

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
Albany on October 17, 2013

COMMISSIONERS PRESENT:

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

CASE 13-G-0001 – Proceeding on Motion of the Commission Regarding the Brooklyn Union Gas Company d/b/a National Grid NY and KeySpan Gas East Corporation d/b/a National Grid for Approval of Emergency Economic and Community Redevelopment Program.

ORDER APPROVING EMERGENCY ECONOMIC DEVELOPMENT  
PROGRAMS WITH MODIFICATIONS

(Issued and Effective October 18, 2013)

BY THE COMMISSION:

BACKGROUND

On December 7, 2012 Brooklyn Union Gas Company d/b/a National Grid NY (KEDNY) and KeySpan Gas East Corporation d/b/a National Grid (KEDLI) (jointly National Grid or the Company) requested approval of an Emergency Economic and Community Redevelopment Program (Emergency Program) in order to provide financial assistance to qualifying customers affected by Superstorm Sandy in its service territory. The Company requested approval of the Emergency Program on an emergency basis.

In accordance with the State Administrative Procedure Act (SAPA) §202(1), the petition was noticed in the State Register on January 23, 2013. The SAPA §202(1)(a) period for submitting comments in response to the notice expired on March 11, 2013. Comments in support of the petition were received from five parties.

## THE PETITION

Many customers within KEDNY and KEDLI's service territory were affected by Superstorm Sandy as high winds and storm surges damaged utility infrastructure, roads, buildings, and bridges. In responding to this disaster, National Grid proposed a \$30 million, three-tiered Emergency Economic and Community Redevelopment Program: Tier 1 - Immediate Service Restoration Assistance; Tier 2 - Additional Aid for Impacted Residential Customers; and Tier 3 – Economic and Community Development Assistance. The Company proposed that the Emergency Program be funded through repurposed unspent low income and energy efficiency program funding, and, to the extent not funded through existing programs, the Company proposed deferring the remainder for future recovery.

Tier 1 – Immediate Service Restoration Assistance provided eligible residential customers with a one-time bill credit of \$150 to help offset the costs of inspecting, repairing or replacing equipment as quickly as possible so they could safely return home.<sup>1</sup> National Grid proposed a budget of \$5.25 million for Tier 1, however, the Company is not seeking recovery of these costs. National Grid partnered with HeartShare Human Services of New York (HeartShare), a non-profit human services agency to administer Tier 1.

Tier 2 – Additional Aid for Impacted Residential Customers provided financial aid to residential customers to offset costs of repair or replacement of heating equipment by licensed plumbers. Customers eligible for the Home Energy Assistance Program (HEAP) received a maximum reimbursement of \$6,000 for a high efficiency gas boiler or \$5,000 for a high efficiency gas furnace and \$1,600 for a gas water heater;

---

<sup>1</sup> Eligible customers are those for which National Grid had placed a warning tag on the furnace, boiler or hot water heater because the equipment was unsafe for relight and operation and also customers who had not received warning tags but could demonstrate they engaged a licensed plumber to perform an inspection or necessary repairs as a result of the storm.

Non-HEAP eligible customers received a maximum reimbursement of \$3,000 for replacement of similar equipment.

According to the December 7, 2012 petition, National Grid encouraged installation of high-efficiency equipment in the Tier 2 Program; however, it claims that unprecedented demand for heating equipment and limited inventory affected the availability of this equipment.<sup>2</sup> Further, because of customers' immediate need for heat, when equipment replacement was necessary, the Company reimbursed customers for equipment that did not meet high efficiency guidelines. National Grid states that even when high efficiency equipment is an option, customers are not always choosing it to replace damaged equipment because of the need for additional work such as flue modifications and wall penetrations, which involve additional cost, time and permitting requirements.

National Grid states in its petition that, in conjunction with HeartShare, it served as a clearinghouse to refer customers to other available assistance programs (including NYC Rapid Repair<sup>3</sup> and New York Energy Research and Development Authority (NYSERDA) programs), utilizing Tier 2 funds as a last resort for those in need who did not qualify for other assistance or where other assistance was unavailable. National Grid's community outreach effort has included sending company personnel to FEMA and NYC Rapid Repair application sites to direct customers to available assistance.

To facilitate the repair of damaged equipment as part of the Tier 2 program, National Grid, working with a network of approximately 250 plumbers (i) identified eligible customers with damaged equipment and matched those customers with available

---

<sup>2</sup> National Grid indicates that its analysis shows that 85% of the equipment entering the storm affected areas is standard efficiency equipment.

<sup>3</sup> NYC Rapid Repair is a \$500 million program which provides free, emergency repairs for permanent or temporary restoration of heat, power and hot water, and including appliance replacement.

resources through a plumber and equipment assistance hotline; (ii) conducted regular outreach to equipment manufacturers and distributors to monitor equipment supplies and anticipate potential shortages; and, (iii) conducted outbound calls to impacted customers to advise of the program and encourage participation. Eligible customers were required to submit estimates to National Grid, which were reviewed before the work was authorized. When a job was completed and the customer's gas service was restored, HeartShare paid the plumber (subject to the program limits) upon receipt of the invoice and a detailed breakout of labor and equipment costs. National Grid estimated that as many as 5,250 customers may be eligible under Tier 2.

Tier 3 – Economic and Community Development Assistance provides funding to offset rehabilitating commercial, industrial, or multifamily residential buildings that sustained physical damage and lost natural gas service as a result of Superstorm Sandy. Use of these funds includes energy infrastructure repair, building reconstruction/rehabilitation, and replacement of fixed equipment necessary for business operation. As designed, small businesses may qualify for limited funding to offset inventory and furnishings replacement costs. Applicants must show evidence of monetary need based on a funding gap, demonstrated in a budget that identifies funds from all sources such as personal funds, borrowed funds, insurance settlements, as well as any funds received from federal, state and local sources. Wherever possible, applicants must pursue opportunities through National Grid's or NYSERDA's energy efficiency programs and must receive an endorsement of their application by a State, Regional or Local economic development agency that is familiar with both the applicant's project and National Grid's program requirements. Property owners whose buildings cannot be rehabilitated may apply for assistance to construct a new building on the same site, or on another nearby site in the same neighborhood.

Emergency Program Funding

National Grid proposed grants of \$30 million plus 10% for administrative costs for the Emergency Program.<sup>4</sup> National Grid's estimate was also broken down as follows: Tier 1- \$5 million; Tier 2 - \$15 million; and, Tier 3 - \$10 million. National Grid proposed spreading such funding across 2012, 2013 and 2014; however National Grid will require that all applications for emergency assistance be received by March 31, 2014. National Grid is not seeking recovery for Tier 1 costs. National Grid proposed flexibility with distribution of the funds between Tiers 2 and 3 in order to respond to customer demands.

With respect to HEAP-eligible customers, the Company proposed using deferred balances in KEDNY and KEDLI's Low Income Discount Program Balancing Accounts to fund equipment replacements for HEAP eligible grant recipients provided the deferred balances are adequate. As of September 3, 2013, the balance in the Low Income Discount Program Balancing Account for KEDLI is approximately \$13.8

---

<sup>4</sup> Administrative costs include: design, production and delivery of customer outreach/education materials; program implementation contractors for customer intake, screening/referral, and post-implementation inspections, engineering and technical assistance; web site enhancements; response to consumer calls on the plumber and equipment assistance hotline; conducting outbound calls to impacted HEAP customers to advise of the Emergency Program and encourage participation; coordination with manufacturers and distributors in the program territories to ensure availability of products; coordination with local agencies, including HEAP, Department of Social Services, NYSERDA, and FEMA; and payment of HeartShare administrative costs and fees.

million.<sup>5</sup> There is no longer a balance in the KEDNY Low Income Discount Program Balancing Account.

With respect to the Tier 3 funding for commercial and industrial customers, National Grid requested approval to expand the applicability of two existing National Grid energy efficiency programs – the Economic Redevelopment Program and the Building Practices and Demonstration Program.<sup>6</sup> Uncommitted funds in the Economic Redevelopment Programs for KEDNY and KEDLI are approximately \$1.62 million and

---

<sup>5</sup> Since its inception in 2008, enrollment in KEDLI's low program has reached about 30-40% of the enrollment target of 30,000 participants anticipated in the Company's rate plan. By order of the Commission in 2011, KEDLI engaged in efforts to increase enrollment by enhancing its outreach and education plan, including a direct call campaign and partnering with the Company's community volunteers. Additionally, the Commission increased the arrears forgiveness program enrollment cap from 400 to 1,000 customers, increased discount levels for program participants and provided lump sum bill credits. The Commission also ordered a study of the programs be undertaken, in order to provide a basis for evaluating further program improvements. Despite these efforts, KEDLI's low income programs continue to have enrollments well below their authorized levels. As of December 31, 2012, KEDLI had approximately 10,500 participants enrolled in the program. Data gathered by a market resource firm for KEDLI, as well as a review of U.S. Census data, suggest that such levels may be nearing the program's practical limit for program participation, and the original target of 30,000 participants for KEDLI's program may be difficult to achieve. As a result, expenditures on KEDLI's low income assistance program have been far less than anticipated. The unspent amounts have been accumulating in the Low Income Discount Program Balancing Account.

<sup>6</sup> The Economic Redevelopment Program targets commercial properties located in designated economic development areas. Working through Chambers of Commerce and other economic development organizations, the Company funds qualifying energy savings measures that increase the energy efficiency of the building. These projects receive energy efficiency advising through an energy audit or engineering grant process. Projects also receive financial assistance to install qualifying energy saving measures, up to 50% of the installation cost up to a maximum of \$100,000. The Building Practices and Demonstrations Program is designed to promote the installation of new, emerging or underutilized gas related energy efficiency technologies and operating practices. These projects become case studies for incorporating new technologies or improving practices in the energy efficiency program portfolio. These projects may be eligible to receive up to 50% of project costs up to \$100,000.

\$0.33 million, respectively. Uncommitted funds in the Building Practices and Demonstration Programs are approximately of \$0.87 million and \$0.10 million for KEDNY and KEDLI, respectively. The total amount of uncommitted funds in these programs is approximately \$3 million.

Finally, in the event that the Company's existing low income and economic development programs fund balances do not offset the participation cost of Tiers 2 and 3, the Company requests authorization to defer for future recovery the remaining costs of Tiers 2 and 3.

#### Updated Data on Applications and Expenditures

On September 4, 2013 the Company provided updated information on the status of applications and disbursements. Since Superstorm Sandy, according to the Company, the Emergency Program has assisted over 22,000 customers. The Company states that, at the time of the petition, it had expected aid organizations to step in to help rebuild homes and businesses destroyed by the storm. While there was an outpouring of financial support following the storm, the Company found that the available aid did not always address specific customer needs with regard to damaged gas appliances, or that aid was delayed to the point where it was not effective in addressing the immediate need to restore heat. Therefore, the Company identified several gaps in the financial assistance available to its customers and revised its program design to address those gaps through targeted grants to qualifying customers. To help ensure effective implementation of its program, the Company worked side by side with representatives from the New York City Rapid Repair Program and screened potential participants to determine if their needs could be met through insurance.

The funding levels for each 'tier' of the Emergency Program, according to the Company, were initially designed based on a comprehensive assessment of the need for assistance. These assessments were based on the best available information at the time of the petition, including the Company's outage data, damage assessments from National Grid field crews and community liaisons, and feedback from various state and local relief agencies positioned to provide intelligence on customer damage and financial

need. With the benefit of several months administering the program, the Company revised its funding estimates based on actual application activity. The tables below depict the total disbursements and customers assisted, and the pending disbursements based on applications received to date. The Company’s anticipated funding levels for Tiers 2 and 3, including disbursements to date, are \$7 million and \$16 million, respectively. As of September 4, 2013, Tiers 1 and 2 are closed and no additional grants are anticipated.

<i>ACTUAL CUSTOMERS SERVED AND DISBURSEMENTS THROUGH SEPTEMBER 3, 2013</i>						
	KEDNY		KEDLI		Total	
	Grants	Customers	Grants	Customers	Grants	Customers
Tier 1	\$ 1,138,350	7,589	\$1,360,400	9,076	\$ 2,498,750	16,665
Tier 2	\$3,912,670	2,764	\$3,087,091	2,462	\$6,999,761	5,226
Tier 3	\$1,532,500	44	\$4,055,000	96	\$5,587,500	140
<b>TOTAL</b>	<b>\$6,583,520</b>	<b>10,397</b>	<b>\$8,503,491</b>	<b>11,634</b>	<b>\$15,087,011</b>	<b>22,031</b>
As previously stated the Company is not seeking recovery for costs related to Tier 1.						

<i>ESTIMATED CUSTOMERS AND DISBURSEMENTS FOR REMAINDER OF PROGRAM</i>						
	KEDNY		KEDLI		Total	
	Grants	Customers	Grants	Customers	Grants	Customers
Tier 1						
Tier 2						
Tier 3	\$4,394,321	143	\$5,987,513	196	\$10,381,834	339
<b>TOTAL</b>	<b>\$4,394,321</b>	<b>143</b>	<b>\$5,987,513</b>	<b>196</b>	<b>\$10,381,834</b>	<b>339</b>

Comments

Comments in support of the Emergency Plan were received from the Community Development Corporation of Long Island, Madelaine Chocolate, Office of the Brooklyn Borough President, the Brooklyn Chamber of Commerce and HeartShare Human Services of New York.

DISCUSSION AND CONCLUSIONS

The destruction caused by Superstorm Sandy’s storm surge to ocean exposed areas of New York City, Long Island and Staten Island was severe. We supported Emergency Economic Development programs for non-residential customers affected by Hurricane Irene and Tropical Storm Lee, and even more recently by



Superstorm Sandy.<sup>7</sup> National Grid has proposed a similar approach to assist customers in the KEDLI and KEDNY service territories, with the addition of a program to assist certain residential customers. In general, we have supported economic development programs in order to encourage the attraction, growth, expansion and retention of business customers. We have recognized that the long-term delivery of reliable utility service at just and reasonable rates depends on the economic viability of a utility's service territory. We understand that utilities are particularly vulnerable to the effects of the economy because they must deliver safe and reliable service regardless of the customer load they are serving. Customer loss due to the relocation of business customers can reduce revenues while the utilities requirement to replace, repair, maintain and operate its infrastructure continues.

National Grid implemented the Emergency Programs prior to seeking approval for funding, in order to provide much needed relief to its customers swiftly. It is understandable that National Grid is interested in returning its customers and communities to service expeditiously to restore and maintain the economic viability of its service territory.

National Grid proposed an Emergency Program with three tiers. Two of the three tiers assist residential customers and the third tier assists industrial/commercial and multifamily entities. Tier 1 provided awards of approximately \$2.5 million to approximately 17,000 customers, the funding for which Grid is not seeking recovery. Tier 2 was directed towards offsetting the cost of repairs and replacement of damaged equipment to residential customers. Tier 2 provided awards of approximately \$7 million to over 5,200 customers. This program was available to HEAP eligible and non-HEAP

---

<sup>7</sup> See Case 11-E-0559, New York State Electric & Gas Corporation – Order Approving Emergency Economic Development Programs with Modifications (issued October 19, 2011); Case 10-E-0050, Niagara Mohawk Power Corporation – Order Approving Emergency Economic Development Program with Modifications (issued September 23, 2011); and, Case 12-E-0550, New York State Electric & Gas Corporation – Order Approving Emergency Economic Development Programs with Modifications (issued April 23, 2013).

eligible customers, with grant levels that varied by income level. We have historically supported funding low income programs for HEAP eligible customers through rates. Regarding Tier 3, the Company proposed funding to assist commercial, industrial, and multifamily residential buildings. The Company proposed to provide assistance for energy infrastructure repair, building reconstruction/rehabilitation, replacement of fixed equipment necessary for business operation and inventory and furnishings replacement costs. While the economic support of businesses is considered a benefit to all ratepayers, it is beyond the scope of utility ratemaking to fund inventory and furnishing costs and such should not be included in a customer-funded grant program.

We approve the funding of the Tier 2 and 3 grants, with the exception of inventory and furnishing costs noted above. Unlike other utilities for which we have approved emergency economic development programs, neither KEDLI nor KEDNY have an existing economic development program to draw from. National Grid's proposal to use unspent energy efficiency funds for the Tier 3 program is denied. Although the balances in the Low Income Discount Programs were set aside to benefit HEAP eligible customers, the unprecedented damage caused by Superstorm Sandy warrants special consideration.<sup>8</sup> All customers who were awarded grants under this program were severely and negatively impacted by Superstorm Sandy. Moreover, the funds available in KEDLI's Low Income Discount Program Balancing Account are not required to provide benefits to KEDLI customers at this time. As such, it is reasonable to allow the balance in the KEDLI Low Income Discount Program Balancing Account to be used for this purpose. To the extent our Orders in adopting the Joint Proposal and establishing rate plans in Cases 06-G-1185 and 06-G-1186 require modification to effect this change in

---

<sup>8</sup> In cases 06-G-1185 and 06-G-1186 we approved a low income program for customer of Keyspan Energy Delivery – Long Island to institute a low income discount program with a \$4.8 million rate allowance. The Joint Proposal provided for the creation of a low income balancing account and for an annual reconciliation. Further, the Joint Proposal requires that any net positive balance in KEDLI's low income balancing account at the end of the rate plan be used to enhance KEDLI's future low income programs.

purpose; we expressly make such modification here. The KEDLI Tier 2 and 3 grants may be funded with the balance in the Low Income Discount Program Balancing Account which is approximately \$13.8 million. Regarding KEDNY's Tier 2 and 3 grants, no such balance exists in KEDNY's Low Income Discount Program Balancing Account; therefore, KEDNY is allowed to defer up to \$10 million for Tier 2 and 3 with the condition that if the Company is earning above its allowed return on common equity the shareholder's portion will be applied against these deferrals. We expect the Company to file a subsequent report as explained below with details of actual expenses, before recovery of such expenses is approved.

Finally, it is necessary to note that although the programs we approve in this Order share some similarities to previously approved utility emergency economic development programs, they are not identical and did give us some concern on deliberating over the Company's request. When we balance the need for response to the devastating impacts caused by Superstorm Sandy and the benefit the Company's ratepayers receive through restoring and maintaining as much as possible the existing customer base, especially given the timing of this storm just prior to the winter heating season, we believe that these particular programs should be funded as discussed above. Given the potential increase in the frequency of severe storms, we stress, however, that notwithstanding our approval today, we establish no precedent either as to the availability of emergency economic development program funding from ratepayers for future storms, or as to the design and administration of such programs even where we agree that such funding should be made available. Such programs will be considered strictly on a case-by-case basis. Thus, we wish to make clear that it is in the best interests of all involved that should a similar future need arise because of severe weather or other disaster, we expect all utilities affected to consult and coordinate with Department of Public Service Staff to the maximum extent practicable during the entire process from assessing the need for any program all the way through designing and administering and auditing such program. In this way, the needs of this Commission in being assured that such programs

are using ratepayer funds appropriately and wisely, as well as the needs of the utility, its customers and the public at large can best be served.

Additional Requirements

There are additional considerations. National Grid will be required to report on the costs of the grants, the costs to administer, and the status of the program. Such reports should include an identification of the customers to whom disbursements have been made, the amount of each disbursement, and the justification for each. The first report shall be filed 30 days after the effective date of this order, with subsequent reports filed quarterly.

Request for Emergency Approval

National Grid requested the Commission waive the SAPA notice requirements and approve funding on an emergency basis, as necessary to the public health, safety or general welfare pursuant to Article II, Section 202 (6a) of the SAPA. The Company based its request on the need to expedite financial assistance to customers, communities and to better integrate its program assistance with other available sources of assistance.

While we appreciate National Grid's request for expedited emergency assistance, emergency treatment is unnecessary in this case because National Grid implemented the program prior to filing for Commission approval.

CONCLUSION

We appreciate the Company's efforts to proactively assist its customers and the communities for which it provides service during this difficult time. With this order, the Commission is showing our flexibility to provide much needed assistance to the citizens of New York in times of crisis.

The Commission orders:

1. The Petition of Brooklyn Union Gas Company d/b/a National Grid NY and KeySpan Gas East Corporation d/b/a National Grid is granted to the extent discussed in the body of this Order.

2. National Grid shall file with the Secretary within 30 days of the effective date of this Order, and quarterly thereafter, a report on the costs and status of the Emergency Economic Development Programs as described in the body of this Order.

3. The Secretary may extend the deadlines set forth in this order upon good cause shown, provided the request for such extension is in writing and filed on a timely basis, which should be on at least one day's notice.

4. This proceeding is continued.

By the Commission,

KATHLEEN H. BURGESS  
Secretary