR. TURRINI: Yes.

MR. LOUGHNEY: Because you're -- because you're more than double here; right?

MR. TURRINI: Absolutely.

MR. LOUGHNEY: Okay.

MR. TURRINI: What we're seeing in the Brooklyn and Queens and Staten Island services territories. Absolutely. You know, previously a lot of work took place in Manhattan. They're now starting to concentrate on the outer

boroughs, so we're seeing significant ramp-ups in those projects.

So gas expansion in KEDNY and New York -- I think Sean covered a lot of this before; right? We got low national -- no -- low natural gas commodity prices and mandates to phase out heavy oil. In addition to the new gas service requests, the Company continues to see a significant number of requests from -- for nonfirm to firm service upgrades. And the expanding gas service can provide benefits in the form of energy cost savings, job creation, and increased local tax revenue and environmental benefits. To support gas growth, the Company must invest in gas mains, services, and system reinforcement.

Now I know you had some questions previously about the -- the numbers from the test year to -- to where we are in the first rate year. So in the -- in the test year, there were 3 things that were driving that significant number.

There was a -- a significant about $15 million in carryover work and invoice and billing that carried from a previous year into that test year. There was about -- there's $15 million that we're -- we've proposed a tariff change for requiring customers to contribute to the reinforcement work which was originally captured in the spend

in the test year, which now would be a -- a change in the tariff. So it wouldn't be captured in our base rate.

And then the third piece, there was about $5 million reduction in reinforcement work.

UNIDENTIFIED SPEAKER: And that's for Long Island?

MR. TURRINI: That was Long Island. Yeah, I'm sorry. I'm ahead of myself.

The Long Island expansion -- the growth has slowed in calendar '15 due to drop in oil prices, but growth in KEDLI service territories remains strong. Sean talked to you about extending the neighborhood expansion program, so I'm not going to talk to you a lot about that.

But the calendar year '17 goal was 930 conversions and 125,000 feet of main installation for that neighborhood expansion program.

So just a minute, I said before, LNG provides a significant portion of our reliability and our supply on peak days and extreme cold weather days. The LNG storage facilities are approximately 45 years old and require investment to support continued service. They need bulk head -- bulk head repairs, dike repairs, fire system upgrades, control system upgrades. I'm not going to drain the whole slide; right?

The LNG -- they're critical pieces of our supply portfolio for reliability and peaking supplies. And certain projects requiring facility outages will impact near term gas supply plants. So there's -- these are big important pieces of equipment that we operate.

And before I move on to gas safety programs and initiatives, I'll stop on our capital investments. Okay?

So I'd just like to switch subjects for a minute. Gas safety programs and initiatives. We are very, very serious about our gas safety programs and initiatives. Right here, I'm just going to talk about 4 buckets as we just sort of give an overview on some of the things that we're doing.

But public outreach and education, we're in the process of applying a lot of best practices across our programs in the U.S., especially in New York.

We're looking at enhanced gas safety awareness programs, manage prevention programs, and first responder training which some of the -- our online first responder training has won some awards across the industry.

Residential methane detection, advancing commercially available detection technology. It's not quite ready for primetime, but the RMD efforts continue in this

area and we expect that to be ready shortly. As part of the programs that we're deploying, approximately 10,000 residential methane detectors.

Independent compliance assessments. We are kicking off a program this year before the rate year of independent compliance assessments where we have a third party come in and do assessments of our regulatory compliance so that we can continue -- continually improve our performance there.

We would assess the compliance with the gas safety regulations, review our procedures and work practices, and identify any gaps and develop plans to remediate those.

And then the final piece that we're talking about enhancing our gas safety programs is process safety. API 1173 is the pipeline safety management system standards. Okay? We are actually one of the industry leaders currently in applying this. We've been doing this for now about 3 or 4 years with our own internal process safety risk control standards.

What we will be doing and we're in the process of aligning with the API 1173 and continuing our work in this direction, but it's very important for enhancing the overall safety and reliability of the gas system.

So I will talk now about some of our gas safety metric proposals. Our performance targets, we are proposing more stringent performance targets for most metrics, maintaining strong performance in others; negative revenue adjustments for failure to achieve targets, 70 to 80 basis points at risk per year; positive performance incentives, the ability to earn positive incentive for leak-prone pipe replacements; new positive incentives for implementing gas safety initiatives; and a gas safety surcharge, the surcharge mechanism to recover the incremental cost of accelerating leak-prone pipe and additional leak repairs which we'll talk about in a minute.

So first, emergency leak response. We want to maintain the current statewide targets and penalties. As a result of the changes in New York City's protocol for reporting leaks, with all calls now directed to 911 in the first instance and increased public awareness arising from high profile incidents, the companies have seen significant increases in the number of odor calls.

We are proposing a mechanism to exclude certain extraordinary events which would be big non-gas odor calls that drive a lot of the metrics from the emergency response metric calculation in consultation with staff. And you can see the total at risk, 12 basis points, no incentive,

looking to maintain our current performance rates.

Damage prevention. Our proposal is to standardize the way damage and one-call tickets are counted against the metric. More stringent targets and more damage prevention measures. We would reduce the target by 2 percent each year for the following rate year to encourage continuous improvement. And achieving a designated stretch target for one metric could you use to offset the penalty associated with the failure to achieve the target of another damage prevention metric.

We will continue to -- we are proposing to work on reducing our leak backlog. KEDNY and KEDLI are proposed to reduce their backlogs for nonhazardous leaks by 100 and 500 leaks, respectively, each year. While these leaks don't present a safety risk, eliminating additional nonhazardous leaks will enhance system performance and reduce methane emissions.

We're also proposing a mechanism to encourage further reduction of leaks above the base target of 100 and 500, capped at an additional 50 leaks per year. At the same time, we propose these targets to reduce hazardous leaks that will improve our strong performance in this area and assure that nonhazardous leak targets do not divert resources from repairing hazardous leaks.

MR. LOUGHNEY: Is 100 -- the target's 100 for KEDNY and 500 for KEDLI?

MR. TURRINI: Yes.

MR. LOUGHNEY: Is there a greater risk of nonhazardous leaks on the KEDLI system? Is -- I mean it just seems like that's --?

MR. TURRINI: So they're -- they're all graded to the same criteria. So once it -- once it's considered a nonhazardous leak, whether it's in New York, Long Island, Upstate New York, they all meet the same criteria.

MR. LOUGHNEY: There's just that many more? I mean is the KEDLI system longer or something and that's why there's more KEDLI?

MR. TURRINI: Well, yeah, there's a lot more pipe on Long Island.

MR. LOUGHNEY: All right.

MR. TURRINI: Absolutely.

So leak-prone pipe recovery metric, we are proposing to replace a minimum -- a base minimum of 115 miles a year in Long Island and 50 miles a year in New York. There would be a negative revenue adjustment for failure to hit that level of replacements. There would be a surcharge recovery for incremental miles above the base target.

So just the example, if we were going to -- we'd have 115 miles covered in rates in Long Island. If we wanted to replace 20 miles more the next year to get us to 135 miles of pipe, we'd recover that cost through a surcharge.

There would be an incentive for additional miles above the increasing incentive threshold. So set at the base target for calendar year '17, increasing by 5 miles in New York and 15 miles per year. And the incentive targets would be designed to drive us to get to a 20-year replacement program.

Okay. Gas safety violation metrics. We want to restructure the gas safety violation metrics to adjust risk, increase focus on prospective compliance improvements, and provide incentives for safety compliance initiatives. There would be 20 to 30 basis points for year. For KEDNY, that would be between $5 and $8.9 million. And on Long Island, it would be between 3 and -- 3.9 and 6.5 million.

We would cap the number of occurrences per code section or audit at 10. For code sections with more than 10 occurrences, the Company will submit a root cause analysis and a detailed compliance improvement plan. Staff and the Company would develop a mutually agreement --

agreeable compliance improvement plan, and the Company would incur a penalty for failure to execute compliance of -- for execute the compliance improvement plan. And we would provide for the ability to proactively self-report and address violations outside the normal audit process. So we are looking to do that.

Okay. The last piece on gas safety would be gas safety incentives. The Company and Staff would work to agree on a set of safety incentives, initiatives and programs to be completed during the calendar year. The Company will earn an incentive for timely completion of the programs.

Some potential examples of these safety or compliance programs could be increased public outreach and education enhancements, process enhancements, or developing new safety technology. Potential incentive would be 10 basis points.

All right. With that -- yes?

MR. LOUGHNEY: Just assuming the Company performed very well and got all of the incentives that are proposed, what is the total amount of incentives that are out there on this pilot?

NIDENTIFIED SPEAKER: In this area, I think there's about 18 basis points.

R. LOUGHNEY: 18 basis points just in the safety?

UNIDENTIFIED SPEAKER: Sixty or seventy basis points, negative revenue -- But certainly more than any revenue adjustments --

MR. LOUGHNEY: But this is just in this particular section? Is there any overall total of how many incentives are on the table with the filing?

MS. VIAPIANO: There's only 2 --.

UNIDENTIFIED SPEAKER: No, those are offset. You'd be offset and then you have the incentives. So there's no -- the offsets just incentive only would be $2 million.

MS. VIAPIANO: So it's around 10 versus potentially --. Those are the only 2.

MR. TURRINI: So if we don't have any more questions, I'm going to turn it over to Johnny Johnston.

Johnny?

MR. JOHNSTON: Thank you, Ross.

Good afternoon, everyone. My name's Johnny Johnston. And as you can probably tell from my accent, I am not a native of Brooklyn where I now live.

I've been running customer meter services, the vice president of customer meter services for the last couple of years. And as you can see by the job

title on the slide, I'm just in the process of transitioning roles to run our Gas Enablement Project, which is mentioned briefly in the case. But here today, I'm coming to talk about O and M spent.

So the beginning, Pam talked about this being a major driver in the case. Just to get people's eye in, when we talk about operations and maintenance, clearly it's the operations of our networks, our control centers, the maintenance of our assets that are above ground. But it also includes a number of things that don't always immediately spring to mind.

So it's responding to customer requests. It could be moving to a home and want your gas service turned on, and that's included in our O and M. Importantly responding to gas leaks or other gas emergencies is -- is part of our -- our O and M costs. And Ross talked a lot about our CapEx programs, but actually with all of our CapEx programs that come on and explain, there's O and M costs associated with that. So we'll go through that as we go through.

And we've seen a substantial growth in our -- in our O and M costs. So you can see on this graph at the bottom, for KEDLI and KEDNY, the test year, what we're expecting to spend in the year ahead and then into the -- the

first year of the case, and that steady growth across. And -- and that equates to for KEDNY an -- an increase from the test year of 47 million, and for KEDLI an increase of 13 million on our test year case.

What's driving that? It's very much aligned to what Ross was talking about. It's our focus on increasing public safety, it's responding to customer needs, and it's supporting the growth of our capital programs, but also the growth in the towns and cities that we operate. And we heard a little bit around the growth that we're seeing in Downstate New York and -- and Brooklyn. And certainly as a resident there -- there, I can say Brooklyn is booming. I've never seen so many cranes and so much construction as is going on at the moment.

But what you can see from that increased workload, the O and M related to CapEx and safety programs which Ross talked a little about is actually the breakdown between New York and Long Island is -- is quite different. So in the top pie chart there, for KEDNY 47 percent of our incremental O and M cost is tied to increase in workload, 32 percent related to capital investment, and 20 percent to our safety programs.

For KEDLI it's only 12 percent related to incremental workload, 55 percent tied into O and M related

to capital, and 33 percent related to our safety programs.

Ross mentioned the increase that we're seeing in leak calls coming in to us. And so this chart here shows the dramatic increase that we've seen. 2016 forecast to be 62 percent higher than 2014. And for anyone that's used to looking at the long-run average of -- of gas leaks, as a utility we're normally used to those coming down year on year. So this is not a normal chart to be sharing in terms of looking at the -- at leaks.

And there's a few drivers in -- behind that. So Ross mentioned the New York Fire Department protocol. This was something we worked with Con Ed and the fire department following the East Harlem incident where now or in the past the fire department would respond to gas leaks that came into 911 and would only call us if they felt there was a real need. Whereas now, on every gas related 911 call, we are also rolling a truck, which is a significant increase. There’s over 12,000 incremental calls a year. And that's the biggest driver of this increase.

But because of public awareness and some of the incidents that happened, it's absolutely clear that the residents of New York are more likely today to pick up the phone when they smell gas than they were a few years ago. And so we are seeing incremental public calls coming in. And

it's fair to say that we've had a couple of extremely brutal winters that have challenged some of our aging assets that have driven an increase in calls, as well.

You'll see in terms of the first rate case year on -- on the right here, the calendar year '17, rather than projecting the trend that we've seen for the last few years forward, we do believe we've reached the peak. And we've brought the forecast down for the first year of the rate case to be lower than what we're seeing today. Time will tell, but we -- we hope that we have gone through that peak period and we are now starting to see the volumes to come back into line or -- or are on a reducing trend.

Of course, once we respond to those leaks, we tend to find that something needs to be repaired. And so we've seen an increase in our leak repairs over the similar period. So in KEDNY, leak repairs are up 26 percent over the same period, KEDLI 10 percent. And with that goes the surveillance work that we need to do with those leaks until they are repaired. So all of those are significant drivers of the incremental costs around managing leaks. And Ross mentioned the reduction targets on the type-3 leaks.

Our instrumentation and regulation assets. These are critical assets to maintain a reliable and safe network that includes the pressure reduction stations

that take the high pressure gas from the transmission mains down to safe distribution pressures. It includes the remote valves that we have to control the flow of gas around our networks. It includes the gas quality monitoring equipment to make sure that gas is of the right specification going to our customers' homes.

What you can see in the chart at the bottom here is the significant increase in those assets over the period of time from 2011 to 2017. In fact, for KEDNY it's a growth of 163 percent. And KEDLI it's 550 percent. That growth in those assets is really being driven by the growth and demand in the new sources of gas that we're bringing into both Long Island and New York City to make sure that we can sustain the demand for -- for gas.

And with each of those assets comes the maintenance to keep them operating safely and -- and to maintain and protect their asset lives. And so really it's just the incremental assets that's driven the incremental cost here.

Inactive accounts, this is also known as -- has been referred to, at least in National Grid's case, as soft-offs. This is our approach to when customers move out. Traditionally we would tend to leave the gas supply on to make it easy for the new customer coming in. Following the

Paige Street incident in Schenectady, we worked very closely with the PSC and have agreed to make sure that we lock every customer's account when they move out.

And that significantly increased our workload here. A large proportion of those increases were included in the test year. What wasn't included was, as we were rolling out the new procedure, is the follow-on work where we've been unable to gain access through our service reps. And we either have to cut the service in the field or go through a legal route to gain access. And so that is included in our -- our rate case projections.

The other thing that I would mention tied into this is on customer investigations on their bills. So Ross mentioned the AMR project. We saw in Long Island when we rolled out AMR a significant increase in calls for -- for bill investigations which required field visit, really driven by people that haven't had an accurate bill for a long period of time that had a lot of estimates.

And then we rolled out AMR and they were now getting an accurate bill, and it was very different to the bill they had been receiving, and really want to understand why that was. So we've got a 10 percent increase in a temporary basis for our bill investigations, and then that drops off as the program comes through in 2018.

Local Law 30, this has been a -- a New York City program that's been around since the '70s. In the '90s, there was some modifications that required us to get to a multi-occupancy buildings and put a curb valve in the street by the end of 2010. And the Company successfully completed that. And then for 1- and 2-family premises, we had until 2020 to get that work completed.

In the progress that we've made since 2010, we've completed more than half of those curb valve installations that we need to make. However, 2020 is coming around quickly. And to enable us to get the remaining just over 60,000 valves that now need to be put in place, we need to significantly ramp up this program over the 3 rate case years. In fact, it's been ramping up this year and it will be ramping up again next year to make sure that we complete that program in time.

We've heard about City-State construction. We've heard particularly around the -- the capital portions of that, there's also an OpEx side to this where we would be, for example, shoring our pipeline assets for other people's construction to make sure we protected them and -- and avoided catastrophic failure or more significant remediation and recovery efforts.

We -- I think Ross mentioned we have

proposed that there's a tracker for these costs because they have increased so significantly, so we can marry offspend with how those go up and down as time goes forward.

I talked about the OpEx or the O and M that we have to spend with CapEx. There's direct spend. In this case, every time we lay a new main the cost of moving the old services or the services from the old main on to the new main is an O and M cost. And with the increased mileage that we're seeing both in New York City and in Long Island, that's driving incremental O and M costs to do those movement of the services from the old main to the new main. And it just lines up with those increased lengths of pipe.

Also it will be no surprise to you, but there's a bunch of people behind the scenes for every dollar that we invest in capital. It's the systems engineers or investment planners resource planning. And with each and every one of those individuals, there's a degree of O and M spend to cover their training, some of the traveling, on boarding, administrative costs for our O and M contracts which also flow through into the rate case.

And I think the key message here is every time you spend another dollar of capital, there's always a -- a few cents of O and M that come along with it. And -- and often we're -- we're quick to forget those.

Ross talked a lot about gas safety, so I won't repeat the -- the items that he covered. But a couple of extras here. Damage prevention, we did have -- we have still, despite a really strong damage prevention program, a large number of people damaging our assets. In calendar year '14, it was 263 damages. And so we're looking to further reinforce our damage prevention program with additional assesses in both Long Island and New York City. This is really about trying to prevent third parties from causing a catastrophic event from damaging our gas infrastructure that's underground.

There's a number of inspections that we are adding in that we didn't used to do following on from incidents that we're learning from, from other utilities.

Our compliance analyst program has been a real success for us in the CMS area that I run and -- and in Bob's field ops operation. We're looking to extend that out to another -- a number of other areas, damage prevention, dispatch. And that's included through the case here that really is helping to get us on the front for -- and ensure we're keeping the public safe.

And finally, our quality assurance program. Modest increases there in the inspectors that go out and make sure that the work that we're doing is meeting

all the code requirements that we require.

So when you add that all up, this is how it breaks down for the 3 rate case years. As I said at the beginning, an incremental $47 million from our test year for KEDNY, $13 million for KEDLI. And you can see how that then flows through to the next 2 years.

So I'll finish up where I started. It is a significant increase in expense, but driven by the need for us to maintain or enhance public safety, support the growth of our assets to support the reliability of our networks instead of our customers, and of course, to support the growth in the towns and communities that we serve through their capital investment programs.

Any questions? Yes?

MR. RIDER: I know the Company has a plan that it goes through annually for its capital expenditure budget, and then -- then it takes that plan to the board of directors and the board of directors approves that year's plan.

Is there a comparable plan for O and M expense? Specifically, with related to the increased capital expenditure, workload, and the safety programs?

MR. JOHNSTON: So there's a -- the process that we go through with O and M is, in some ways,

very similar in that we have an annual budgeting process that goes through Ken Daily's (phonetic spelling), the jurisdictional president, ultimately all the way through to -- to create the -- the PLC's results. And we do the best that we can to make sure that we coordinate the O and M elements of that plan to make sure they line up with the -- the capital plan.

So if there's incremental capital, we will do our best to line up the O and M costs with that. I think it's fair to say that we don't always do that as well as we could do, and often we find that there's a lag in the O and M aspects to the capital. And we find ourselves struggling to catch up or keep up with the delivery that -- of the capital plan. I don't know if I answered your question.

MR. RIDER: Does the board of directors approve the O and M budget?

MR. JOHNSTON: Yes, they do, ultimately. So I guess a little bit like the capital plan, when -- ultimately they are -- they're -- they're -- they approve the business plan for -- for the business which will include the capital and the O and M aspects, yeah.

MR. CONWAY: So -- so Aric, there's a very -- there is a very detailed OpEx plan approval process

that we -- that we go through every year. That includes the -- you know, we develop -- we develop the OpEx plans when -- when we. That all gets rolled up in the U.S. level and that -- that eventually gets approved by -- by the U.K., the board of directors on what we're inspecting, what the -- are, and the associated work that's going to be --.

MR. RIDER: And currently, you're almost done with your FY '16 plan. And has the board of directors approved the FY '17 plan yet?

MR. JOHNSTON: So the FY '17 plan, as I understand it -- I'm just looking at Ross to check -- is going through that approval process as we speak. I don't think it's been finally signed off.

MR. CONWAY: It's going through the approval process as we speak. There's an e-mail.

UNIDENTIFIED SPEAKER: -- currently we have the whole process that we --.

MR. RIDER: So when do you anticipate that? Sometime in March?

MR. JOHNSTON: It normally comes through about middle of March.

UNIDENTIFIED SPEAKER: The question was when we will get board approval?

UNIDENTIFIED SPEAKER: I -- I don't -- I'll

have to get back to you on that.

MR. RIDER: And in -- in your testimony, it explained that you anticipate that you would hire a lot of FTEs in the -- in the -- you know, the linking period up to the -- to the beginning of the rate year. Is that still currently your plan that you're ramping up to achieve the level of work anticipated in the rate year?

MR. JOHNSTON: Yeah, absolutely. So we've got a significant hiring plan. So -- and speaking personally about CMS, I know that I've -- I've got more resources on property today than I had a year ago, and also expect to have more resources on property a year's time from now.

I think there's a much more significant hiring plan in our engineering team, which is really we -- we've not done the hiring that we've needed to, to keep up with the capital plan.

MR. CONWAY: So on the -- on the engineering construction and resource management analogy -- 130 people? Well, that's across the U.S. That's not just for New York State. But it's significant. And then there's subsequent more hiring that happens in the first year of the rate year; correct.

MR. RIDER: What -- I guess one of the things that I'd like to understand, moving forward, is what

your base level of employees are and how retirements -- the hires you anticipate and what your net change in FTEs are? I -- I guess I want to understand that if there -- how the -- the plans relate to the work that you're going to do, but also the folks that are really experienced and retiring.

MR. JOHNSTON: Yes, so I think we'll have to take that one away in terms of being able to -- to feed that one back. I mean, it's a good -- it's a good point. You look, I think, across the utility sector and National Grid is certainly no different.

But our -- our H profile is heavily skewed to people closer to retirement than I, and -- and it will be a huge drain of experience from our operations, which is just going to add to the challenge of having to ramp up resources at a time when we have a number of experienced resources retiring. It is a real challenge for us.

MR. RIDER: Along that vein, though, in your testimony you said that you were working with other entities to develop the workforce. Can you touch on that topic a little bit?

MR. CONWAY: Maybe Bob, some of the work that -- some of the local colleges and some of the other places would be where we would develop that workforce.

UNIDENTIFIED SPEAKER: In anticipation

of that exact opportunity for us with the work going up, we -- we've -- we've got the -- really I think some of the most innovative things that you'll see out in the industry that we've been putting to practice.

One, working with our contractors, number one. Our -- we work through incremental unit price contracts with them and pricing for them to add additional resources on to their existing crews, for example.

So we worked in partnership with them and said go out and hire more helpers, get them on your crews. They'll be able to make the crews, you know, more productive with regards to the additional laborers. And over time, they're going to gain the experience, be able to take the qualification exams so that we can break them up into, you know, additional crews going forward. So we've been doing that.

Our contractors, in turn, have also been innovative and built training facilities on their own in order to help stay ahead of, you know, the need for addition -- additional resources, going forward.

They've been very innovative with the union halls that they're associated with. And, you know, we've been able to keep up with that pace and anticipate that that's going to continue going forward. So that's number one

with our contractors.

In parallel, we've been working with our own union leadership, and over the past couple of years have -- as part of collective bargaining, have increased the ability to go right to the outside and hire laborers and helpers the same way that our contractors have been able to get them into the Company, get them onto our crews, and begin the process of starting to train them, because it does take a good 3 -- 5 years before you've got a qualified mechanic.

In partnership, though, along the outside, we're working with some of the veteran programs, energy to hardhats or helmets to hardhats, energy to troops, troop -- troop to energy, something -- a lot of work going on with our veterans, as well as partnering with the educational sector.

We've just created a brand new program with Farmingdale State University, right on Long Island, with a certificate program that they're going to offer with college credits. And as they graduate, they're going to be certified in partnership.

The training's actually going to happen at our learning and development facility in Melville, right -- right across the street from -- from the campus. And they'll graduate from that program and we're going to hire

them directly.

We're even talking about if you come work for us, you know, we'll -- we'll actually help and give you a rebate towards -- towards the cost of your education. So I mean, there's a litany of things like that that we've been doing to stay ahead of this curve.

MR. RIDER: Thanks, Bob.

MR. LOUGHNEY: I think you -- going back to page 83, you were talking about Local Law 30.

MR. JOHNSTON: Yes.

MR. LOUGHNEY: And you -- did -- when did -- when was that passed?

MR. JOHNSTON: 1974.

MR. LOUGHNEY: Okay. And then I think you said there's 67,000 that have to be converted out of maybe -- I thought the number was double that, so.

MR. JOHNSTON: Yeah, so I think when we got to about 2010 when we completed the multi-occupancy properties, there was about just over 120,000 left to -- to be completed. We've completed over 60,000 of those now. And we've got -- I know on the slide it says 67,000. I think today we're standing at about 60,000 left to complete.

MR. LOUGHNEY: I guess the question is how -- how come they're so back loaded here, or why --?

MR. JOHNSTON: So the strategy that we had to complete this was to -- to do this work as we did other work. So rather than going out and digging holes in the street specifically to put a curb valve in, when we were in that street doing mains replacement, when we were there on a -- on a leak and we -- we had to dig a hole, we were adding those valves as we went. And we've got to a point now that if we carry on with that strategy, we're -- we're not going to complete the program in time.

And so -- so that's why. It was back loaded because we were trying to do the work as efficiently as possible as part of our existing work plan. And we're now in a place to make sure that we complete by 2020. We're going to have to do incremental work outside of the existing work plan to complete.

MR. LOUGHNEY: Okay.

MR. JOHNSTON: Any other questions?

Okay. I think I'm handing over to Pam.

MS. DISE: Good afternoon. My name’s Pamela Dise and I'm going to be presenting the overview of ECOSS, revenue allocation, rate design, and bill impacts. Primarily I'll be talking about differences, changes, and then the results of the studies.

So first of all, starting with the

embedded cost of service study, we're using the traditional 3-step methodology. You can see the functions on the third bullet, supply and storage, transmission, distribution, procurement, billing, metering, collections, and sales promotion. We pretty much used the same methodologies that we've used for classification allocation. There's just some minor differences. And all revenues flow through the ECOSS.

Second bullet is special studies. Every ECOSS has the minimum system study so we updated the minimum system study, and you can see the results there for KEDNY. Approximately 38 percent is the result for the customer-related. And for KEDLI about 41.65 for customer-related. We updated the typical cost for services and meters. We updated the competitive function studies, and there were some other accounts, specifically 903 and 880, where we had to dig a little bit deeper and go into special studies to try and look at the cost causations.

Revenue allocation. So total delivery revenue increase, I believe, as Pam had talked about way this morning, is approximately 30.1 percent for KEDNY. That's where we've rate designed, 30.1 percent for KEDNY and 25.8 for KEDLI.

So and you'll just see in a slide that I'm going to show in a -- in a minute or two that there was

some quite extreme impacts and a diversity between impacts by customer classes.

We traditionally started to do the band analysis where we tried to get customers to the upper or lower limit of the band. It still resulted in really extreme bill impacts for some classes. So we determined that we should do is -- is basically go back and look at each one of the classes and have specific revenue increases for residential, nonresidential, and multifamily. Those are firm classes. The other ones are specific rate designs which we'll talk a little bit later.

So for KEDNY that resulted in a 31.5 percent for each one of those classes, residential and nonresidential and multifamily. And for KEDLI it was 26.7. The other classes -- and you'll see in a slide that I'm going to show later. The other classes are over returning, so they have a bit of a smaller increase.

Still holding true to some of the requirements for a cost of service study, we moved each one of those classes closer to parity. So closer to the system average, somewhere in the neighborhood of 75 percent for KEDNY and 50 percent for KEDLI. And those are all shown within the embedded cost of service study in the Company's filing.

So the first slide I have here is a result of the ECOSS and the revenue allocation for KEDNY. And as you can see -- you can see the disparity that I talked about, right. So the classes are in the first column, description in the second, revenue at present rates in the third column, and then you can see the return at present rates in that fourth column.

The system average return is a 2.4 percent and you can see we go anywhere from a negative 5 percent for our residential non-heating customers, upwards of 30 percent for our temperature control customers. And if we totally throughout doing any sort of gradualism or doing any sort of banding, that next column would be the absolute increase you would have to give to customers to get them to the system average increase.

So we'd be giving residential non-heating customers in the neighborhood of 65.5 percent increase and reducing TCs in the neighborhood of 30 percent.

And as I talked about on the prior slide, you can see residential, nonresidential, and the multifamily. We gave them a common increase so the 31.5 percent. And you can see that the other classes are -- are somewhat smaller increases.

And there is a progression towards unity

in the last column, which you can also see in the embedded cost of service study. So they're all making progression towards unity.

The second slide is the same for KEDLI, same setup. Our overall return at present rates is a 3.83 percent and you can see the wide range of increases or decreases -- I'm sorry -- the wide range of return at present rates, anywhere from the neighborhood of negative 3 to upwards of 100 percent. Again, the next column is the absolute increase that we would give them if there was no use of gradualism.

And again, the next column has the residential, nonresidential, and multifamily at a common class increase of the 26.7 percent, with the other classes less. Again, progression towards unity.

So that's revenue allocation. On to rate design. So I went through ECOSS, I went through revenue allocation, and now rate design.

As I had mentioned earlier when -- when Kate was presenting, we made the determination at this time not to make any increases to the customer charges for residential, nonresidential, and multifamily customers. I say that absent what I had said earlier, except for the non-heating residential customers. They have such small

throughput that we were getting some really strange per therm amounts if we didn't put something in the customer charge. So there's a small increase in the customer charge.

And then the other thing that we tried to do was to make sure that the tail blocks for all of the classes, where -- where some were close to the demand, right, the -- the variable rates, so the demand rate. And you'll see that when you go through the rate design pages, that most of the classes are within that 35 to 39 percent for KEDNY, and 35 to 42 percent for KEDLI. And that equaled, like we said, out the ECOS study, the demand plus the SIR costs that are being recovered within base rates.

Then we did rate design changes for TC And I have a specific page for TC so we'll go through all of the TCs. But one of the things we did with TCs is to make sure that we set the -- they're only one rate -- one block. So we set their volumetric rate to the tail block equal to their otherwise applicable rate. So if they're an S.C. 2, we set it to the tail block of 2. Or S.C. 3, we set it to the tail block of three.

Okay. So on to monthly typical bill impacts. And the numbers that I'm presenting here are the numbers that you'll find in the rate design testimony and exhibits. And so when you look at these bill impacts,

they're bill impacts of 2017 prior to rate case, to 2017 after a rate case. So those are presented a bit differently than what Pam was talking about earlier on where she presented bill impacts.

She was looking at the historic test year to the rate year, and so the biggest piece that you won't get when you look at my rate design, when I look at the panel's rate design exhibits is rate year to rate year and typically commodity is the same across.

And so historic test year, which you'll find in Ken Daily's testimony and -- and also what Pam presented in the revenue requirement, also presents that the commodity prices have come way down since the historic test year. So those would be the differences that you'll see in the -- the policy testimony and the revenue requirement versus the rate design. So just to make sure that that's clear.

Typical customers are shown here. And if you -- we put the typical monthly therms in here because residential customers are -- across the state typically use or present to typical customers using the same therm rates. When you start to get up to nonresidential and multifamily, there's really not a typical customer within those classes. There's a wide -- for KEDNY and KEDLI, a diverse usage

pattern within those classes.

We tried to take an average which -- within the middle of those classes to present typical bills. But I would encourage you, if you're looking at specific customers or if you want to understand the impact of all those classes, that you go to our RDP 4, which has all of the volumes and you can see how it impacts lower usage customers and higher usage customers.

So the way this is laid out, like I said, the typical monthly therms is what I'm showing in the third column, proposed total bill, and then it gives you the dollar amount for increased delivery, the increase total, and then the percentages.

And remember these are typical customers, not class averages, so the -- the present -- the percentages I showed you earlier are the class average. They'll be different based on the volumes used by specific customers.

MR. LOUGHNEY: So, Pam, just following up on that. Comparing page 107 to 110, for let's say residential heat, the -- the delivery increase was 31.5 percent.

MS. DISE: Correct.

MR. LOUGHNEY: But for this typical customer

it's 26 percent or -- yeah, residential heat?

MS. DISE: So we're on KEDNY --

MR. LOUGHNEY: Yes.

MS. DISE: -- residential heating customer.

MR. LOUGHNEY: Right.

MS. DISE: The delivery increase, just the delivery component of what we're doing base rates on. So it's customer charge and it's therms --

MR. LOUGHNEY: Correct.

MS. DISE: -- will increase by 31.5 percent. So then if you go to the typical bills for KEDNY, we were residential heat -- is that what we're on?

MR. LOUGHNEY: Yeah.

MS. DISE: Residential heat. So they have a delivery increase of 26 percent. So there's also surcharges in there; right? So you have to take into account SIR surcharge I think is a big one.

MR. LOUGHNEY: Oh, the surcharges are included in -- on the --.

MS. DISE: The surcharges would be in total monthly bills. The other ones I was showing you were the delivery impacts that we do rate design on. And so what we're doing rate design on is basically the -- what we put into the customer charge and the per therm delivery charge.

Total bill impacts, if you go to RDP 4, has all of the components on the bottom.

So you'll see the customer charge, you'll see the per therm, and then you'll see any surcharges that roll to delivery. And then you'll see any surcharge -- I shouldn't say -- any volumetric charges that roll to commodities. So the MFC would be broken out separately also.

MR. LOUGHNEY: Okay. So I can't look at these 2 pages and say that this typical customer is getting less than the system average because it's a lower usage customer?

MS. DISE: You -- the -- if you're talking about system average increases, you should be looking at 107; right? So the system average that we gave --

MR. LOUGHNEY: Right.

MS. DISE: -- the entire -- the entire -- or the entire KEDNY had a system average increase of 30.1.

MR. LOUGHNEY: You can't compare the two pages. Okay. Okay. I'll look at the RD whatever it was.

MS. DISE: It's -- the last page of the presentation shows the schedules where you can find everything.

MR. LOUGHNEY: Okay.

MS. DISE: Thanks, Pam.

MR. RIDER: Hey, Pam. Just -- just one clarification? These bill impacts do not include the gas safety surcharge or any changes to the SIR surcharge? I mean, new -- new dollars flowing into the SIR surcharge?

MS. DISE: Right. The only piece that's in here is the one-tenth of the balance of the amortization for the surcharge. All of the other ones, and I have a slide on -- on the surcharges. All the other ones are reconciliations on a going-forward basis so they equal zero in these bill impacts.

MR. RIDER: So your safety charge -- you're not forecasting what the revenue requirement impact is in the rate year and starting the surcharge? You're going to wait until those dollars come in and then you surcharge it in the following year?

MS. DISE: Correct. Because the -- the forecast is a forecast. So anything over and above the forecast is going to flow through that surcharge. So anything over and above the forecast right now is zero.

MR. RIDER: Same thing with the SIR expenditures?

MS. DISE: Yes.

MR. RIDER: Thank you.

MS. DISE: And so -- and -- and, Greg, I

should have answered you earlier when I was up here, but I -- I didn't think quick enough on -- on my feet about whether the increase in the 5 percent or low-income customers absorbs the impact that they would see. And you can see from this slide, it does not.

They have a total bill increase that's a bit less for KEDNY than their -- you know, the residential non-heat customer is because it's -- well, first of all, starting with a smaller bill, they get a smaller increase and the percentage is a bit smaller. But it doesn't totally absorb it. That's -- these are KEDLI's and you'll -- you'll find these in the exhibits. That's KEDNY's. Sorry. And this is KEDLI. And the same is true here, also.

Low-income discounts. Everyone okay with bill impacts for now? Okay.

Moving on to low-income discounts, this is just, you know, reiterating what Kate had said. We increase it by 5 percent. For all low-income customers, the customer charge was reduced by another 5 percent. And then in the low-income for heating customers, the block next to the last block, we also reduced by 5 percent during the winter months.

Those are collected -- those low-income discounts are collected from all firm customers. And you can

see the rates that are applied to the therms outside of the customer charge. So the actual discounts given and the actual revenue collected from customers for the low-income discounts will be trued up for the end of the year and deferred for a future refund or recovery.

Next one is changes to the merchant function charge. So the -- the primary change, and we're trying to align this with what is -- what we have at Niagara Mohawk Upstate. For the first 2 components, what we had done prior in KEDNY and KEDLI is to use the gas forecast and apply the uncollectible rate and the working capital rate to a forecast, and then for the end of the year, true up the actual commodity expense to the rate and flow it through the next year.

And what we do at Niagara Mohawk and we're proposing to do at KEDNY and KEDLI is to actually use the gas cost for the next month. We have the rate and we're going to apply it to the gas cost the next month. So it -- it does away with any of the reconciliation at year end.

The third bullet is we're modifying the return requirement on gas storage. And that's to take into account the Company's retail access program.

And the fourth bullet is TCs and ITs will now get a merchant function charge. And I'll talk about

that when I get to the TC slide because we're moving them more to a cost of service study -- or cost of service rate. And so they should pick up a piece of the MFC.

And this is just a chart to kind of --.

MR. DOWLING: I got a question.

MS. DISE: Yes?

MR. DOWLING: Over here.

MS. DISE: I'm sorry.

MR. DOWLING: What -- what's the purpose of including transportation customers in the market for function charge?

MS. DISE: Okay. Kelly? I know, a superficial -- function charge, Kelly Smith, who works for me, did all the detailed work, so I'm going to have her jump in.

MS. SMITH: I don't -- so transportation customers are still -- where they still have to pay the credit collections component and the uncollectible component. So we -- when we developed the credit and collections per therm charge and the uncollectible, we would basically charge the ESCOs for that component for any customers they have that are transportation customers.

In addition, we also charge customers -- transportation customers for any of the return on the supply

storage. And that goes to the TAC.

MS. DISE: And this is a chart to put into -- keep them straight, mostly for my purpose. The LAUF. The LAUF, we're updating so KEDNY -- KEDNY currently does follow the LAUF so we're really just updating the rates. We're going to the last 5 gas years and updating the LAUF target. You can see the current target is 1.53. The new target will be 2.27. 2 standard deviations around that gives you the upper band and lower band. So this is just really an update to the current LAUF target.

KEDLI currently isn't following the White Paper. I'm required at the next rate case to implement the White Paper. So their current target is a negotiated target. So we're implementing the 5 years of gas costs. A new target is 1.476. And you can see the standard deviation and the upper and lower band which we'll start sharing customers.

MR. RIDER: Hey Pam, that -- that lower dead band on KEDLI should be zero.

MS. DISE: Oh, yes. Thank you, Aric.

Okay. Revenue to coupling. So KEDNY and KEDLI both have revenue to coupling for the residential heating customers, and the target is revenue per customer. We've updated that to reflect the new rates, the proposed

rates.

In addition, we're proposing to expand the revenue to coupling to nonresidential and multifamily. As I mentioned earlier when we were going through the bill impacts, there are no really typical customers within those service classes. So we didn't think that it was appropriate to come up with a revenue per customer as a target. So we're asking for a revenue per class. And in addition to that any incremental customers over and above the growth in the forecast, we're asking that the Company be allowed to maintain the marginal costs associated with those customers.

Electric generator revenue. Currently electric generator revenue flows through the -- the GAC. We're proposing that it's -- it's in base rates and goes to all customers, firm and sales customers. Sorry. So it goes through base rates and then we have a reconciliation that will true up each year and those variances will flow through the DRA.

Okay. Temperature control customers. We recognize that we needed to change the rate design for the temperature control customers. In addition to that, just changing the rate design on how we propose it in this rate case, we didn't feel was going far enough. We want to be able to hold a collaborative once we get an order in this

case to really step back and look at all non-firm types of customers to try and determine the most appropriate rate designs for those customers.

In the interim for this case, we're proposing not to accept any more TC customers. And we recognize in doing that, we can put them on the interruptible customer rate, but we needed to lower the threshold so we can allow the customer --.

In addition, we updated the demand charge. We went back and looked at all the fixed gas costs allocated across the different classes, updated it for TCs, which they see a reduction from 46 cents to 34 cents. We already talked about the MFC charge. We're going to implement the MFC charge.

We took a look at the embedded cost service study and what their costs were specifically for metering, and we updated their customer charges. And then as I mentioned earlier, their volumetric rate is such to their otherwise applicable tail block. So if they're an S.C. 2 customer, it goes back to the tail block on the S.C. 2 and S.C. 3 goes to 3. And we remove the imputation of $102.3 million. And, again, I mentioned the collaborative on a going-forward basis.

Combine KEDNY and KEDLI GACs. We're

proposing to combine the GACs on a -- a forecast and a reconciliation perspective. And I'm going to speak about this, and if it gets down into the details, Liz Arangio (phonetic spelling) is the expert, so -- and unfortunately she's not here today. But basically, as I -- as I understand it, the operations and the procurement, going forward, is very similar to KEDNY and KEDLI. We had a lot of grandfathered contracts which are really rolling off.

Currently the customers pay the same commodity costs, so we're just asking to be able to put the fixed costs also on a common -- on a common basis. So we'll continue to file separate GACs because there are some costs that -- that flow through differently for those 2 entities. I'm going to modify the monthly cost of gas calculation to implement a common per therm gas fixed cost and on the fixed cost credit.

And so this has a small impact by doing the switch. It impacts KEDNY by less than 1 percent in downward bill impact and KEDLI .6 percent in total bill impact in that first year when we make the switch just based on forecast basis.

MR. LOUGHNEY: I'm sorry to take you back one, but to 118, what is the fundamental problem with the TC customer class and the fact that you're eliminating it? What

-- what -- what's driving that?

MS. DISE: And -- and I'll have Dawn jump in if I don't explain it fully. But the 1.23 imputation, as well as trying to price them at market, caught them paying sometimes equal to firm or in some instances more than firm. And it's not a firm service.

So we needed to step back and recognize that those customers don't get firm, look at the cost that roll out of the embedded cost of service study and charge them more from a cost of service perspective.

MR. LOUGHNEY: Why not just fix it so that they're paying less than firm? Like just adjust the rate design and -- and continue with the --.

MS. DISE: They are paying less than firm now.

MR. LOUGHNEY: Okay.

MS. DISE: They're paying less than firm. Their customer charge goes up a bit. Their demand cost goes way down. They're paying much less than firm. Firm is somewhere over a dollar for the demand charge. They're paying 34 cents, and they're just paying the -- the -- the tail block, which is the smallest block. So they are paying less than firm now.

MR. LOUGHNEY: And that's also --

MS. DISE: Under this new rate design.

MR. LOUGHNEY: -- that's also affecting the IT rates?

MS. DISE: Correct. They're modeled the same.

MR. LOUGHNEY: So they're -- they're -- they're being reduced, too, because they were kind of being priced off of also**?**

MS. DISE: Same. Yes.

MR. LOUGHNEY: Okay.

MS. DISE: So we've tied it right back to their otherwise applicable rate.

MR. LOUGHNEY: And what's the implication of the removal of the $102 million imputation?

MS. DISE: So -- so Dawn, can you -- can you talk to the 102 million because it's -- it's a Legacy thing and -- and I don't want to mess it up.

MS. HERRITY: The $102.3 million imputation was a result of a settlement case that we had for KEDNY that increased the revenue imputation for the TCs. So it was originally -- GAC in the old case was like say $85 million, and it ramped up each year thereafter. And then with the settlement, it ramped up again to 102.3 million.

In the rate design for the proposed case

this time, we're saying don't treat it where you got to hit some kind of cap or what's embedded. We'll just say design the rates and make it less than firm. And then say, okay, X amount is now in your base rates, embedded in your rates. And that's -- it's just the difference -- that treating it differently, the revenue imputation.

MR. LOUGHNEY: So when you priced out the different service class -- classifications, the TC and IT classes are priced out and it's somewhere less than 102 million, I assume?

MS. HERRITY: Absolutely, yes.

MR. LOUGHNEY: And that's just then being rolled into the overall revenue requirement?

MS. HERRITY: Yes.

MR. LOUGHNEY: Okay. All right.

MR. DOWLING: Just one more thing to clarify that. This -- this $100 million that's been counted against firm rates in the past, if -- if I'm working this through right, that's equivalent to adding another $100 million to the -- $102 million to the rate increase request on the first page. Is that correct?

MR. LOUGHNEY: It would be 102 minus the -- what you're recovering from the projected revenues; right?

MS. DISE: Correct. Yeah. It's not the

whole 102 that we're asking for, right. It's -- it's -- the 102 is what we trued up to before. Now we're just flowing through the forecast of the revenue of the electric generators, which I think is in the $60 and $80 million range.

And as I mentioned, we want to initiate a collaborative upon order of this -- this case in order to start looking at all non-firm customers to try and determine whether temperature control is appropriate or inappropriate or whether there's some sort of demand response type of rate that we can charge. And we want to bring all the parties in, the TCs, the ITs, Staff, and anybody -- interested parties.

Combine KEDNY and KEDLI, I went through.

And then some miscellaneous tariff changes. I have KEDNY and KEDLI separated. There -- there's some nuances between each one. And we talked about the gas safety and reliability and -- and Aric just mentioned that, too. So -- and I -- I think Ross touched on it, too. So it's recovery of costs associated with incremental replacement of the LPP, the leak-prone pipe, above levels funded in base rates. And also the cost to repair system leaks in excess of Company leaks.

It's going to be a per therm recovery, and it will be recovered from all firm, sales, and

transportations. And you'll see that through the DRA.

The New York Facility System surcharge, so the New York Facility System is a high pressure transmission system that spans both KEDNY and KEDLI, as well as Con Ed. So there's sharing of cost and expenses and revenues. And we're asking that this also is flowed through, whether it be a cost or a revenue through a surcharge. And will also be included in the DRA.

And then the SIR recovery surcharge, which Aric had just asked about -- asked about, that beginning in 2017 will be collecting one-tenth of the balance of the 1231 deferrals. And then beginning in 2018, we'll also be collecting the difference of actuals. And that -- that's allowed in rate, as well as any incremental costs including Gowanus and Newtown Creek.

MR. LOUGHNEY: Question about that. So -- so going forward, there -- there's going to be a surcharge and it's going to be collecting the difference with a cap on it; right?

MS. DISE: Yes.

MR. LOUGHNEY: There's a cap on it, but the cap -- does the cap apply to the Gowanus and Newtown Creek SIR costs?

MS. DISE: James is saying yes.

MR. LOUGHNEY: Okay. And the cap is --.

MS. DISE: I'm not testifying to that.

MR. LOUGHNEY: Okay. But so the -- I guess the thing -- there -- there's some really big numbers associated with Gowanus and Newtown that's -- that's going to probably keep that number at the cap each year and maybe even causing more to be deferred each year. Is that fair to say?

MS. DISE: I -- I don't think I'm the best person to ask, because I know that they're in the -- you know, the initial stages of trying to figure out costs and responsibilities. So I have not seen any dollars associated with either one of these.

MR. LOUGHNEY: Yeah, no. I understand. But I mean I did see some numbers for Gowanus of 65 million, 58 million, and 87 million. If those numbers hit when you add that into the surcharge you're going to be up against that cap every year and probably deferring additional costs; right?

UNIDENTIFIED SPEAKER: On the total revenues, 30-some million dollars.

MR. LOUGHNEY: Yeah. Okay.

UNIDENTIFIED SPEAKER: But we're projecting 100 percent of the cost.

MS. DISE: Sorry. I didn't see you back

there, Chuck. I would have deferred right to you.

Okay?

Electric generator revenue. This is -- we already talked about this. Electric generator revenue used to flow through the GAC and it's now going to be recovered in base rates with a reconciliation going through the DRA.

We're also going to implement the Newtown Creek Project credit mechanism. So for KEDNY customers, they're going to get a credit through the DRA of any of the gas charges that are paid by KEDNY and KEDLI sales customers from the Newtown Creek Project, as well as any credits we get going forward for the emissions or third party sale.

We also updated a few other costs based on current cost structures -- sorry -- we implemented the paperless billing credit at KEDNY which will be a credit of 49 cents per bill if a customer no longer gets a paper bill. We updated the consolidated billing charge and then we updated some tariff fees for unproductive -- unproductive field visits and reconnection fees, all based on the current costs.

KEDLI, so you'll see some similarities but some differences. Again, the gas safety and reliability

is the same as KEDNY. New York Facility System surcharges is also the same. SIR recovery obviously doesn't have the Gowanus and Newtown Creek, but is the same as -- as KEDNY.

Electric generator revenue is the same, also. The forecast of that is now in base rates. Implementing the paperless billing credit, which is 35 cents for KEDLI. Consolidated billing charge of $1.76.

We're also asking for -- or proposing that there's a contribution aid of construction for system reinforcements for customers greater than a capability of 5 dekatherms to help us recover the cost of the system reinforcements from those causing the reinforcement.

We updated tariff fees for reestablishment charge and nonresidential collections.

And then the last page just shows you all of the different exhibits we have and where you can find the information that we've presented.

MR. RIDER: I got a couple questions for you, Pam.

MS. DISE: Okay.

MR. RIDER: The first one is my understanding of the -- the proposed SIR recovery surcharge has an annual cap of 2.5 percent. And -- and do the other surcharges have such a cap?

MS. DISE: No. I don't believe there's a proposal for any of the other surcharges for a cap.

MR. RIDER: So it's just the SIR?

MS. DISE: Most of them are reconciliations. I mean, it can go back, but I don't -- they're not to the magnitude of SIR; right? Most of them are just truing up to what a forecast is -- yeah, gas safety reliability.

MR. RIDER: Well, as I understood it, the gas safety reliability charge wasn't going to be a forecast. It was going to be looking back, so I just want to understand. So there --.

MS. DISE: There's no other cap.

MR. RIDER: No other cap.

Okay. On the -- the tariff change for KEDLI, the contribution aid construction, how does that line up with KEDNY's tariff?

MS. DISE: So KEDNY and Niagara Mohawk both have them -- the threshold is different. Right, Dawn? It's --.

MS. HERRITY: 2.5.

MS. DISE: 2.5.

MR. RIDER: KEDNY is 2.5?

MS. HERRITY: Yes.

MR. RIDER: And then you're going to propose

KEDLI to be 5?

MS. DISE: Correct.

MS. HERRITY: That's correct.

MR. RIDER: Why the difference?

MS. DISE: Working with the engineers and the customer folks and looking at the cost, it seemed to take a big jump when they got to the 5 versus the 2.5. So they recommended it being 5.

MR. RIDER: Okay. Thank you.

MS. DISE: Okay. Anybody else?

Okay. Turn it back over to Pam; right?

MS. VIAPIANO: -- today, I did want to just pause and hopefully this is -- and you've gotten some transparency to many of the questions that you had after initially reviewing our filing.

That being said, I would like to offer, to the extent that Staff or others are interested in having a conversation or getting further transparency, please reach out to us. We'll be happy to try to set a conference call up or have further discussions.

We have the discovery process, as well. Sometimes that is not as quick as a turnaround as one would hope. But with that, before we wrap up, just want to pause.

Is there any questions around topics

that we didn't generally touch base on? We have a number of folks in the room that could try to answer or at least take it back.

I see one question?

MS. TILLMAN: It's not a question. It's a suggestion. -- I was going to suggest that -- I know it'd be difficult and maybe expensive, but I think some of the attention should be devoted to --. They're usually ignored all the way around. They're really very critical for this kind of thing and I think some things --.

MS. VIAPIANO: So I'm not sure if everyone heard, but I think the suggestion was about education and outreach that is more targeted to the building owners or -- or managers. So we can certainly take that back.

Anything else? Otherwise, I just want to thank --.

MS. VIAPIANO: The presentation, actually.

UNIDENTIFIED SPEAKER: Thank you.

MS. VIAPIANO: Anything else?

Aric, I think we did get an answer. Dave worked real quick. I think it's March 30th, we'll get our -- the -- the approval on the budgets from the board.

Thank you. Thanks to everyone for your support today. I look forward to working with you. Take care.

A.L.J. VAN ORT: Thank you.

If anybody's on the phone, we're concluding the technical conference at this time and we're going to close out the phone recording.

Thank you.

(The conference concluded at 2:09 p.m.)

STATE OF NEW YORK

I, HOWARD HUBBARD, do hereby certify that the foregoing was reported by me, in the cause, at the time and place, as stated in the caption hereto, at Page 1 hereof; that the foregoing typewritten transcription consisting of pages 1 through 138, is a true record of all proceedings had at the hearing.

IN WITNESS WHEREOF, I have hereunto subscribed my name, this the 7th day of March, 2016.

Howard Hubbard, Reporter