



October 15, 2019

Hon. John B. Rhodes, Chair
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 19-G-0678 - Proceeding on Motion of the Commission to Investigate Denials of Service Requests by National Grid USA, The Brooklyn Union Gas Company d/b/a National Grid NY and KeySpan Gas East Corporation d/b/a National Grid

Dear Chairman Rhodes:

In response to the Order to Show Cause, dated October 11, 2019 (the "Order"), in the above captioned action, The Brooklyn Union Gas Company d/b/a National Grid NY and KeySpan Gas East Corporation d/b/a National Grid ("National Grid" or "Company") are currently working to connect the approximately 1,100 applicants identified in the Order and taking unprecedented steps to reduce peak demand and secure additional gas supplies to enable these new connections this winter. However, National Grid strongly disputes the allegations contained in the Order and is disappointed the Commission has chosen to take this action rather than work collaboratively to address the current supply constraints.

Commitment to Maintaining System Integrity and Connecting Customers Safely

The Company recognizes the challenges that customers and applicants are enduring as a result of the current restrictions on new connections and increases in demand and is committed to mitigating those hardships where possible without compromising system reliability. To that end, prior to the Commission issuing the Order, National Grid had developed a plan to assist the same approximately 1,100 applicants through a combination of unprecedented demand response and energy efficiency programs. National Grid believes it can serve these new customers safely through new and expanded gas conservation and demand reduction measures that will reduce peak-day gas usage among current customers. But unfortunately for other prospective customers, these are not wide-scale solutions, and nothing has changed with regard to the current supply constraints or the resulting need to restrict new gas connections to ensure the safety and reliability of the system for current customers. In fact, the supply prospects for this coming winter are even more precarious than initially thought due to potentially significant curtailments from a major pipeline serving the region – which the Order acknowledges presents the "real possibility of supply constraints in the winter of 2019-2020." Therefore, until long term supply solutions are identified to address the potential supply shortfalls, the moratorium must remain in place.

National Grid has been a trusted energy provider in downstate New York for more than 100 years. Today, more than 1.8 million customers in New York City and on Long Island rely on us to heat their homes and power their businesses. While we are proud to have served customers in New York for more than a century, and equally proud to have supported our local communities and played a key role in the economic development of the region, we find ourselves in a very challenging position where the available natural gas supplies are unable to meet the growing demands of customers interested in gas service. We are not in the business of saying “no” to new gas customers but at the current rate of growth in New York City and Long Island, we simply do not have enough natural gas supply to keep up with the demand.

National Grid's Long Term Supply Planning

A decade ago, National Grid identified the need for incremental gas supplies to serve load growth in the downstate region. In response, we have been executing a long-term, comprehensive supply plan for downstate New York to ensure the reliability of the region's energy supply. These projects, which required an act of Congress known as the New York City Natural Gas Supply Enhancement Act that was signed into law by President Obama in 2012, were hailed at the time for enabling a clean and stable energy future for New York by increasing the availability of natural gas supplies to the region. For its part, the Commission approved a number of investments on the Company's system that supported this strategy. The Northeast Supply Enhancement (“NESE”) Project is the final piece of this series of projects that will bring an additional 400,000 Dth/day of pipeline capacity to the downstate New York area – building on more than a decade of investment to support New York's energy needs. For years, the Company has apprised the Commission and Department of Public Service Staff of the looming capacity constraints and the specific need for the NESE Project. Through the Commission's annual supply planning review process, rate cases, and management audits, the Company's sales forecasts and supply plans have been thoroughly vetted and the prudence of the Company's long-term supply strategy has never been questioned. More recently, we have been talking to various public officials, customers, industry groups, stakeholders, and the public about the need for additional gas supplies to the region and the consequences should those supplies not be made available, including that the Company would not be able to connect additional firm customers absent long term solutions. We made this public appeal because the supply situation is urgent and, as we are seeing today, there are significant implications for our customers and the broader economy of the region.

Supply Constraints and the Need to Limit New Gas Connections

Following the second denial of the necessary water permits for the NESE Project in May 2019, the Company determined it could no longer prudently rely on the availability of incremental supplies from the project to serve additional load. Therefore, National Grid announced it would stop processing applications for new or expanded gas service in most of its downstate New York service territory. Instead of denying every new service request, National Grid developed policies for safely managing the current supply constraints that allow for new customer connections where possible, such as customer transitions in connection with property sales. The Company is also honoring customer commitments that were approved before the imposition of the moratorium, and working with customers to explore non-firm or interruptible service options where the customers would voluntarily agree to switch to alternate fuels on the coldest days.

In the interest of balancing the supply considerations and the Company's ability to safely serve new customers, the Company determined it could process applications in cases where gas service was terminated within the last 24-months (without adding load) because these accounts are reflected in the Company's sales forecasts, supply planning, and system models. Because the peak day contributions of accounts inactive for more than 24 months are not included in the sales forecast, reconnecting these accounts increases peak day demand in the same way as oil-to-gas conversions or other new connections. Given the current supply constraints, the Company determined it was unable to make long-term commitments to serve this additional load. National Grid has tens of thousands of inactive accounts on its gas systems and cannot reasonably reserve capacity for every premises that may have been served at some point in the past before discontinuing.

While National Grid delayed implementing a moratorium as long as possible in its operating judgement, and the timing of the decision to stop processing new applications was based on external events impacting the availability of additional supplies which were not in our control, the Company acknowledges that more could have been done to communicate with customers around the need for these actions. That said, in November 2018, National Grid filed tariff amendments, with language similar to those of other gas utilities in the state, that were intended to provide the Company with additional flexibility to add customers during periods of supply constraints while managing the safety and reliability of the gas network. These tariff amendments would provide for a structured, targeted, and transparent approach to new customer connections during periods of supply shortages – including provisions to clarify the criteria by which the Company, in coordination with DPS Staff, would limit new connections. While initially set to become effective in May 2019, Staff has requested that the Company postpone the effective date multiple times, even with a full understanding of the extent of the current supply constraints and the Company's inability to serve new customers. If approved, these tariff amendments would have provided additional public notice of the supply constraints and the potential moratorium.

Regardless, as the operator of gas distribution networks that are relied on by millions of people for life-sustaining applications, National Grid's first consideration must always be the safety and integrity of the system – and that means ensuring sufficient supplies of natural gas to serve our customers. A supply shortfall could lead to the loss of pressure in the distribution system, which could require curtailing service to thousands of customers for extended periods. This means customers going without heat on the coldest days of the winter, which is a risk we cannot take. Therefore, public safety demands that we have sufficient gas supplies for the customers we have committed to serve.

To make up the supply shortfall while waiting for the additional supplies from NESE, which was initially scheduled to be in-service in 2019, National Grid has been purchasing additional gas supplies through short-term, spot market contracts and relying on truck deliveries of compressed natural gas to meet customer needs on peak days. But these are stopgap measures – not permanent solutions to meeting peak day requirements. The spot market contracts are not guaranteed year-to-year and are dependent on market availability, which is increasingly challenged as regional utilities compete to secure scarce supply. Indeed, the Order recognizes that “relying solely on peaking services for contingencies is a questionable approach to ensuring reliability.” Compressed

natural gas is similarly not a sustainable long-term solution for safely serving customers, as we are relying on the availability of real-time truck deliveries from out of state in the middle of the winter, when storms could paralyze road traffic and put those supplies in serious jeopardy. Demand response and energy efficiency are important tools for reducing peak day and peak hour gas usage, but do not provide anywhere near the reductions needed to offset new customer demand.

And as discussed above, the risks of a supply shortfall have only increased since the Company stopped processing new applications in May. As noted in the Order, one of the largest pipelines serving the region recently provided notice of potentially significant supply curtailments this winter. The Company is using all of the supply tools at its disposal to address this issue. Any further operational issues with one of the upstream pipelines serving the region, which occur every winter to varying degrees, will further strain the precarious supply situation. Under these circumstances, DPS Staff has appropriately questioned whether National Grid and other New York utilities have adequate plans for shedding firm customers on the coldest days this winter if peak demand exceeds the available supply.

Requested Support from the Commission

The urgency of the supply constraints requires a coordinated approach to addressing system integrity while allowing for new customer connections, where possible. In that spirit, the Company implores the Commission to take several reasonable steps to help address the situation:

- National Grid requests that the Commission acknowledge the current supply constraints require a moratorium on new gas connections in the interest of public safety and, absent long-term solutions to address the current supply demand imbalance, the moratorium must remain in effect. We also ask that the Commission cease any further directives to connect additional customers at the risk of compromising system integrity.
- In the interest of establishing an enhanced and transparent process for dealing with supply constraints going forward, the Commission should approve the Company's pending tariff amendments.
- Next, the Commission should immediately release the results of its report on the supply constraints. Since April 2019, National Grid has been working with Staff and their consultants, PA Consulting, to support Staff's analysis of the current supply constraints. The Company shared its system models, engineering analyses, growth and demand forecasts, supply data, and other relevant information, and facilitated numerous meetings with experts from its gas supply, engineering, load forecasting, and customer teams. The Company believes this information validates the extent of the current constraints and National Grid's inability to safely serve new customers in the absence of firm incremental supplies. However, while the Company understands the PA Report was concluded in June, the results have not been released. This report must be released to inform the public and future decision making on these issues.
- Finally, as discussed above, the Company has already proposed a plan to connect the approximately 1,100 applicants through a combination of unprecedented demand response

and energy efficiency measures that would enable these connections by conserving gas usage and lowering peak day demand among current customers. These are the identical directives outlined in the Order. The Company has identified a number of potential programs to reduce peak day demand. However, to help connect as many customers as possible under the circumstances, the Company requests the Commission support in developing the aggressive demand response and energy efficiency programs the Staff has identified and, more importantly, helping to marshal the resources of other state agencies to execute these plans.

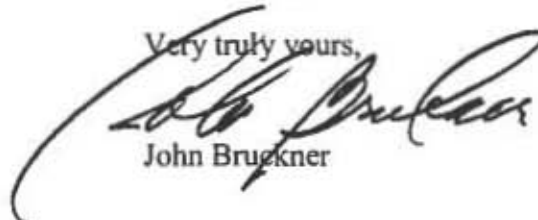
National Grid will make every effort to work with the Commission and Staff to deliver sustainable energy solutions for customers and safely meet the current demand for natural gas, while lowering carbon emissions and supporting economic vitality, including opportunities to expand renewable gas resources, demand response, hydrogen blending, geothermal systems, and other non-pipes solutions. We will also collaborate with Staff and other stakeholders to advance these efforts in the Company's pending rate cases and the Commission's proceeding considering the long-term future of gas in New York.

Summary

For all the reasons set forth above, it is clear that the moratorium must remain in place until we are able to solve the current supply imbalance. The Company will connect the approximately 1,100 customers identified in the Order by reducing peak demand through unprecedented gas conservations measures. However, any further connections can only be made to the extent enabled by incremental gas supplies or demand reductions, as determined by the Company in its operating judgement.

Going forward, National Grid is committed to making the necessary investments on behalf of our customers to create a safer, more reliable, and resilient energy systems and sustainably support the growing demand for gas service. The Company is also committed to assisting customers during this challenging period and mitigating any hardships resulting from the current supply constraints. To this end, we urge the Commission's support and cooperation in developing long term solutions in furtherance of our common goal of meeting New York's energy needs safely and responsibly. We stand ready to meet in person at any time to discuss these important issues.

Very truly yours,

A handwritten signature in black ink, appearing to read "John Brugkner", written over a large, sweeping flourish that extends to the left and underlines the signature.

John Brugkner