

**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

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**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** **Case 16-G-0058**

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**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 NY for Gas Service** **Case 16-G-0059**

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**Acts and Practices of The Brooklyn Union Gas Company d/b/a  
National Grid NY and KeySpan Gas East Corporation d/b/a  
National Grid Regarding Billing of Each Company's SC No. 2  
Customers from March 2008 to March 2014** **Case 14-G-0091**

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**Proposed Allocation of Certain Tax Refunds between  
KeySpan East Corp. d/b/a National Grid and Ratepayers** **Case 14-G-0503**

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**Proposed Allocation of Certain Tax Refunds between  
KeySpan East Corp. d/b/a National Grid and Ratepayers** **Case 13-G-0498**

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**Examination of The Brooklyn Union Gas Company d/b/a  
National Grid NY's Earnings Computation Provisions  
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**Proposed Allocation of Certain Tax Refunds between  
KeySpan East Corp. d/b/a National Grid and Ratepayers** **Case 11-G-0601**

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**REPLY OF THE CITY OF NEW YORK  
TO THE STATEMENT IN OPPOSITION OF  
PUBLIC UTILITY LAW PROJECT OF NEW YORK, INC.**

**Dated: September 23, 2016**

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## **PRELIMINARY STATEMENT**

The City of New York (“City”) hereby submits this reply to the September 16, 2016 Initial Statement Opposing Elements of the Joint Proposal of the Public Utility Law Project of New York, Inc. (“PULP”). PULP’s rate design proposal should be rejected and the New York State Public Service Commission (“Commission”) should issue an order adopting the Joint Proposal (“JP”) consistent with the recommendations in the City’s September 16, 2016 Statement in Support.<sup>1</sup>

## **ARGUMENT**

### **THE RATE DESIGN IN THE JOINT PROPOSAL SHOULD BE ADOPTED AS PROPOSED**

The statements in support of the JP filed by the City and the other Signatory Parties demonstrate that the JP is just and reasonable, balances the interests of customers and shareholders, and is superior to a litigated result. In proceedings such as these, where customers are faced with significant rate increases, rate design is an important component of the JP. The record in these proceedings establishes that allocating equal percentage increases to each firm service classification, with each rate block receiving an equal percentage increase, furthers several important Commission policies, including moving rates closer to cost of service and mitigating unwarranted bill impacts on select customer classes. (*See, e.g.*, Exh. 392 at 13-18)

PULP’s proposal for inclining block rates, however, represents a substantial and dramatic departure from the Companies’ current, declining block rate structure.<sup>2</sup> Such a radical rate re-

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<sup>1</sup> The City’s reply focuses on the issues of greatest importance to the City. The omission herein of any issue raised in PULP’s (or any other party’s) opposition statement should not be construed as support for such positions.

<sup>2</sup> As used herein, the term “Companies” refers to, collectively, KeySpan Gas East Corporation d/b/a Brooklyn Union of L.I. (“KEDLI”) and Brooklyn Union Gas Company d/b/a National Grid NY (“KEDNY”).

design would undoubtedly produce winners and losers. As noted in the City's Statement in Support, the JP already imposes significant rate increases on all customer classes.<sup>3</sup> Given these significant increases to fund investments to make the system more reliable and resilient, the dramatic rate design upheaval proposed by PULP will exacerbate the adverse rate impacts on an undefined number of "high usage" customers. The City submits that double-digit rate increases should not be increased further due to PULP's ill-advised proposal.

In addition, while PULP's proposal may provide rate relief for low-usage customers, that relief would admittedly come at the expense of higher-usage customers, some of whom may be low income customers. PULP has not presented any analysis showing the ultimate impact of its proposed rate design on the Companies' customers including, for example, the range of usage across the low income population. Such analysis is critical for determining how many customers will benefit from PULP's proposal and how many will be harmed, and to what degree.

Moreover, based on the limited information that PULP presented in its September 16, 2016 Statement, PULP has failed to demonstrate that its proposal would produce the intended effect of reducing costs for lower usage low income customers. PULP's proposal, which extends to all firm service classes, including KEDNY's Multi-Family class, S.C. 3, likely captures a number of customers with heating charges that are included in rent. There is no information in the record illustrating potential impacts from a change to an inclining block structure on customers living in large, multi-family buildings where heat is included in rent, nor has PULP attempted to develop the record on this point. In fact, it appears equally likely that PULP's

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<sup>3</sup> Cases 16-G-0058 et al., In re: KeySpan Gas East Corporation d/b/a Brooklyn Union of L.I and Brooklyn Union Gas Company d/b/a National Grid NY – Gas Rates, City of New York Statement in Support of Joint Proposal (filed September 16, 2016) at 3-5, 10-12.

inclining block proposal would increase the overall gas costs for a large, multi-unit building, with those costs potentially passed on to tenants, some of whom might be low income.

PULP also claims, without support, that by lowering minimum charges and the volumetric charges in the first rate block, all customers and shareholders will benefit. PULP glosses over the potential impacts on higher-usage low income customers, particularly those with no or limited ability to control usage due to medical issues or other concerns. PULP's conclusions also ignore the real, unavoidable impacts that its proposal will have on larger customers such as hospitals, colleges and universities, and other public need and/or municipal operations that have little or no ability to modify usage in response to a sudden and dramatic shift in rate design. Absent any attempt to quantify these impacts, PULP's conclusions about the expected outcomes from its rate design proposal cannot withstand scrutiny.

In contrast, the JP contains detailed information on the anticipated bill impacts resulting from the rate design as proposed in the JP. (Exh. 506 at App. 3, Sch. 5.1-5.3; App. 4, Sch. 5.1-5.3) The Signatory Parties devoted considerable effort to developing a rate design that mitigates, to the extent possible, the anticipated impact on all customer classes and all customers within each class. Given the large overall rate increase, the Signatory Parties rightly determined that the fairest way to phase in these increases is a proportional allocation to all firm classes, with each usage block receiving equal percentage increases. As noted earlier, this rate design, which maintains the Companies' pre-existing declining block structure, is consistent with the results of the Companies' embedded cost of service studies and with the litigated positions of the Companies, Department of Public Service Staff, and the City.

Moreover, consistent with concerns raised by PULP, the JP includes several additional features that are designed specifically to protect low income customers. For example, the rate

design in the JP holds minimum customer charges steady throughout the three year rate plan for the Companies' residential heat, non-residential heat, and multi-family building service classes. (*See id.*) This is an important and valuable outcome for lower-usage customers (both residential and non-residential alike) whose heating bills may be significantly influenced by the minimum customer charge. This rate design feature also supports conservation. By holding minimum charges steady for the aforementioned service classes, the service class rate increases were applied to the volumetric charges, meaning volumetric charges encompass a higher percentage of the overall bill as usage increases. This approach encourages both residential and non-residential customers to reduce their bills even more through conservation activities compared to their current bill structure. Additionally, the JP proposes to amortize Site Investigation and Remediation ("SIR") costs over the three-year term of the proposed rate plan. By folding SIR costs into base delivery rates, amortizing the costs over three years, and eliminating the current SIR surcharge, the Signatory Parties were able to materially lower the overall delivery rate impact by 3.65% per year for KEDNY and 3.5% per year for KEDLI. (*Id.* at App. 1, Sch. 3, p. 1; App. 2, Sch. 3, p. 1) PULP's comments fail to recognize these important features.

Lastly, the JP includes important improvements to the Companies' low income discount programs. This includes: (i) immediate implementation of a file matching protocol in KEDNY's service territory, which is expected to materially increase participation rates in KEDNY's Residential Reduced Rate program; and (ii) increases to the low income discount benefits available to KEDNY and KEDLI customers under the Residential Reduced Rate program.<sup>4</sup> (*Id.*

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<sup>4</sup> As explained in its Statement in Support, the City takes exception to two portions of the JP related to low income benefit levels and implementation costs that depend on Commission action in Case 14-M-0565. For the reasons set forth in its Statement in Support, the City respectfully urges the Commission to remove any lingering uncertainty surrounding low income benefits to eligible customers as soon as possible.

at 56-57, 104-05) These improvements will work in tandem with the JP's proposed rate design to help reduce the delivery rate impacts on the Companies' low income customers.

### CONCLUSION

As discussed in the City's and other Signatory Parties' Statements in Support, the JP was negotiated by numerous parties representing diverse and conflicting interests. The Commission should find that the JP is just and reasonable, properly balances the interests of customers and shareholders, and is superior to a litigated outcome. Moreover, the JP's resolution of rate design depends on, and is supported by, resolution of many other related and unrelated issues.

In contrast, PULP's request to adopt an alternative rate design is based on speculation about the ultimate effects of its proposal and will likely result in radical bill impacts to many, undefined "high usage" customers. The Commission should therefore reject PULP's positions on rate design and issue an order adopting the JP consistent with the recommendations in the City's September 16, 2016 Statement in Support.

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*/s/ Anthony J. Fiore*

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Dated: September 23, 2016  
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