Case 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.

Case 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 NY for Gas Service.

Summary of Joint Proposal

The Joint Proposal proposes a three year rate plan for KeySpan Gas East Corporation d/b/a National Grid (KEDLI) and The Brooklyn Union Gas Company d/b/a National Grid NY (KEDNY) (collectively, the Companies) for the term beginning 1/1/17 and ending 12/31/19. Rate Year (RY) 1 is 1/1/17 through 12/31/17; RY2 is 1/1/18 through 12/31/18; and RY3 is 1/1/19 through 12/31/19.

Overall Revenue Requirements

The overall revenue requirements proposed in the Joint Proposal are as follows:

KEDLI: RY1: $112 million (m); RY2: $19.6 m; and RY3: $27 m.

KEDNY: RY1: $272 m; RY2: $41 m; and RY3: $48.9 m.

These include revenues to be recovered from both firm and non-firm customers. Rates for RY2 and RY3 are impacted primarily by additional Capital Expenditures and inflation on O&M expenses. To mitigate customer bill impacts, the revenue requirement increases will be levelized such that each year the Companies receive equal percentage increases in their respective revenue requirements.

Return on Equity (ROE): The Joint Proposal proposes a 9.0% ROE for both Companies. The rate plan includes an earning sharing mechanism in which customers will share earnings in excess of 9.5%.

Low Income Discount Program: In RY1, KEDLI will provide a monthly discount of $8.81 and $41 to non-heating and heating customers, respectively. In RY1, KEDNY will provide a monthly discount of $3 and $19 to non-heating and heating customers, respectively. The Joint Proposal requires full implementation of the Generic Low Income Order (14-M-0252), including any order(s) on rehearing, in RY2. The Joint Proposal includes budgets of $5.4 m, $6.7m, $6.7 m in RY1, RY2 and RY3, respectively for KEDLI; and budgets of $25m, $31.9 m, and $31.9 m in RY1, RY2 and RY3, respectively for KEDNY. The Joint Proposal includes a provision that allows reconciliation of these amounts to reflect the Companies' actual spending on this program. Also, KEDNY will complete a file match with New York City's Human Resources Administration no later than spring 2017.

Leak Prone Pipe (LPP): The Joint Proposal recommends funding for KEDLI to remove 115, 135, and 155 miles of leak prone pipe in RY1, RY2, and RY3, respectively. The Joint Proposal provides funding for KEDNY to remove 55, 60, and 65 miles of leak prone pipe in RY1, RY2, and RY3, respectively. The Joint Proposal also recommends that the Commission establish a productivity incentive that would allow the Companies to accrue a positive incentive if they can achieve unit cost savings for leak prone pipe replacements compared to the unit costs reflected in rates. Under the Joint Proposal, the use of a risk ranking algorithm to prioritize portions of pipe for removal would be continued, subject to the following proposed changes. The algorithm will be modified so that, when all else is equal, the

Companies will consider, in its risk assessments, methane emission flow rate data and whether a particular pipe is in a designated flood zone. Furthermore, KEDLI will also utilize cured-in-place (CIP) pipe lining on leak prone pipe and KEDNY will employ a cast iron joint sealing robot (CISBOT) and utilize CIP pipe lining on leak prone pipe. The Companies will work with the Environmental Defense Fund (EDF) on methane leak pilots at no cost to ratepayers. Results will be reported in the Companies' next rate filings.

Gas Safety and Reliability Surcharge: The Joint Proposal includes a Gas Safety and Reliability Surcharge for both Companies that allows for recovery of costs of incremental LPP removal beyond the mileage reflected in rates. The Joint Proposal also allows for the recovery of costs of incremental leak repairs beyond the number reflected in rates and allows recovery of positive revenue adjustment mechanisms for incremental LPP removal, leak repair work, and the productivity incentive (discussed above).

Reconciliations: The Joint Proposal includes a number of reconciliations such as Property Tax expenses, Net-plant expenses, and City/State Construction capital costs.

Property Tax Refunds (KEDLI only): The Joint Proposal includes recommendations for resolution of three pending KEDLI property tax refund cases. For Cases 11-G-0601 and 13-G-0498, KEDLI would credit customers 90% of the refund collected adjusted for carrying costs and net of its costs to achieve the refunds. For Case 14-G-0503, KEDLI would credit customers 100% of the refund collected adjusted for carrying costs and net of its costs to achieve the refund.

SC2 Refunds (KEDNY only): The Joint Proposal recommends a resolution for Case 14-G-0091, which concerns misclassification of SC2 customers between heating and non-heating subclasses. KEDNY will provide a one-time credit of $6 million (in the aggregate) to affected SC2 customers.

SIR Costs: The Joint Proposal provides for annual reconciliation of SIR costs and, for KEDNY only, an SIR surcharge (beginning in RY2) to accommodate the variable costs associated with SIR projects in New York City. The surcharge would be triggered if the reconciliation between the rate allowance and actual costs exceeds $25M (on a cumulative basis), and is capped at 2% of KEDNY's prior year aggregate revenues.

Revenue Allocation/Rate Design: The Joint Proposal allocates rates in equal percentage increases to blocks within each class. Temperature control (TC) and interruptible (IT) rates will provide customers in those classes with discounts compared to what they would pay if they were firm customers of the Companies. There would be no increases to the minimum monthly charge for residential heating customers.

Customer Service Quality Program: The Joint Proposal continues and updates customer service metrics based on recent performance and brings the Companies in line with metrics for other Investor Owned Utilities. The items measured are the PSC Complaint Rate, the Customer Satisfaction Survey, adjusted customer bills, and telephone answer response within 30 seconds. The Joint Proposal proposes total potential Negative Revenue Adjustments (NRAs) of $9.90 million (KEDLI) and $11.7 million (KEDNY) per year. The Joint Proposal also recommends that positive only terminations/uncollectibles incentives be established for both Companies.

Gas Safety Performance Metrics: The Joint Proposal continues and updates existing metrics based on recent performance, in line with metrics for other investor owned utilities in New York State, for both Companies. The areas of performance measured are LPP removal; leak management; damage prevention; emergency response; and gas safety regulations performance. The Joint Proposal includes total potential NRAs of 150 basis points for each Company.

Other Gas Safety Items: The Joint Proposal provides for a number of new and expanded gas safety programs and initiatives, including improved public outreach and education on gas safety, enhanced first responder training, a residential methane detection pilot, a room set meter relocation pilot program, and a new damage prevention advisor program.

Initiatives: The Joint Proposal proposes a number of new initiatives for the Companies including the following: customer growth incentives; customer conversion rebates; Natural Gas Vehicle conversion rebates; and a geothermal pilot program.

REV Demonstration Projects: The Companies would implement three Reforming the Energy Vision demonstration projects during the term of the Rate Plans. The three projects involve: (i) flood zone protection packages; (ii) micro combined heat and power – home energy management solutions; and (iii) commercial demand response.

Lost and unaccounted for gas (LAUF): The Joint Proposal includes an adjustment that would be applied to both Companies' LAUF calculations to reflect usage associated with accounts that have been inactive for more than 90 days.

Energy Service Companies (ESCOs)/Power Generators: The Companies would implement modifications to their tariffs to reflect state-wide policies on balancing provisions related to ESCOs and electric generators.

Power Generators/Non-firm study: The Joint Proposal requires a study to be completed within 150 days from the date the Joint Proposal is filed with the Commission to analyze the costs and benefits to power generation and non-firm customers on KEDNY & KEDLI's systems. The Study will be used to inform discussions in related collaboratives on possible modifications to the services offered to these customers.

Collaboratives: The Companies will engage in a Storm Hardening collaborative; ESCO/Retail Access collaborative; and a TC/IT Services collaborative, including the possibility of dual-fuel firm service option.