**NEW YORK STATE PUBLIC SERVICE COMMISSION**

**CASE 19-G-0309**

**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 19-G-0310**

**PROCEEDING ON MOTION OF THE COMMISSION AS TO THE RATES, CHARGES, RULES AND REGULATIONS OF KEYSPAN GAS EAST CORPORATION D/B/A NATIONAL GRID FOR GAS SERVICE**

**CASE 18-M-0270**

**PETITION FOR APPROVAL PURSUANT TO PUBLIC SERVICE LAW SECTION 113(2), OF A PROPOSED ALLOCATION OF CERTAIN TAX REFUNDS BETWEEN KEYSPAN GAS EAST CORPORATION D/B/A NATIONAL GRID AND RATEPAYERS**

# JOINT PROPOSAL

**By and Among:**

**The Brooklyn Union Gas Company d/b/a National Grid NY**
**KeySpan Gas East Corporation d/b/a National Grid**
**Department of Public Service Staff**
**Environmental Defense Fund**
**Estates NY Real Estate Services LLC**
**NY-Geo**
**Bob Wyman**
**Long Island Power Authority**

**Dated: May 14, 2021**

## Table of Contents


**I. Procedural Background** ........ 2

**1. Initial Filing** ........ 2

**2. Conferences and Discovery** ........ 3

**3. Supplemental Testimony** ........ 3

**4. Corrections and Updates** ........ 3

**5. Parties' Testimony** ........ 3

**6. Rebuttal Testimony** ........ 4

**7. Initial Settlement Discussions** ........ 4

**8. Additional Supplemental Testimony** ........ 5

**9. Hearings and Additional Settlement Efforts** ........ 6

**10. Property Tax Refund Petition** ........ 6

**II. Overall Framework** ........ 7

**III. Definitions** ........ 8

**IV. KEDNY and KEDLI Rate Plans** ........ 8

**1. Term** ........ 8

**2. Revenue Requirements** ........ 9

- **2.1 Rate Plan Revenue Requirements** ........ 9
- **2.2 Levelization of Rate Increase** ........ 14
- **2.3 Make Whole Provision** ........ 15

**3. Revenue Allocation and Rate Design** ........ 16

- **3.1 Revenue Forecast** ........ 16
- **3.2 Newtown Creek** ........ 16

**3.3 Revenue Allocation** ........ 18

**3.4 Rate Design – Firm Service Classifications** ........ 18

**3.5 Rate Design – Non-Firm Demand Response** ........ 19

**3.6 Lost and Unaccounted For Gas** ........ 21

**3.7 Revenue Decoupling Mechanisms** ........ 22

**3.8 System Benefits Charge** ........ 23

**3.9 Paperless Billing Credit** ........ 24

**3.10 Gas Safety and Reliability Surcharge** ........ 24

**3.11 Merchant Function Charge** ........ 25

**3.12 Delivery Rate Adjustment** ........ 27

**3.13 Consolidated Billing Fees** ........ 28

**3.14 Miscellaneous KEDNY Fees** ........ 28

**3.15 Miscellaneous KEDLI Fees** ........ 28

**3.16 New York Facilities System** ........ 28

**3.17 Economic Development Discount Program Rates** ........ 29

**3.18 Natural Gas Vehicles ("NGVs")** ........ 29

**3.19 Electric Generation Rates** ........ 30

**3.20 Miscellaneous Tariff Changes** ........ 30

**3.21 Green Gas Tariff** ........ 33

**3.22 Demand Capacity Surcharge Mechanism** ........ 33

**3.23 Next Base Rate Filing** ........ 38

**4. Computation and Disposition of Excess Earnings** ........ 38

**4.1 Earnings Report** ........ 38

**4.2 Discrete Incentives and Revenue Adjustments** ........ 39

**4.3 Earnings Sharing Mechanism** ........ 39

**5. Capital Investment Levels and Operations & Maintenance ("O&M")** ........ 40

**5.1 Commitment to Non-Pipe Alternatives** ........ 40

**5.2 Capital Investment Levels** ........ 40

**5.3 Long-Term Capital Capacity Projects** ........ 42

**5.4 Use of NRA Balances to Fund Certain Programs** ........ 52

**5.5 Capitalization Changes** ........ 53

**5.6 Capital Reporting** ........ 53

**5.7 Low Pressure Main Valve Installations** ........ 54

**5.8 Service Line Proceeding** ........ 54

**5.9 Research and Development** ........ 55

**5.10 Local Law 152** ........ 55

**5.11 Residential Methane Detection Programs** ........ 55

**5.12 Relocation of Inside Gas Meters** ........ 56

**5.13 Pipeline Emergency Responders Initiatives and First Responder Training** ........ 57

**5.14 City State Construction ("CSC") Program** ........ 58

**5.15 Green Infrastructure Efforts** ........ 58

**5.16 LPP Algorithm** ........ 58

**5.17 Enhanced High Emitter Methane Detection Program** ........ 58

**5.18 Leak Detection Pilot Program** ........ 59

**5.19 Buried Vent Lines** ........ 59

5.20 Plastic Fusion Quality Assurance/Quality Control ("QA/QC") Re-digs Inspection Program ..... 59
5.21 Construction Safety Inspections ..... 59
5.22 LNG Facility Upgrade ..... 60
5.23 Inactive Accounts ..... 60
5.24 Additional Safety Programs ..... 61
6. Information Technology ..... 62
6.1 Information Technology Capital Investment Level ..... 62
6.2 Gas Business Enablement ..... 63
6.3 Customer Information System ("CIS") ..... 67
6.4 Service Company Rents, IT and GBE Net Utility Plant and Depreciation Expense Reconciliation Mechanism ..... 68
6.5 IT Capital Budgeting and Reporting ..... 69
7. Future of Heat ..... 72
7.1 Energy Efficiency ..... 72
7.2 Utility Energy Service Contract Program ..... 74
7.3 Distribution-Level Demand Response Costs ..... 74
7.4 Online Fuel Switching Calculator ..... 74
7.5 Reducing Billed Gas Usage/Non-Pipe Alternatives ..... 75
7.6 Hydrogen Blending Research ..... 84
7.7 Economic Development ..... 84
7.8 Earnings Adjustment Mechanisms ..... 85
8. Reconciliation, Deferrals, and True-Ups ..... 86

8.1 Existing Reconciliation, Deferrals, and True-Ups ........ 86

8.2 New Reconciliation, Deferrals, and True-Ups ........ 98

8.3 Additional Reconciliations, Deferrals, True-Ups ........ 101

9. Customer Service Quality Program ........ 101

9.1 PSC Complaint Rate ........ 102

9.2 Customer Satisfaction ........ 103

9.3 Telephone Answer Response within 30 Seconds ........ 104

9.4 Adjusted Customer Bills ........ 105

9.5 Reporting ........ 105

9.6 Service Guarantee ........ 106

9.7 Termination and Uncollectible Incentive ........ 106

10. Gas Safety Performance Metrics ........ 106

10.1 LPP Removal Metric ........ 108

10.2 Leak Management ........ 109

10.3 Damage Prevention ........ 111

10.4 Emergency Response ........ 112

10.5 Gas Safety Regulations Performance Metric ........ 113

10.6 Gas Safety Reporting and Exceptions ........ 115

11. Customer Initiatives ........ 115

11.1 Electronic Deferred Payment Agreements (“E-DPAs”) Reports ........ 115

11.2 Energy and Affordability Programs ........ 117

11.3 Reconnection Fees For EAP Customers ........ 119

11.4 Outreach and Education Plan ........ 119

**11.5 Increased Participation in Energy Efficiency Programs** ... 119

**11.6 Arrears Resolution** ... 120

**11.7 Language Access** ... 120

**11.8 Enhanced Training for Consumer Advocates** ... 120

**12. Filing for New Rates** ... 121

**12.1 During the Term of the Rate Plans** ... 121

**12.2 Following the Term of the Rate Plan** ... 122

**13. Miscellaneous Provisions** ... 124

**13.1 Corporate Structure and Affiliate Rules** ... 124

**13.2 Paving Deferral Balances** ... 124

**V. Other Provisions** ... 125

**1. Submission to the Commission** ... 125

**2. Conditioned on Commission Adoption/ No Severability** ... 125

**3. Application of Agreement/No Precedent** ... 125

**4. Future Actions/Dispute Resolution** ... 126

**5. Continuation** ... 126

**6. Extension** ... 126

**7. Entire Agreement** ... 127

**8. Counterparts** ... 127

## List of Appendices


| Appendix | Description |
|---|---|
| 1. | KEDNY Revenue Requirement and Support |
| 2. | KEDLI Revenue Requirement and Support |
| 3. | KEDNY Revenue Allocation and Rate Design |
| 4. | KEDLI Revenue Allocation and Rate Design |
| 5. | Illustration of Earnings Report |
| 6. | KEDNY Reconciliations, Deferrals, and True-Ups |
| 7. | KEDLI Reconciliations, Deferrals, and True-Ups |
| 8. | List of High Risk and Other Risk Gas Safety Regulations |
| 9. | Scope of the Enhanced High Emitter Methane Detection Program |
| 10. | GBE Program Key Performance Indicators |
| 11. | Corporate Structure and Affiliate Rules |
| 12. | Sample Customer Advocate Checklist |

Case 19-G-0309
Case 19-G-0310

**STATE OF NEW YORK**
**PUBLIC SERVICE COMMISSION**

-------------------------------------------------------------

**Case 19-G-0309 - 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 19-G-0310 - Proceeding On Motion Of The Commission As To The Rates, Charges, Rules And Regulations Of KeySpan Gas East Corporation d/b/a National Grid For Gas Service**

**Case 18-M-0270 - Petition For Approval Pursuant To Public Service Law Section 113(2), Of A Proposed Allocation Of Certain Tax Refunds Between KeySpan Gas East Corporation d/b/a National Grid And Ratepayers**

-------------------------------------------------------------

## JOINT PROPOSAL

This Joint Proposal ("Joint Proposal") is made this 14th day of May, 2021, by and among The Brooklyn Union Gas Company d/b/a National Grid NY ("KEDNY"), KeySpan Gas East Corporation d/b/a National Grid ("KEDLI") (KEDNY and KEDLI are collectively referred to as the "Companies"), New York State Department of Public Service Staff ("Staff"), Environmental Defense Fund ("EDF"), Estates NY Real Estate Services LLC ("Estates"), NY-GEO, Bob Wyman, and the Long Island Power Authority ("LIPA") (collectively, the "Signatory Parties").[1]

[1] In addition, the Utility Intervention Unit of the New York Department of State's Division of Consumer Protection ("UIU"), Public Utility Law Project ("PULP"), and Family Energy, while not signing this Joint Proposal, have stated that they will not oppose it.

This Joint Proposal establishes a three year rate plan for each of the Companies, contains provisions that apply in a Stayout Period in the event the Companies do not file to establish new base delivery rates for that period, and either resolves or establishes a framework for resolving all issues raised in Cases 19-G-0309 and 19-G-0310 ("Rate Cases"). In addition, this Joint Proposal resolves all issues in Case 18-M-0270, a proceeding involving a property tax refund obtained by KEDLI.

## I. Procedural Background

### 1. Initial Filing

On April 30, 2019, KEDNY and KEDLI filed tariff leaves and supporting testimony and exhibits for new rates and charges for gas service to be effective April 1, 2020. The new tariffs were designed to increase annual gas delivery revenues for KEDNY and KEDLI by approximately $237 million and $49 million, respectively. The twelve months ended December 31, 2018 was the Historic Test Year. The testimony and exhibits were prepared under the assumption an interstate pipeline project would be in-service by the winter of 2020/2021.

The initial filing included cost projections for three additional years beyond Rate Year One (as that term is defined below) in the interest of exploring a multi-year rate plan settlement between the Companies and the parties to these proceedings[2] that would allow for a phase-in of the revenue increases and the ability to manage the impact on customers' bills.

[2] The terms "parties" or "active parties" refer to the entities granted party status in Cases 19-G-0309 and/or 19-G-0310, and listed in the Commission's Document and Matter Management system as being parties.

**2. Conferences and Discovery**

Administrative Law Judges ("ALJs") James A. Costello and Maureen F. Leary were appointed to conduct the proceedings. On May 30, 2019, the ALJs held a procedural conference that was immediately followed by a technical presentation by the Companies discussing the rate filings.

On June 5, 2019, the ALJs issued a Ruling on Schedule that provided dates for certain activities in the cases, including the filing of parties' initial and rebuttal testimony and hearings. The active parties engaged in extensive discovery throughout the proceedings, with the Companies responding to more than 1,650 information requests.

**3. Supplemental Testimony**

As agreed with Staff and discussed with the active parties at the procedural conference held on May 30, 2019, the Companies filed supplemental testimony on June 11, 2019 to illustrate the potential revenue requirement and other impacts to the Companies' rate filings in the event the interstate pipeline project was not available during the proposed rate plan period.

**4. Corrections and Updates**

KEDNY and KEDLI filed corrections and updates testimony and exhibits on July 3, 2019, updating the Companies' revenue requirements to approximately $196 million for KEDNY and $61 million for KEDLI.

**5. Parties' Testimony**

On August 30, 2019, ten parties filed testimony and exhibits addressing the Companies' filings. These parties included: Staff, the City of New York ("NYC"), PULP,

EDF, UIU, LIPA, Estates, the Sane Energy Project ("Sane"), New York State Laborers' Organizing Fund, and Bob Wyman.

**6. Rebuttal Testimony**

The Companies and four other parties each filed rebuttal testimony and exhibits on September 18, 2019. In their rebuttal testimony, the Companies adjusted the revenue requirements to assume the interstate pipeline project would not be in service during the Rate Year. The updated revenue requirements for KEDNY and KEDLI were approximately $190 million and $67 million, respectively.

**7. Initial Settlement Discussions**

On September 10, 2019, the Companies filed with the Commission a Notice of Impending Settlement Discussions. To facilitate settlement discussions and promote the orderly conduct of these proceedings, the Companies filed consents to extend the suspension period and requests to extend the hearing dates on September 25, October 31, November 12, and December 9, 2019. In their November 12 and December 9 consents to extend the suspension period, the Companies requested that they be made whole for any revenue that would restore them to the same financial position that they would have been in had there been no extension. The Companies stated the make whole would mean that the Companies would calculate any revenue adjustments as the difference between sales revenues the Companies would have billed at new rates during the extension of the suspension period and the same level of sales revenues at current rates. The revenue adjustments would include all applicable surcharges and would be subject to reconciliation in accordance with all applicable adjustment mechanisms, including revenue decoupling mechanisms where applicable. The Companies also stated that the financial true-up targets

established in the Commission's Order, as well as depreciation and amortization expense would be applied to the extension of the suspension period. By its "Order On Extension Of Minimum Suspension Period of Major Rate Filing," issued and effective May 15, 2020, the Commission accepted these conditions.

**8. <u>Additional Supplemental Testimony</u>**

On December 10, 2019, the ALJs issued a "Ruling Modifying Procedural Schedule" for the submission of supplemental testimony related to the impacts of the settlement agreement between the Companies and Staff in Case 19-G-0678 concerning the gas supply constraints in downstate New York.[3] The Companies submitted their supplemental testimony on December 13, 2019.

On January 21, 2020, the ALJs issued a "Ruling Requiring Additional Testimony Related to Energy Efficiency Initiative Order." Pursuant to that Ruling, on January 29, 2020, the Companies filed their third supplemental testimony to reflect the impacts of the Commission's New Efficiency: New York ("NE:NY") Order[4] on the rate filings. The filings updated the revenue requirements for KEDNY and KEDLI to approximately $200 million and $60 million, respectively.[5] Staff and Sane also filed supplemental testimony on January 29, 2020.

---

[3] 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*, "Order Adopting and Approving Settlement" (issued and effective November 26, 2019) ("Case 19-G-0678 Order").

[4] Case 18-M-0084, *In the Matter of a Comprehensive Energy Efficiency Initiative*, "Order Authorizing Utility Energy Efficiency and Building Electrification Portfolios Through 2025" (issued and effective January 16, 2020) ("NE:NY Order").

[5] Staff recommended a delivery rate increase of $56.087 million for KEDNY and a decrease of $16.958 million for KEDLI. Exhibit 515 (SRRP-6), Page 1; Exhibit 514 (SRRP-5), Page 1.

### 9. Hearings and Additional Settlement Efforts

Evidentiary hearings were held over nine days between February 10 and February 25, 2020, and involved cross-examination of various witnesses produced by the Companies, Staff, and other parties. The hearing record of these proceedings presently consists of over 5,789 pages of evidentiary transcripts and 734 exhibits. Following the conclusion of the evidentiary hearings, the Companies, Staff, and several other parties submitted initial and reply briefs to the ALJs.

By letter dated June 5, 2020, the Companies advised the Commission and the parties that settlement negotiations would resume. Settlement conferences were held virtually using electronic means and by telephone in 2020 on June 15, July 28, August 3, 11, 18, and 25, September 4, and 10, November 17, and December 1, and in 2021 on March 5, 24, and 30, April 1, 14, and 22, and May 5 and 10. To facilitate the continuation of settlement negotiations, the Companies filed subsequent consents to extend the suspension period on: (i) June 5, 2020, which was granted by Order issued and effective July 16, 2020; (ii) August 4, 2020, and September 4, 2020, which were granted by Order issued and effective October 16, 2020; (iii) October 23, 2020, and November 20, 2020, which were granted by Order issued and effective December 17, 2020; (iv) February 8, 2021, which was granted by Order issued and effective March 19, 2021, and (v) March 24, 2021.

### 10. Property Tax Refund Petition

On May 7, 2018, KEDLI filed a Notice of Tax Refund and Proposed Disposition in Case 18-M-0270. In its filing, KEDLI provided a notice of various refunds received on March 7, 2018, from the Town of Hempstead and various garbage districts located in the

Town totaling approximately $49.3 million, as well as a proposal to dispose of the refund. In a filing made on July 23, 2018, KEDLI updated this amount to total approximately $50.4 million. Additionally, KEDLI stated that the amount could change as a result of appeals of the court judgement. On September 3, 2020, KEDLI filed a notice of impending settlement discussions in Case 18-M-0270.

## II. Overall Framework

The Signatory Parties have developed a comprehensive set of terms and conditions for three-year rate plans for KEDNY and KEDLI. The terms and conditions of the rate plans are set forth below and in the attached Appendices. The rate plans reflect provisions that recognize and give effect to conditions created by the current COVID-19 pandemic and the goals of the Climate Leadership and Community Protection Act ("CLCPA") and New York City's Local Law 97.

Specifically, the Joint Proposal addresses the following topics:

1. Effective Date and Terms;
2. Revenue Requirements;
3. Revenue Allocation and Rate Design;
4. Computation and Disposition of Excess Earnings;
5. Capital Investment Levels and Operations and Maintenance ("O&M") Programs;
6. Information Technology;
7. Future of Heat Programs;
8. Reconciliation, Deferrals, and Amortization Periods;
9. Customer Service Quality Program;

10. Gas Safety Performance Metrics;
11. Customer Initiatives; and
12. Miscellaneous and Other Provisions.

## III. <u>Definitions</u>

1. "Effective Date" means April 1, 2020, or such other date as the Commission may decide.
2. "Rate Year One" means April 1, 2020, through March 31, 2021.
3. "Rate Year Two" means April 1, 2021, through March 31, 2022.
4. "Rate Year Three" means April 1, 2022, through March 31, 2023.
5. "Stayout Period" means the period beginning April 1, 2023, and ending on the earlier of the effective date of revised base rates for KEDNY and KEDLI or March 31, 2024.
6. "Fiscal Year" means the twelve-month period ending March 31 of a given year. When a specific year is stated, it is the year in which the Fiscal Year ends, *e.g.*, Fiscal Year 2021 is the twelve-month period ending March 31, 2021.

The three rate years are collectively referred to as Rate Years and individually as Rate Year.

## IV. <u>KEDNY and KEDLI Rate Plans</u>

### 1. <u>Term</u>

The terms of the rate plans for KEDNY and KEDLI are the three years beginning April 1, 2020, and continuing through March 31, 2023. This Joint Proposal also contains terms that apply in a Stayout Period in the event that the Companies do not file to establish

new base delivery rates that would become effective for that period. For administrative reasons, certain targets are measured based on different 12-month periods, as set forth herein. In addition, generally the provisions in this Joint Proposal continue until changed by the Commission; however, certain provisions terminate as explicitly stated herein. The Signatory Parties recognize that this Joint Proposal is being submitted in May 2021. As a consequence, the new reporting requirements and other provisions herein that apply prospectively will take effect in Rate Year Two unless otherwise specified.

## 2. Revenue Requirements

### 2.1 Rate Plan Revenue Requirements

This Joint Proposal provides for Rate Year One, Rate Year Two, and Rate Year Three revenue requirements. The individual Rate Year revenue requirements for KEDNY and KEDLI, as well as the impacts of the Energy Efficiency surcharge and sur-credit for the federal tax rate change being eliminated, and the offsetting use of deferred credits are as follows:

| **KEDNY** | Rate Year One (TME 03/31/2021) | Rate Year Two (TME 03/31/2022) | Rate Year Three (TME 03/31/2023) | Total |
|---|---|---|---|---|
| Revenue Requirement Increase/(Decrease) | $ (4,710) | $ 47,019 | $ 73,272 | $ 153,181 |
| Impact of elimination of sur-credits/surcharge | 21,937 | - | - | |
| GRT on the elimination of sur-credits/surcharge | 795 | - | - | |
| Total Revenue Impact | $ 18,022 | $ 47,019 | $ 73,272 | |
| | | | | |
| Amortization of Regulatory Assets/(Liabilities) | $ (17,392) | $ (6,191) | $ (30,317) | $ (94,873) |
| GRT on the Amortization of Regulatory Assets/(Liabilities) | (631) | (218) | (1,087) | |
| Net Revenue Increases/(decreases) | $ 0 | $ 40,610 | $ 41,868 | |
| Total Revenue % Increases | 0.0% | 2.0% | 2.0% | |

| KEDLI | Rate Year One (TME 03/31/2021) | Rate Year Two (TME 03/31/2022) | Rate Year Three (TME 03/31/2023) | Total |
|---|---|---|---|---|
| Revenue Requirement Increase/(Decrease) | $ (22,839) | $ 28,910 | $ 26,181 | $ 15,484 |
| Impact of elimination of sur-credits/surcharge | 20,125 | - | - | |
| GRT on the elimination of sur-credits/surcharge | 206 | - | - | |
| Total Revenue Impact | $ (2,508) | $ 28,910 | $ 26,181 | |
| | | | | |
| Amortization of Regulatory Assets/(Liabilities) | $ 2,483 | $ (5,512) | $ (1,259) | $ (4,835) |
| GRT on the Amortization of Regulatory Assets/(Liabilities) | 25 | (56) | (12) | |
| Net Revenue Increases/(decreases) | $ - | $ 23,342 | $ 24,910 | |
| Total Revenue % Increases | 0.0% | 1.8% | 1.8% | |

The revenue requirements are based on the following parameters:

(a) A return on equity ("ROE") of 8.8 percent for the term of the Companies' rate plans.

(b) A capital structure and overall cost of capital consisting of the following components and cost rates:

**KEDNY Rate Year One**

| | **% of Capital** | **Annual Cost** | **Weighted Cost After Tax** | **Weighted Cost Pre Tax**[6] |
|---|---|---|---|---|
| Long Term Debt | 51.57% | 4.12% | 2.12% | 2.12% |
| Customer Deposits | 0.43% | 0.90% | 0.00% | 0.00% |
| Common Equity | 48.00% | 8.80% | 4.22% | 5.83% |
| **Total** | **100.00%** | | 6.34% | 7.95% |

**KEDNY Rate Year Two**

| | **% of Capital** | **Annual Cost** | **Weighted Cost After Tax** | **Weighted Cost Pre Tax**[6] |
|---|---|---|---|---|
| Long Term Debt | 51.61% | 3.88% | 2.00% | 2.00% |
| Customer Deposits | 0.39% | 0.90% | 0.00% | 0.00% |
| Common Equity | 48.00% | 8.80% | 4.22% | 5.83% |
| **Total** | **100.00%** | | 6.22% | 7.83% |

[6] Weighted average costs of capital include the MTA tax.

**KEDNY Rate Year Three**

| | % of Capital | Annual Cost | Weighted Cost After Tax | Weighted Cost Pre Tax[6] |
|---|---|---|---|---|
| Long Term Debt | 51.62% | 3.87% | 2.00% | 2.00% |
| Customer Deposits | 0.38% | 0.90% | 0.00% | 0.00% |
| Common Equity | 48.00% | 8.80% | 4.22% | 5.83% |
| **Total** | **100.00%** | | 6.22% | 7.83% |

**KEDLI Rate Year One**

| | % of Capital | Annual Cost | Weighted Cost After Tax | Weighted Cost Pre Tax[6] |
|---|---|---|---|---|
| Long Term Debt | 51.37% | 4.06% | 2.09% | 2.09% |
| Customer Deposits | 0.63% | 0.90% | 0.01% | 0.01% |
| Common Equity | 48.00% | 8.80% | 4.22% | 5.83% |
| **Total** | **100.00%** | | 6.32% | 7.93% |

**KEDLI Rate Year Two**

| | % of Capital | Annual Cost | Weighted Cost After Tax | Weighted Cost Pre Tax[6] |
|---|---|---|---|---|
| Long Term Debt | 51.46% | 3.92% | 2.02% | 2.02% |
| Customer Deposits | 0.54% | 0.90% | 0.00% | 0.00% |
| Common Equity | 48.00% | 8.80% | 4.22% | 5.83% |
| **Total** | **100.00%** | | 6.24% | 7.85% |

**KEDLI Rate Year Three**

| | % of Capital | Annual Cost | Weighted Cost After Tax | Weighted Cost Pre Tax[6] |
|---|---|---|---|---|
| Long Term Debt | 51.60% | 3.85% | 1.99% | 1.99% |
| Customer Deposits | 0.40% | 0.90% | 0.00% | 0.00% |
| Common Equity | 48.00% | 8.80% | 4.22% | 5.83% |
| **Total** | **100.00%** | | 6.21% | 7.82% |

(c) A Rate Year One rate base for KEDNY of $4.922 billion and for KEDLI of $3.244 billion, a Rate Year Two rate base for KEDNY of $5.393 billion and for KEDLI of

$3.484 billion, and a Rate Year Three rate base for KEDNY of $5.841 billion and for KEDLI of $3.806 billion.

(d) KEDNY's gas other storage, transmission, distribution, and general plant depreciation rates as previously adopted by the Commission in Case 16-G-0059 will continue without change. Recovery of the Newtown Creek Project costs is subject to the conditions described in Section IV.3.2. KEDNY's depreciation rates are set forth in Appendix 1, Schedule 2. KEDLI's depreciation rates shall be updated to reflect a 25-year amortization of leak prone pipe ("LPP") and a four-year net salvage band in Rate Year One and Rate Year Two and a 20-year amortization of LPP and a three-year net salvage band in Rate Year Three. KEDLI's revised depreciation rates are set forth on Appendix 2, Schedule 2.

(e) No increase in management wages through June 30, 2022, for senior managers and through June 30, 2023, for senior executives, in recognition of the financial impacts of the COVID-19 pandemic on the Companies' customers.

(f) The annual amortization of certain of KEDNY's regulatory liabilities as follows:

(i) Economic Development Cost - $1.750 million in each Rate Year;

(ii) Gas Safety Negative Revenue Adjustments ("NRAs") associated with incremental programs[7] - $3.392 million in Rate Year One and $1.896 million in each of Rate Years Two and Three;

[7] These programs were related to the distribution of residential methane detectors and implementation of the Instrument and Regulation Control Line Survey and GPS Mapping Program.

(iii) Remaining Gas Safety NRAs - $4.659 million in each of the three Rate Years;

(iv) Unexpended Energy Efficiency Transition Implementation Plan ("ETIP") and Energy Efficiency Program Spending ("EEPS") - $12.158 million in each of the three Rate Years; and

(v) Deferred overcollection of low-income program discounts (including the Energy Affordability Program and KEDNY's previous low-income program) - $6.651 million in each of the three Rate Years.

(g) The annual amortization of certain of KEDLI's regulatory liabilities as follows:

(i) Economic Development Costs - $2.250 million in each Rate Year; and

(ii) ETIP and EEPS - $2.050 million in each Rate Year reflecting a five-year amortization.

**2.1.1 Amortization of Excess Deferred Income Taxes**

The Companies' revenue requirements reflect the amortization of protected excess accumulated deferred income taxes ("ADIT") using the Average Rate Assumption method and the amortization of unprotected excess ADIT over a five-year period for KEDNY and a ten-year period for KEDLI. If, during the terms of this Joint Proposal, the Companies determine that their amortization of excess ADIT would be in violation of the tax normalization provisions of the Internal Revenue Code such that the Companies would be precluded from the full use of accelerated depreciation, then the Companies shall have the

right to modify their accounting for ADIT and the amortization of excess ADIT, as, and to the extent necessary to maintain consistency with applicable tax normalization principles and remain eligible to use accelerated depreciation without interruption. To the extent the Companies determine that it is necessary to modify their accounting for ADIT and/or its amortization of excess ADIT to avoid a normalization violation, the Companies shall file a notice of such action with the Secretary to the Commission. Such notice shall provide an explanation of the need for the Companies' actions. Any issues raised by the Companies' notice shall be resolved in their next base rate case proceedings.

**2.2 Levelization of Rate Increase**

In recognition of the financial impacts of the COVID-19 pandemic on the Companies' customers, the Signatory Parties propose that the base rate changes be implemented in a manner designed to achieve no revenue increases in Rate Year One and annual revenue increases of 2.0 percent for KEDNY in Rate Years Two and Three and 1.8 percent for KEDLI in Rate Years Two and Three. The annual revenue changes for KEDNY and KEDLI are set forth in Appendix 1, Schedule 3 and Appendix 2, Schedule 3, respectively.

To achieve these outcomes, KEDNY and KEDLI will amortize $94.873 million and $4.835 million of regulatory liabilities (deferred credits), respectively, over the term of the rate plans. The regulatory liabilities used to offset the revenue requirements include regulatory liabilities of (i) $21 million, which will be used to offset the cost of the Companies' energy efficiency and demand response programs, established by the Commission in its March 18, 2021 "Order Adopting Settlement Agreement" in Cases 17-G-0317 and 18-G-0094, in full resolution of the Commission's "Order Instituting

Proceeding as to Show Cause" dated July 12, 2019 in Case 17-G-0317, and "Order Instituting Proceeding to Show Cause" dated November 15, 2018 in Case 18-G-0094,[8] in accordance with a settlement that was approved by the Commission by Order issued and effective March 18, 2021, in those proceedings; (ii) $20 million, which will be used to offset the cost of the Companies' energy efficiency and demand response programs, provided for in the Commission's April 15, 2021 "Order Adopting Second Amendment to Settlement Agreement" in Case 19-G-0678; and (iii) other regulatory liabilities that have been recorded previously on the Companies' books.

### 2.3 Make Whole Provision

The Signatory Parties recognize that Commission approval of this Joint Proposal can occur only after April 1, 2020. Accordingly, the Signatory Parties propose that the Companies will recover the revenue shortfall resulting from the extension of the suspension period through a make whole provision. The make whole provision is designed to ensure the Companies are restored to the same financial position they would have been in had rates gone into effect on April 1, 2020.

The Companies will calculate any revenue adjustments as the difference between revenues the Companies would have received during the extension of the suspension period and the actual revenues received, excluding any revenue that is being recovered through compressed delivery rates, as described in Sections IV.3.4 and 3.5 below. The revenue adjustments will include all applicable surcharges and carrying charges and be subject to reconciliation in accordance with all applicable adjustment mechanisms (including revenue

[8] The $21 million settlement results in the establishment of $15 million of deferred credits for KEDNY and $6 million for KEDLI.

decoupling, where applicable). Financial true-up targets established in this Joint Proposal, as well as depreciation and amortization expense, will be applied to the extension of the suspension period. All accounting/ratemaking will be in accordance with this Joint Proposal and be effective as of April 1, 2020. A summary of the methodology for calculating the make whole provision and illustrative examples of the make whole calculation are set forth in Appendix 3, Schedules 14.1 and 14.2 for KEDNY and Appendix 4, Schedule 14.1 and 14.2 for KEDLI.[9]

## 3. Revenue Allocation and Rate Design

### 3.1 Revenue Forecast

KEDNY's revenue forecast at current rates is set forth in Appendix 3, Schedule 1. KEDLI's revenue forecast at current rates is set forth in Appendix 4, Schedule 1. The revenue forecasts were prepared in 2020 and are intended to capture the impacts of the COVID-19 pandemic. The delivery rate revenue forecasts used to develop base rates and the reconciliation to total gas Operating Revenues for the Rate Years are set forth in Appendix 3, Schedule 2 for KEDNY and Appendix 4, Schedule 2 for KEDLI.

### 3.2 Newtown Creek

#### 3.2.1 Revenue Requirement Impacts

KEDNY's Rate Years Two and Three revenue requirements reflect:

(i) capital investment of $37.898 million in the Newtown Creek biogas purification project ("Newtown Creek Project");

(ii) investment to be recovered over 20 years; and

[9] If a Commission order adopting the terms of this Joint Proposal is not issued prior to August 1, 2021, and thus new rates are not effective on August 1, 2021, the Make Whole provision and any other calculation in the Joint Proposal that assumes new rates become effective August 1, 2021, will be recalculated based on the actual date new rates go into effect.

(iii) forecast annual revenues for the Newtown Creek Project of $1.924 million beginning in Rate Year Two from the sale of gas and environmental attributes from the Newtown Creek Project as well as additional imputed revenues of $4.010 million in Rate Year Two and $4.007 million in Rate Year Three as shown in Appendix 3, Schedule 1.

**3.2.2 Newtown Creek Annual Revenue Reconciliation**

Beginning in Rate Year Two, KEDNY will reconcile the actual revenues derived from the sales of gas and environmental attributes associated with the Newtown Creek Project to the amounts reflected in rates. If the actual revenues do not exceed the revenue reflected in rates as set forth in Section IV.3.2.1(iii) of this Joint Proposal, then KEDNY will be permitted to defer for future recovery fifty percent of the difference between the amount reflected in rates and $1.6 million. The maximum amount of such deferrals for each Rate Year is as follows:

Rate Year Two - $2.167 million

Rate Year Three - $2.165 million[10]

If over the three-year term of KEDNY's rate plan, the actual revenues derived from the Newtown Creek Project exceed $11.865 million, then any revenue in excess of that amount will be refunded to KEDNY's customers through the Delivery Rate Adjustment ("DRA") mechanism. After Rate Year Three, any annual revenues in excess of $5.931 million will be refunded to KEDNY's customers through the DRA. An example of this reconciliation is set forth in Appendix 6, Schedule 16.

[10] Note, the maximum amount of such deferrals will remain at the Rate Year Three amounts until the Commission next sets KEDNY's base rates.

### 3.3 Revenue Allocation

Revenue increases for KEDNY in Rate Years Two and Three will be allocated as set forth on Appendix 3, Schedule 2. Revenue increases in Rate Years Two and Three for KEDLI will be allocated as set forth on Appendix 4, Schedule 2.

The revenue allocations are not intended to establish precedent in support of the use of any embedded cost of service methodology in any future rate proceeding.

### 3.4 Rate Design – Firm Service Classifications

The rates for each firm service classification are set forth in Appendix 3, Schedule 3 for KEDNY and in Appendix 4, Schedule 3 for KEDLI. Bill impacts resulting from this rate design are set forth in Appendix 3, Schedules 4.1-4.3 for KEDNY and in Appendix 4, Schedules 4.1-4.3 for KEDLI. The bill impacts presented in Appendix 3, Schedules 4.1-4.3 and Appendix 4, Schedules 4.1-4.3, include the estimated surcharge for the Demand Capacity Surcharge Mechanism as further described in Section IV.3.22. The rate designs for both KEDNY and KEDLI for Rate Year Two reflect the following assumptions: (i) that present rates will continue until July 31, 2021, and (ii) new rates will be effective August 1, 2021, and will produce for each rate class the total revenue for Rate Year Two allocated to that class shown in Appendix 3, Schedule 2.1 for KEDNY and Appendix 4, Schedule 2.1 for KEDLI. Differences between the revenue allocated to each class and the revenue actually received by KEDNY and KEDLI will be adjusted through the Revenue Decoupling Mechanism ("RDM"), where applicable.

The Rate Year Two surcredits rates for KEDNY on Appendix 3, Schedules 3.1-3.3 and for KEDLI on Appendix 4, Schedules 3.1-3.3, provide the Rate Year Two surcredit dollar totals for each rate class for KEDNY on Appendix 3, Schedule 2 and for KEDLI on

Appendix 4, Schedule 2, assuming the surcredit is applied starting August 1, 2021, and for the balance of Rate Year Two.

The Companies will develop an Outreach and Education Plan that will target energy efficiency programs for high use customers in consultation with Staff and interested parties within 45 days of the issuance of a Commission order adopting the terms of this Joint Proposal.

**3.5 Rate Design – Non-Firm Demand Response**

The non-firm demand response service classifications will continue to consist of Tier 1 and Tier 2 service. Tier 1 and Tier 2 service interruption temperatures are set annually as indicated in each Company's Gas Transportation Operating Procedure Manual, with Tier 2 customers interrupted at a higher designated temperature than Tier 1. Tier 1 service will have volumetric delivery rates set at 50 percent below the tail block volumetric rate (excluding deferral surcredits) of the applicable equivalent firm service class. Tier 2 service will have volumetric delivery rates set at 60 percent below the tail block volumetric rate (excluding deferral surcredits) of the applicable firm service class. The Minimum Charge assessed to each Tier will be $375.00. The non-firm demand response service classifications will include an additional non-firm delivery rate discounted off the volumetric tail block rate of the multi-family firm service class for KEDNY only. The non-firm rate design is set forth in Appendix 3, Schedule 3 for KEDNY and in Appendix 4, Schedule 3 for KEDLI. The present rates for the non-firm demand response classes, which are assumed to remain in effect through July 31, 2021, are the same as the tail block rates for the otherwise applicable classes. To provide discounts of 50 percent for Tier 1 and 60 percent for Tier 2 over the course of Rate Year Two, the discounts for the compression period of August 1, 2021, through the end of Rate Year Two are greater than

50 percent and 60 percent, respectively. Therefore, the increases in non-firm demand response rates for Rate Year Three as compared to Rate Year Two are greater than the system average increase, although the revenue to be produced by each class is calculated to increase at the same percentage as the system average increase.

#### 3.5.1 Commodity Pricing For Non-Firm Demand Response Sales Services

For non-firm demand response Tier 1 and Tier 2 sales service, the commodity price assessed by the Companies shall be based upon the Incremental Cost of Gas ("ICOG") weighted by the upstream pipeline city gates and volumes used to determine deliveries to non-firm customers, plus the demand charge reduced to ten percent of the allocated pipeline transportation costs, and plus the applicable Lost and Unaccounted for Gas ("LAUF") factor (the total commodity price to be referred to as "Weighted Monthly ICOG"). For the purpose of calculating the Weighted Monthly ICOG, sales and transportation customers will be considered to receive the same upstream pipeline city gate allocation as set forth in the Companies' Gas Transportation Operating Procedures manual. The Weighted Monthly ICOG rate for non-firm demand response sales customers will be capped at the Monthly Cost of Gas (excluding adjustments) for the otherwise applicable firm service class. Each month, the Companies shall charge non-firm demand response sales customers the lower of the forecast Weighted Monthly ICOG rate or the Monthly Cost of Gas (excluding adjustments) for the otherwise applicable firm service class. An illustration of the calculation of the Weighted Monthly ICOG rate is set forth in Appendix 3, Schedule 5.1. The Companies will not separately reconcile the Weighted Monthly ICOG gas costs for non-firm sales customers during the term of the rate plan, but will develop

and propose a non-firm gas cost reconciliation mechanism to be included in the Companies' next base rate filings.

### 3.5.2 Non-Firm Demand Response Targets

KEDNY's Non-Firm Demand Response targets are set forth in Appendix 3, Schedule 5.2 and KEDLI's Non-Firm Demand Response targets are set forth in Appendix 4, Schedule 5.2.

### 3.6 Lost and Unaccounted For Gas

The LAUF targets and deadbands that will apply during the term of the Companies' rate plans are as follows:

| Targets | KEDNY | KEDLI |
|---|---|---|
| LAUF Target | 2.369% | 2.742% |
| Upper Band | 3.369% | 3.742% |
| Lower Band | 1.369% | 1.742% |

The new LAUF targets and dead bands will become effective in the month subsequent to the month in which the Commission issues an order adopting the terms of this Joint Proposal and will be prorated as necessary for the Gas Adjustment Clause ("GAC") year in which they are implemented. Beginning September 1, 2021, the LAUF targets and dead bands included in the table above will be reconciled on a GAC year basis with the GAC year ending August 31, 2022. In addition, the LAUF factor of adjustment calculation will be modified to gross up gas costs for LAUF Gas. The loss percentage will be calculated by dividing losses into system receipts including any necessary adjustments. The Factor of Adjustment (FOA) will be calculated as follows: FOA = 1/(1-loss percentage). The calculation of LAUF targets and deadbands are set forth in Appendix 3, Schedule 8 for KEDNY and Appendix 4, Schedule 8 for KEDLI.

#### 3.6.1 Inactive Accounts Adjustment To LAUF Calculation

KEDNY and KEDLI perform a calculation to remove from the LAUF calculation an estimate of the gas usage associated with meters that have been inactive for more than 90 days. This calculation will be a monetary adjustment by multiplying the inactive account volumes by KEDNY's and KEDLI's Weighted Average Cost of Gas for the period applicable to the calculation. The monetary inactive account adjustment shall be included in the annual GAC reconciliation as a separate line item that increases gas cost revenues.

### 3.7 Revenue Decoupling Mechanisms

The Companies' RDMs shall be modified as follows:

(i) a revenue-per class RDM will be implemented for Service Classification ("SC") Nos. 1B and 1A;

(ii) the incremental growth incentives will be eliminated from the revenue-per-class RDMs for SC 2 and SC 3;

(iii) RDMs will be reconciled on a Rate Year basis rather than a Calendar Year basis;

(iv) In calendar year ("CY") 2020 the Companies filed annual RDM reconciliations in accordance with their current tariff provisions. The Companies will refile their annual RDM reconciliations for the period January 1, 2020, through March 31, 2021, 45 days after the issuance of a Commission order adopting the terms of this Joint Proposal becomes effective to reflect the appropriate Rate Year One RDM targets. The 15-month RDM reconciliation will include revenue per customer targets for SC 1B and revenue per class targets for SC 2 and SC 3 for the months of January

through March 2020 in accordance with Cases 16-G-0058 and 16-G-0059 and revenue per class targets for SC 1A, SC 1B, SC 2 and SC 3 in accordance with Cases 19-G-0309 and 19-G-0310 for the period April 1, 2020, through March 31, 2021; and

(v) KEDNY RDM targets are set forth in Appendix 3, Schedule 7 and KEDLI RDM targets are set forth in Appendix 4, Schedule 7.

### 3.8 System Benefits Charge

Clean Energy Fund ("CEF") costs were collected through the System Benefits Charge ("SBC") through December 31, 2020. The SBC statement will be discontinued as of the effective date of the tariffs implementing the rates authorized by a Commission order adopting the terms of this Joint Proposal. The Companies shall complete a final reconciliation of the prior period CEF and EE Tracker components of the SBC and shall file the results of that reconciliation within 90 days of a Commission order adopting the terms of this Joint Proposal. Any over- or under-collection identified in the final reconciliation shall be deferred for later return or recovery from customers. The Companies' Energy Efficiency costs will be recovered in base rates beginning in Rate Year One, with Rate Year One costs reflected through the make whole provision. In addition, if KEDNY and/or KEDLI does not file for new rates to become effective on or before April 1, 2023, the Companies will be permitted to recover through a surcharge any Commission-approved NE:NY budget (or other approved energy efficiency programs) not reflected in base rates. The Companies will include these costs in the Demand Capacity Surcharge Mechanism, which will be allocated based on total gas deliveries to all firm and non-firm service classifications.

### 3.9 Paperless Billing Credit

The Paperless Billing Credit shall be $0.43 and $0.41 per month for KEDNY and KEDLI, respectively, based on a year of actual experience on the enhanced paperless billing platform.

### 3.10 Gas Safety and Reliability Surcharge

The per therm Gas Safety and Reliability Surcharge ("GSRS") established in Cases 16-G-0058 and 16-G-0059 shall continue. The GSRS shall be modified to include recovery of the following: (i) incremental proactive LPP replacement costs up to 102 percent of the rate allowance unit cost; (ii) any earned leak repair Positive Revenue Adjustment ("PRA"); and (iii) incremental leak repair costs. The Companies will not be permitted to recover any earned PRA for LPP removal through the GSRS. The surcharge will be calculated by first allocating the return on investment, depreciation expense, and O&M expense (*i.e.*, disconnects and reconnects) associated with incremental LPP investment, incremental leak repair costs, and any positive revenue adjustments earned for leak repairs to each firm service class by forecast delivery revenues established in this Joint Proposal, and then developing a per therm rate per service class that will be collected in the DRA. The GSRS will be reconciled annually and included in the DRA recovered from firm sales and firm transportation customers beginning July 1 of the following Rate Year. An illustrative example of the GSRS calculation, including examples of the incremental proactive LPP replacement, leak repair, and PRA recovery mechanisms, is provided in Appendix 6, Schedule 9 for KEDNY and Appendix 7, Schedule 9 for KEDLI.

The Companies will work with interested parties to develop a new general capital efficiency incentive. This incentive will take effect in the first Rate Year after its approval

by the Commission. The Companies will convene an initial meeting with interested parties within 90 days of the issuance of a Commission order adopting the terms of this Joint Proposal. The Companies will submit a report on the collective efforts of the parties, including a proposal for an incentive, if any is successfully developed, within one year of the issuance of a Commission order adopting the terms of this Joint Proposal.

As noted above, the Companies will be permitted to recover through the GSRS the costs of incremental leak repairs as well as any incentives earned for incremental leak repair as discussed in Section IV.10.2 of this Joint Proposal. In any filing in which the Companies seek to recover the costs of incremental leak repairs, the Companies will bear the burden of demonstrating that the costs the Companies seek to recover are incremental to costs recovered in current rates.

The Companies filed their CY20 annual GSRS reconciliations on March 15, 2021, in accordance with currently effective tariff provisions. The Companies shall refile their annual GSRS reconciliations for CY20 to reflect the Rate Year One GSRS targets within 45 days of the issuance of a Commission order adopting the terms of this Joint Proposal.

### 3.11 Merchant Function Charge

The Companies' Merchant Function Charges ("MFC") shall be changed to eliminate provisions that allow for mid-year adjustments to annual imbalance charges. In addition, the Companies will continue with the following modifications:

a. The MFC will be updated to reflect the Gas Supply Procurement target of $2.401 million for KEDNY and $0.349 million for KEDLI, and the Commodity-Related Credit and Collection target of $4.786 million for KEDNY and $1.269 million for KEDLI as shown in Appendix 3, Schedule 6.1 for

KEDNY and Appendix 4, Schedule 6.1 for KEDLI. In addition, the conversion of the annual expense targets for gas supply procurement and commodity-related credit and collections charges from a fiscal year basis to a Monthly Cost of Gas ("MCG") year basis is shown in Appendix 3, Schedule 6.2 for KEDNY and Appendix 4, Schedule 6.2 for KEDLI.

b. The methodology for calculating commodity-related working capital expense will continue to be aligned with the methodology adopted by the Commission for NMPC in Case 08-G-0609, such that the working capital component of the MFC will be calculated each month by multiplying the updated lead/lag rate and the Companies' pre-tax weighted average cost of capital, as shown in Appendix 3, Schedule 6.3, page 8 for KEDNY and Appendix 4, Schedule 6.3, page 8 for KEDLI.

c. The Companies will initially reset their (i) Gas Supply Procurement target, (ii) Commodity-related Credit and Collection Expenses targets and (iii) Return Requirement on Gas Storage Inventory effective August 1, 2021. Then, going forward, the Companies will reset these targets annually based on the latest sales forecast every September 1, and reconcile the revenue to target, effective the following January of each year. The initial one-month target for August 2021 will be added to the over/under recoveries for the period September 1, 2021, through August 31, 2022. An illustrative example of the stub period reconciliation is shown in Appendix 3, Schedule 6.4 for KEDNY and Appendix 4, Schedule 6.4 for KEDLI.

d. Appendix 3, Schedule 6.1 and Appendix 4, Schedule 6.1, for KEDNY and KEDLI, respectively, summarizes all the MFC components for Rate Year Two, as well as for the MCG year. These appendices align with the Companies' Cost of Gas reconciliation.

e. Illustrative examples of the per dekatherm rates for all the MFC components are shown on Appendix 3, Schedule 6.3 to reflect the most recent targets for KEDNY and Appendix 4, Schedule 6.3 for KEDLI.

f. For the four months of the non-reconciled component of the MFC prior to the effective dates, the Uncollectible Expenses Associated with Gas Costs and Return Requirement on Gas Purchase-Related Working Capital will be added to the Make Whole provision as shown in the Appendix 3, Schedule 14.2 for KEDNY and Appendix 4, Schedule 14.2 for KEDLI.

### 3.12 Delivery Rate Adjustment

The Companies will file DRA statements. The DRA statements will include, but not be limited to, the following components for firm sales and firm transportation customers: SIR (Site Investigation and Remediation Surcharge), RDM (Revenue Decoupling Mechanism), GSRS (Gas Safety and Reliability Surcharge), NFRR (Non-Firm Demand Response Revenues Reconciliation Surcharge), EGR (Electric Generator Revenue Reconciliation), NYFS (New York Facilities System Surcharge), EAM (Earnings Adjustment Mechanism), NCRR (Newtown Creek Revenue Reconciliation) (KEDNY only), DCSM (Demand Capacity Surcharge Mechanism), DROM (Demand Response O&M), and NUP (Net Utility Plant and Depreciation Expense Reconciliation in the Stayout

Period). The *pro forma* statement is included in Appendix 3, Schedule 11 and Appendix 4, Schedule 11.

### 3.13 Consolidated Billing Fees

KEDNY's consolidated billing fee will be updated from the current rate of $1.42 to $1.31 per bill, except for Rate Year Two. For Rate Year Two, KEDNY's consolidated billing fee will be $1.26 per bill, which reflects (i) the reduction in the billing fee and (ii) a compressed period over which the total Rate Year Two consolidated billing fee revenue will be collected (the eight-month period from August 2021 through March 2022).

KEDLI's consolidated billing fee will remain at $1.32 per bill. In addition, KEDLI's SC 9 shall be eligible for the consolidated billing charge.

### 3.14 Miscellaneous KEDNY Fees

Upon the effectiveness of revised rates, KEDNY's fees for (i) unproductive field visits shall be $31.74, (ii) reconnection at the main shall be $500.00, and (iii) reconnection at the meter shall be $53.89 (Disconnect Fees).

### 3.15 Miscellaneous KEDLI Fees

Upon the effectiveness of revised rates, KEDLI's fees for (i) unproductive field visits shall be $47.14, (ii) reconnection/reestablishment at the meter shall be $74.39, (iii) Energy Services Companies ("ESCOs")-initiated suspensions shall be $74.39.

### 3.16 New York Facilities System

The timing of the New York Facilities System ("NYFS") reconciliation shall be changed from a calendar year to a fiscal year basis, commencing April 1, 2020. The NYFS costs shall be recovered on a fiscal year basis with the revised surcharges effective July 1.

The Companies filed the CY20 annual NYFS reconciliation in accordance with their current tariff provisions. The Companies will refile their annual NYFS reconciliation for the period January 1, 2020, through March 31, 2021, to reflect the appropriate Rate Year One revenue and cost targets within 45 days of the issuance of a Commission order adopting the terms of this Joint Proposal. The 15-month NYFS reconciliation will include revenue and cost targets for the months of January through March 2020 in accordance with Cases 16-G-0058 and 16-G-0059 and revenue and cost targets in accordance with Cases 19-G-0309 and 19-G-0310 for the period April 1, 2020, through March 31, 2021.

**3.17 Economic Development Discount Program Rates**

KEDNY will amend its Area Development Rate to update the current designated areas to include areas that better reflect current economic development priorities, as proposed in its filing. KEDLI will implement a similar Area Development Rate. The Companies will amend their Business Incentive Rates to include qualifying tenant businesses locating or expanding in properties that receive benefits from an Industrial Development Agency. KEDLI will expand its Business Incentive Rate to include non-firm customers. There will be no deferral mechanism for economic development rate discounts during the term of the rate plans.

**3.18 Natural Gas Vehicles (“NGVs”)**

The Companies will amend their NGV service classifications – SC4A-CNG for KEDNY and SC9 for KEDLI – to offer an interruptibility option to new NGV customers. The Companies will charge the same rates for firm and interruptible NGV services.

### 3.19 Electric Generation Rates

To the extent that the Commission requires changes to electric generation rates in Case 17-G-0011 or otherwise, the Companies will, in the absence of contravening language in any applicable Commission order, work with LIPA to implement such revised rates within three months of a Commission order requiring changes. The Electric Generation revenue targets are shown in Appendix 3, Schedule 10 and Appendix 4, Schedule 10 for KEDNY and KEDLI, respectively.

### 3.20 Miscellaneous Tariff Changes

The Companies will amend their tariffs to:

(i) Implement a new Earnings Adjustment Mechanism ("EAM") surcharge; any incentives earned for the Share the Savings metric and the LMI Customer Savings metric will be allocated to all firm and non-firm customers based on the total gas deliveries allocator; any incentives earned for the Gas Peak Reduction metric will be allocated to all firm customers based on the peak sendout allocator; an illustrative example of the EAM calculation is shown in Appendix 3, Schedule 9 for KEDNY and Appendix 4, Schedule 9 for KEDLI;

(ii) Further clarify their non-firm demand response service classifications to clearly provide for waiver of alternative fuel requirements for customers that are able to cease gas consumption during interruption events;

(iii) Revise their non-firm demand response service classifications to provide that non-firm customers with automatic switching equipment must provide 120 days' notice to choose a tier for the upcoming winter period

commencing November 1. For the winter period commencing November 1, 2021, customers must provide 60 days-notice (or notice of no less than 15-days after issuance of a Commission order adopting the terms of this Joint Proposal, whichever is shorter) to choose a tier. Customers with automatic switching equipment that do not request a specific tier will be placed in Tier 1. Within 45 days of the filing of this Joint Proposal, the Companies will conduct outreach (*e.g.*, mailings and other targeted communications) to non-firm customers regarding the anticipated changes to the non-firm demand response program and pricing;

(iv) Eliminate the mid-year adjustment to the annual cost of gas imbalance factor;

(v) Eliminate the mid-year adjustment to the MFC annual imbalance factor;

(vi) Update provisions relating to the Annual Cost of Gas Imbalance surcharge/refund calculation. In the "Total Actual Gas Credits" section, the fourth component, the Non-Firm Demand Response Penalty Refund that is used in the reconciliation was inadvertently excluded in the tariff.

(vii) Update provisions relating to the GSRS;

(viii) Update provisions relating to the customer billing charge to include SC 9 (KEDLI only);

(ix) Modify the SC4A-CNG (KEDNY) and SC9 (KEDLI) tariff to offer an interruptibility option for new NGV customers;

(x) Amend their Area of Development Rider and Business Incentive Rates;

(xi) Expand KEDNY's energy efficiency participation to the following service classifications: SC 21 – Baseload Distributed Generation, SC 17-21 – Baseload Distributed Generation (firm service classification), SC 22 – Non-Firm Demand Response Sales Service and SC 18-22 – Non-Firm Demand Response Transportation Service. Expand KEDLI's energy efficiency participation to SC 17 – Baseload Distributed Generation, SC 5-17 – Baseload Distributed Generation (firm service classification), SC 18 – Non-Firm Demand Response Sales Service and SC 19 – Non-Firm Demand Response Transportation Service. The Non-Firm Demand Response service classifications will not be allocated any energy efficiency costs because their delivery rates are based on a discount from the otherwise applicable firm service classification whose base rates already include ETIP costs;

(xii) Add tariff provisions regarding the Demand Capacity Surcharge Mechanism, which will identify the components included (incremental energy efficiency costs, Demand Response program costs, Long-Term Capacity project costs, and Incremental NE:NY budget costs) as well as the operation of the mechanism as further explained in Section IV.3.22 below;

(xiii) Add tariff provision regarding Newtown Creek Revenue Reconciliation to include details regarding the annual targets and timing of the reconciliations in accordance with Section IV.3.2.2 – KEDNY only;

(xiv) Eliminate Tax Reform Surcredit (TRS) from the General Information section. The Companies will also file a zero rate TRS statement on one-day notice before new delivery rates become effective;

(xv) Update the marginal cost rates applicable to Excelsior Jobs Program ("EJP") customers effective August 1, 2021, as shown in Appendix 3, Schedule 12 for KEDNY and Appendix 4, Schedule 12 for KEDLI; and

(xvi) Discontinue the current lost revenue mechanism for non-RDM service classifications currently included in the calculation of the SBC as described on Tariff Leaves 138.50.1 and 119.50.1 for KEDNY and KEDLI, respectively.

In addition, (i) KEDNY will eliminate Service Classifications SC 1-BI – 3-5 Family Residential Heating Conversion Service and SC 17-BI – 3-5 Family Residential Heating Conversion Service, and (ii) the Companies will, within 120 days of the issuance of a Commission order adopting the terms of this Joint Proposal, file tariff revisions to streamline the general information sections of their tariffs in a manner consistent with the recommendations filed by Niagara Mohawk in Case 20-G-0381.

**3.21 Green Gas Tariff**

The Companies shall not implement their proposed Green Gas Tariffs during the term of the rate plans.

**3.22 Demand Capacity Surcharge Mechanism**

In Case 19-G-0678, the Commission approved a settlement agreement wherein the Companies agreed to identify potential solutions for addressing the gap between the Companies' supply of natural gas and the forecast of firm demands of customers. As part of a portfolio of solutions to meet peak demand, the Companies have identified

opportunities to implement certain incremental non-infrastructure solutions (*i.e.*, demand response and incremental energy efficiency programs). As discussed in Section IV.5.3 of this Joint Proposal, the Companies are also considering certain Long-Term Capital Capacity Projects to address the supply/demand gap. To effectuate the recovery of costs associated with the incremental demand response, energy efficiency, and Long-Term Capital Capacity Projects discussed herein, the Companies will be permitted to implement a surcharge – the Demand Capacity Surcharge Mechanism – beginning in Rate Year Two.

#### 3.22.1 Energy Efficiency

For any Commission-approved energy efficiency costs not already included in base rates as described in Section IV.7.1, the Demand Capacity Surcharge Mechanism implemented in Rate Year Two will be designed to enable the Companies to recover fifty percent of a forecast of incremental costs incurred in Rate Year Two. In all years following Rate Year Two, the Demand Capacity Surcharge Mechanism will be designed to recover the difference between actual costs and the fifty percent of the remaining costs incurred in the previous Rate Year including carrying charges as well as fifty percent of the costs forecast to be incurred in the year in which the Demand Capacity Surcharge Mechanism will be in effect. This Joint Proposal allows the Companies to recover the funds authorized for the entire NE:NY period more rapidly to assist with addressing the capacity issues identified in Case 19-G-0678. Therefore, recovery of incremental energy efficiency program costs through the Demand Capacity Surcharge Mechanism will be capped at the cumulative 2019-2025 budget, as adopted by the Commission in the NE: NY Proceeding, less previously recovered amounts and less the base NE:NY budget that is being recovered through base rates.

If, following the interim review scheduled to take place in the NE:NY Proceeding, the Commission authorizes additional budgets, the cap for the recovery of energy efficiency costs through the Demand Capacity Surcharge Mechanism will be updated accordingly.

To implement the energy efficiency portion of the annual Demand Capacity Surcharge Mechanism, the Companies will make annual filings ("Demand Side Management filings") in Cases 19-G-0309 and 19-G-0310 that will describe the energy efficiency programs for which the Companies are seeking cost recovery and afford the Commission at least 150 days to determine whether the incremental energy efficiency programs should be undertaken and made eligible for cost recovery. In addition, in the Companies' annual Demand Side Management filings, the Companies may seek to recover through the Demand Capacity Surcharge Mechanism incremental resources, including incremental internal labor and/or contractors, needed to implement Commission-approved energy efficiency programs. Budgets and targets for these incremental energy efficiency programs will be proposed and considered by the Commission through the annual filings.

**3.22.2 Demand Response**

With respect to demand response costs, the Companies will be permitted to recover through the Demand Capacity Surcharge Mechanism actual annual demand response spending in a manner similar to the energy efficiency recovery discussed above at Section IV.3.22.1. The amount of demand response spending eligible for recovery through the Demand Capacity Surcharge Mechanism for each Rate Year will be capped at the following levels:

| Year | KEDNY | KEDLI |
|---|---|---|
| Rate Year Two | $4.9 M | $2.1 M |
| Rate Year Three | $11.5 M | $4.9 M |
| Stayout Period | $13.5 M | $5.8 M |

To implement the demand response portion of the annual Demand Capacity Surcharge Mechanism, the Companies will make annual filings (as part of the Demand Side Management filings) that will describe the demand response programs the Companies will implement in the upcoming winter heating season and afford the Commission sufficient time to determine whether the incremental demand response programs should be undertaken. The Companies Demand Side Management filings will incorporate the reporting obligations contained in the Commission's "Order Directing Implementation Plan Filing, Annual Reporting, and Tariff Modifications" (issued October 15, 2020) in Cases 20-G-0086 and 20-G-0087, including, *inter alia*, the costs incurred for the incremental demand response programs, total and new program enrollment, program performance, and an evaluation of the cost-effectiveness of each program component.

#### 3.22.3 Long-Term Capacity Projects

For Long-Term Capital Capacity projects, the Demand Capacity Surcharge Mechanism will enable the Companies to recover an authorized revenue requirement (return on and return of) for the projects in the upcoming Rate Year as long as the project is in service prior to the beginning of the Rate Year. If a project is placed in service after the beginning of a Rate Year, in the following Demand Capacity Surcharge Mechanism filing the Companies' will also be able to collect the eligible portion of that project's revenue requirement from the preceding Rate Year in the next Demand Capacity Surcharge

Mechanism. The Long-Term Capital Capacity Project costs eligible for recovery will be determined in the manner set forth in Section IV.5.3 of this Joint Proposal.

**3.22.4 Operation of the Mechanism**

The new Demand Capacity Surcharge Mechanism will be included in the DRA and will be supported by a statement setting forth the costs being collected and their relationship to specific Long-Term Capital Capacity Projects. In addition, the Demand Capacity Surcharge Mechanism will be allocated among each Company's service classifications as follows:

(i) Demand response costs and the costs of Long-Term Capital Capacity Projects will be allocated based on peak daily sendout to all firm service classifications; and

(ii) Energy efficiency costs will be allocated based on gas deliveries to all firm and non-firm service classifications. Residential programs will be allocated to residential customers and commercial and industrial programs will be allocated to all firm and non-firm, non-residential classes.

The first Demand Capacity Surcharge Mechanism statement will be filed to become effective 90 days after the issuance of a Commission order adopting the terms of this Joint Proposal, to be recovered through June 30, 2022. For subsequent years until the Commission next sets rates, the Demand Capacity Surcharge Mechanism will be filed to become effective on July 1, to be recovered over a twelve-month period ending June 30.

An example of the Demand Capacity Surcharge Mechanism is set forth in Appendix 6, Schedule 11 for KEDNY and Appendix 7, Schedule 11 for KEDLI.

### 3.23 Next Base Rate Filing

#### 3.23.1 Sales and Revenue Forecast

In their next base rate filings, the Companies will meet with Staff prior to filing to discuss potential options for developing a methodology to normalize data prior to commencing the Ogive process.

#### 3.23.2 Embedded Cost of Service

In their next base rate filings, the Companies will submit for informational purposes ECOS studies that classify distribution main costs as 100 percent demand-related as part of their response to pre-filing information requests to the active parties to these proceedings. The Companies will not be required to use the results of those studies for any purpose.

## 4. Computation and Disposition of Excess Earnings

### 4.1 Earnings Report

By August 31 of each year, commencing in 2021, the Companies will file earnings reports using the methodology described in this Section and shown in Appendix 5. The earnings reports will be used for the Earnings Sharing Mechanisms set forth in Section IV.4.3 below.

The earnings reports will calculate the Companies' ROEs for the preceding Rate Year using capital structures with equity components equal to 48 percent and incorporating the adjustments set forth below. In the event of a partial or "stub" period, the earnings sharing threshold of greater than 9.3 percent will be prorated to develop a stub period earnings sharing threshold. The stub period will be calculated by adjusting the actual average rate base for that period by an operating income ratio factor. The operating income

ratio factor will be calculated as the ratio of operating income during the same partial period in the previous Rate Year to the total operating income for that Rate Year. An example of the calculation for the stub period is shown in Appendix 5.

### 4.2 Discrete Incentives and Revenue Adjustments

The Companies will calculate their individual ROEs by excluding the effects of discrete incentives, amounts previously in excess of earnings thresholds, and negative and positive revenue adjustments.

### 4.3 Earnings Sharing Mechanism

If the Companies' actual individual ROEs in any Rate Year, excluding discrete incentives, amounts previously in excess of earnings thresholds, and negative and positive revenue adjustments exceeds 9.3 percent, the amount in excess of 9.3 percent will be deemed "shared earnings" for the purposes of this Joint Proposal and be treated as follows:

#### 4.3.1 Sharing > 9.3% and < 9.8%

If the level of earned ROEs for the individual Companies exceeds 9.3 percent but is less than or equal to 9.8 percent, 50 percent of the revenue equivalent of earnings will be deferred for the benefit of customers and 50 percent will be retained by the affected Company.

#### 4.3.2 Sharing > 9.8% and < 10.3%

If the level of earned ROEs for the individual Companies exceeds 9.8 percent but is less than or equal to 10.3 percent, 75 percent of the revenue equivalent of earnings will be deferred for the benefit of customers and 25 percent will be retained by the affected Company. The Companies will use 50 percent of their retained earnings under this Section

IV.4.3.2, if any, to reduce regulatory asset balances associated with Site Investigation and Remediation ("SIR") activities.

#### 4.3.3 Sharing > 10.3%

If the level of earned ROEs for the individual Companies exceeds 10.3 percent, 90 percent of the revenue equivalent of earnings will be deferred for the benefit of customers and ten percent will be retained by the affected Company. The Companies will use 50 percent of their retained earnings under this Section IV.4.3.3, if any, to reduce regulatory asset balances associated with SIR activities.

## 5. Capital Investment Levels and Operations & Maintenance ("O&M")

### 5.1 Commitment to Non-Pipe Alternatives

Where possible, the Companies will make evaluations of possible Non-Pipe Alternatives ("NPAs") a standard item before proceeding with the construction of new or replacement gas transmission and distribution infrastructure. Notwithstanding this commitment, the Companies will not be restricted from proceeding with investments in new or replacement facilities that are necessary to comply with any and all laws, rules, regulations, or orders of the Commission or other regulatory body having jurisdiction or to respond to an emergency as determined by the Companies. The Companies will be permitted to defer the costs of all LPP NPAs that are completed.

### 5.2 Capital Investment Levels

KEDNY's capital investments underlying the rates in this Joint Proposal (including cost of removal) are as follows:

| Categories | Rate Year One | Rate Year Two | Rate Year Three |
|---|---|---|---|
| Customer Connections | 50,806,021 | 82,785,334 | 95,097,819 |
| Mandated | 433,618,079 | 510,195,410 | 506,527,860 |
| Reliability | 82,698,469 | 123,204,600 | 63,463,671 |
| Non-Infrastructure | 7,707,336 | 8,153,079 | 8,252,801 |
| Facilities/Customer | 6,375,000 | 17,450,000 | 10,250,000 |
| Fleet/IMWM | 1,250,000 | 1,550,000 | 750,000 |
| Future of Heat | 58,960 | 58,960 | 58,960 |
| **Total** | $582,513,865 | $743,397,383 | $684,401,111 |

Appendix 1, Schedule 5 sets forth KEDNY's forecast level of capital investment, except for certain Long-Term Capital Capacity Projects described more fully below in Section IV.5.3 of this Joint Proposal, by program for each Rate Year, as well as the Stayout Period.

KEDLI's capital investment levels underlying the rates in this Joint Proposal (including cost of removal) are as follows:

| Categories | Rate Year One | Rate Year Two | Rate Year Three |
|---|---|---|---|
| Customer Connections | 50,306,304 | 61,042,929 | 57,466,291 |
| Mandated | 230,976,071 | 261,781,945 | 280,417,870 |
| Reliability | 80,468,152 | 134,381,651 | 72,064,190 |
| Non-Infrastructure | 3,381,970 | 4,410,956 | 4,442,467 |
| Facilities/Customer | 1,830,000 | 29,085,000 | 31,755,930 |
| Fleet/IMWM | 1,550,000 | 1,250,000 | 950,000 |
| Future of Heat | 26,800 | 26,800 | 26,800 |
| **Total** | $368,539,297 | $491,979,281 | $447,123,548 |

Appendix 2, Schedule 5 sets forth KEDLI's forecast level of capital investments except for certain Long-Term Capacity Projects, described more fully below in Section IV.5.3 of this Joint Proposal, by program for each Rate Year, as well as the Stayout Period.

Notwithstanding the specified segment-level spending amounts set forth above, nothing in this Joint Proposal is intended to limit KEDNY's or KEDLI's flexibility to substitute, change, or modify its capital projects during the terms of the Companies' respective rate plans.

### 5.3 Long-Term Capital Capacity Projects

In addition to the capital investments included in the revenue requirement as set forth in Section IV.5.2 above, the Companies will be afforded the opportunity to seek recovery of the revenue requirement associated with the following Long-Term Capital Capacity Projects through the Demand Capacity Surcharge Mechanism in accordance with the terms and conditions of this Joint Proposal. In addition to the traditional review of the Long-Term Capital Capacity Projects completed in these cases to date, the Joint Proposal provides for an independent assessment of the need for these projects over the term of the rate plans. As described below, this independent assessment will consider, *inter alia*, the Companies' forecasts for gas demand (as updated annually during the rate plans), project cost, reliability, alternative options, GHG emissions, and feedback from the public. Additionally, the recovery of these projects during the rate plan is conditioned on the Companies achieving metric targets for non-infrastructure solutions (*i.e.*, efficiency, demand response and electrification) to offset the need for additional gas supply infrastructure:

KEDNY

- Liquefied Natural Gas ("LNG") – Portable LNG NYC (Permitting, Site Work)
- LNG – Greenpoint Vaporization Expansion (13 and 14)
- LNG- Truck Load/Unload Station

- Compressed Natural Gas ("CNG") – Staten Island CNG Fill Station (allocate 50 percent to KEDLI)
- LTNY12058 - Elmhurst Reliability Project - PM
- LNG - Vaporizers 7 & 8 Replacement

KEDLI

- LTLI10860 Riverhead Transmission Main – PM
- LTLI10985 – Southeast Suffolk Infrastructure – Phase 1
- LTLI10985 – Southeast Suffolk Infrastructure – Phase 2
- Northwest Nassau Transmission Main & Control Valve – Phase 3

The Long-Term Capital Capacity Projects set forth above are intended to be options when other solutions cannot timely, reliably or economically meet forecast demand. To recover the costs of the Long-Term Capital Capacity Projects identified above, the Companies will be required to demonstrate, as described more fully below, that the projects are necessary to ensure continued reliable service and that the Companies have met the Capacity Demand Metrics discussed more fully below.

The Companies will be permitted to recover the costs of the following Long-Term Capital Capacity Projects through the Demand Capacity Surcharge Mechanism solely by demonstrating compliance with the Capacity Demand Metrics:

- CNG - Glenwood CNG Injection Facility Upgrade
- CNG - Portable CNG 3rd Site (Barrett CNG Off Loading Facility)
- CNG - Portable CNG 4th Site (Inwood CNG Off Loading Facility)

To commence the process for recovering the costs of the Long-Term Capital Capacity Projects, the Companies will file reports with the Commission and all parties that

will address each project for which cost recovery is sought. The reports will identify the project(s) for which the Companies are seeking cost recovery, present the Companies' assessment of the need for the project to ensure continued reliable service, and demonstrate the Companies' performance under the Capacity Demand Metrics. The Companies may submit reports for single or multiple projects at the Companies' discretion. Members of the public will have thirty days from the date of submission of a report to submit comments. During the thirty-day comment period the Companies will conduct at least one stakeholder meeting to hear community feedback about the project.

The Companies shall retain a qualified independent consultant to be selected by Staff that will work at the direction of Staff to review the need for the Long-Term Capital Capacity Projects. The independent consultant(s) shall be nationally or regionally recognized individual(s) or firm(s) in the area of gas engineering and possess the requisite experience in planning and constructing natural gas distribution infrastructure so as to be qualified as an expert to analyze the need for the Companies' Long-Term Capital Capacity Projects. The Companies will engage and provide the independent consultant with such information as the consultant reasonably needs to complete and file its review within forty-five days of the filing of the Companies' report. The independent consultant will submit to the Secretary to the Commission a complete final public assessment of the Companies' projects that consider and addresses public comments. The independent consultant shall attend any stakeholder meetings and may participate at its discretion.

Staff and the Companies will commence the consultant selection process immediately upon the submission of this Joint Proposal in these proceedings. If the Companies present an objection to the continued use of a particular consultant selected by

Staff prior to the start of the review process for a particular year, Staff and the Companies will confer in good faith to discuss the potential replacement of the selected independent consultant.

In completing the engineering assessment for Long-Term Capital Capacity Projects, the independent consultant shall consider the following: (i) the Companies' need for the project to meet a reasonable forecast of customers' peak demand, based on the Companies' most recent forecast available; (ii) any safety and/or reliability benefits from the project; (iii) viable alternatives to the project that would ensure reliable service;[11] (iv) the All-In Cost of the project and a comparison of the All-In Cost of viable alternatives; (v) the greenhouse gas ("GHG") emissions attributable to the project and any viable alternatives; and (vi) any comments and analysis submitted by intervening parties and the public.

The standard to be applied in establishing the need for the Long-Term Capital Capacity Projects shall be that: (i) reasonably forecast peak customer demand requires the implementation of the projects to meet that demand; and (ii) alternatives that could meet that demand (or reduce or eliminate it)[12] cannot reasonably be expected to be available and operational in the timeframes necessary for a lower "All-In Cost."

The independent consultant's assessment will consider two measures of the All-In Cost. The first measure, All-In Cost per Design Dth/day for each considered project, will be calculated as [the sum of the fixed cost per year of the project plus the fixed Operations and Maintenance ("O&M") cost of the project (*i.e.*, total annual non-gas cost)] divided by

---

[11] Viable alternatives would need to be available in the same time frame as the proposed project.

[12] Such alternatives could include a different project or an energy efficiency or demand response measure.

[the projected Design Day Dth of use of project (to arrive at modeled per Dth of use non-gas cost)] plus the variable commodity cost per Dth of the project plus the variable O&M cost per Dth (if any). The second measure, All-in Cost per Dth of Estimated Use for each considered project, will be calculated as [the sum of the fixed cost per year of the project plus the fixed O&M cost of the project (*i.e.*, total annual non-gas cost)] divided by [the projected annual use of project (to arrive at modeled per Dth of use non-gas cost)] plus the variable commodity cost per Dth of the project plus the variable O&M cost per Dth (if any). The All-In Cost calculations are set forth below:

$$\text{All-In Cost (Design Day)} = \left( \frac{\text{the sum of the fixed cost per year of the project + the fixed O\&M cost of the project (i.e., total annual non-gas cost)}}{\text{the projected Design Day Dth of use of project (to arrive at modeled per Dth of use non-gas cost)}} \right) + \text{the variable commodity cost per Dth of the project} + \text{the variable O\&M cost per Dth (if any)}$$

$$\text{All-In Cost (Estimated Use)} = \left( \frac{\text{the sum of the fixed cost per year of the project + the fixed O\&M cost of the project (i.e., total annual non-gas cost)}}{\text{the projected annual use of project (to arrive at modeled per Dth of use non-gas cost)}} \right) + \text{the variable commodity cost per Dth of the project} + \text{the variable O\&M cost per Dth (if any)}$$

The costs of the independent consultant as well as the reasonable costs of designing, engineering and permitting the Long-Term Capital Capacity Projects will be recovered through the Demand Capacity Surcharge Mechanism regardless of whether the Companies meet the Capacity Demand Metrics or the independent consultant confirms the need for the

project to meet reasonably forecast demand. The cost of Long-Term Capital Capacity Projects to be recovered through the Demand Capacity Surcharge Mechanism will be allocated to the firm service classifications based on peak sendout.

If, upon consideration of the Companies' reports and any public comments received, the independent consultant's assessment finds that Long-Term Capital Capacity Project is not needed at the time proposed by the Companies, the Companies shall not be permitted to recover the costs of the project through the Demand Capacity Surcharge Mechanism. The Companies may seek to have the Commission reconsider the independent consultant's assessment that a project is not necessary in a future rate proceeding on the basis of changed circumstances or any other basis permitted under the Public Service Law. Otherwise, the independent consultant's assessment of need will not be subject to review during the term of the Companies' rate plans.

#### 5.3.1 Metropolitan Reliability Infrastructure ("MRI") Project Phase 5 – KEDNY Only

If KEDNY decides to pursue Phase 5 of the MRI Project, it shall file a petition with the Commission seeking approval to recover the costs of the project. The petition must be supported by justification as to why the project is needed and must include a report from the independent consultant selected as described Section IV.5.3 above. KEDNY shall not perform additional work on Phase 5 of the MRI Project unless and until the Commission has acted on the petition, and in a manner consistent with the Commission's determination in an order acting on such petition.

#### 5.3.2 Capacity Demand Metrics

The Companies' ability to fully recover the costs of the Long-Term Capital Capacity Projects during the term of the rate plans is conditioned on the Companies' ability

to meet or exceed Capacity Demand Metrics as defined below. If and to the extent that KEDNY or KEDLI fails to meet one or more of the Capacity Demand Metrics in a Rate Year, the affected Company's recovery of costs for the project will be reduced as discussed in Section IV.5.3.3 below. The Capacity Demand Metrics are intended to ensure that the Companies are taking aggressive actions to promote energy efficiency, demand response and electrification and seeking to offset the need for additional gas supply infrastructure through non-traditional solutions. The Capacity Demand Metrics are as follows:

(i) Energy Efficiency – The Companies will meet the targets established by the Commission in the NE:NY Proceeding for energy efficiency. With respect to incremental energy efficiency programs being implemented pursuant to the Demand Side Management Filings, targets will be approved by the Commission as part of the Demand Side Management filings, and with respect to energy efficiency programs undertaken with NE:NY base rate funding, targets will be consistent with those approved by the Commission in the NE:NY Proceeding (Case 18-M-0084). The current energy efficiency targets and budgets for Rate Years One, Two, and Three, and the Stayout Period are set forth in Appendix 6, Schedule 11 and Appendix 7, Schedule 11.

(ii) Demand Response – The Companies have established a baseline of potential peak demand reduction from customers participating in the Companies' Demand Response Programs during the period November 1, 2020, through March 31, 2021, which is set at the total commercial and industrial daily enrollment of 17,790 Dth. This baseline will be escalated by ten percent for each remaining Rate Year of the rate plans. The Companies will meet or exceed the targets set pursuant to this paragraph.

(iii) Non-Pipes/Third Party Solutions – Beginning in Rate Year Two, the Companies must annually issue at least one request-for-proposal ("RFP") seeking non-traditional, cost effective peak supply alternatives. The Companies will report on the results of the RFP(s) as part of their annual Capacity Project filings with the Commission as described below.

(iv) Electrification – Beginning in Rate Year Two, the Companies will collaborate with Consolidated Edison Company of New York, Inc. ("Con Edison") and PSE&G Long Island and LIPA (collectively "PSEG-LI/LIPA") regarding prospective customers who are potential candidates for electrification. As set forth in the chart below, a minimum number of customers will be referred annually to Con Edison and PSEG-LI/LIPA to determine if the customers are interested in electrification. Within 60 days of the issuance of a Commission order adopting the terms of this Joint Proposal, the Companies will meet with Staff and other interested parties to develop referral materials, including any associated customer service scripts. Prior to the initial meeting, the Companies shall provide draft materials to Staff and other interested parties. Within 30 days of the meeting, the Companies shall provide revised drafts of the materials that reflect, to the extent possible, the feedback of the parties. The Companies will compile the data on the number of referrals to Con Edison and PSEG-LI/LIPA on an annual basis. The Companies will undertake reasonable efforts to determine from customers whether Con Edison or PSEG-LI/LIPA have connected with the referred customers. The Companies will make at least the number of referrals set forth below.

| Year | Con Edison | PSEG-LI/LIPA |
|---|---|---|
| 2021 | 75 | 125 |
| 2022 | 160 | 260 |
| 2023 | 170 | 270 |
| 2024 | 180 | 280 |

(v) Leak-Prone Pipe – NPAs – Beginning in Rate Year Two, the Companies will annually identify at least five segments of LPP in each of the Companies' service territories that could be abandoned if all customers' natural gas loads are met with cost-effective NPAs that would allow the section of LPP to be abandoned. For each such section of LPP, the Companies will consider NPAs allowing the section of LPP to be abandoned, or otherwise demonstrate that abandonment of such section of LPP is not possible. The LPP projects identified pursuant to this section will count toward the minimum amounts of LPP required to be replaced regardless of whether the pipe segments are replaced or abandoned. The projects identified pursuant to this paragraph are not eligible for a shareholder incentive under any NPA incentive mechanism established under this Joint Proposal.

**5.3.3 Cost Recovery Through The Demand Capacity Surcharge Mechanism**

The Companies will be permitted to defer and recover the pre-tax weighted average cost of capital and depreciation expense associated with each of the Long-Term Capital Capacity Projects through the Demand Capacity Surcharge Mechanism described in Section IV.3.22, above, subject to the following conditions:

(i) Capital Capacity Projects placed in service in Rate Year One – Beginning in Rate Year Two, the Companies will be permitted to recover the deferred and ongoing revenue requirements associated with Long-Term Capital Capacity Projects placed in service in Rate Year One (*i.e.*, CNG Glenwood Injection Facility Upgrade and CNG

Inwood Off Loading Facility) as well as the Rate Year Two associated revenue requirement, provided that the Companies meet the targets for the shareholder-funded demand response and energy efficiency programs proposed in Case 19-G-0678 for the winter of 2020/2021, as described in the Companies' summary document updated as of June 23, 2020, in that proceeding.

(ii) Capital Capacity Projects placed in service in Rate Years Two and Three – The Companies' ability to recover the deferred and ongoing revenue requirements associated with Long-Term Capital Capacity Projects as identified above will be affected by the independent consultant's review of the project and the Companies' ability to meet the Capacity Demand Metrics. To the extent the Companies fail to meet one or more of the Capacity Demand Metrics, the Companies' ability to recover the revenue requirements associated with Long-Term Capital Capacity Projects through the Gas Demand Capacity Surcharge Mechanism will be reduced as follows:

| Rate Year One | |
|---|---|
| **Capacity Demand Metrics** | **Weight** |
| Energy Efficiency | 50% |
| Demand Response | 25% |
| Failure to meet both of the above metrics | 25% |

| Rate Years Two and Three | |
|---|---|
| **Capacity Demand Metrics** | **Weight** |
| Energy Efficiency | 25% |
| Demand Response | 15% |
| Non-Pipe/Third Party Solutions | 15% |
| Electrification | 15% |
| Leak Prone Pipe NPAs* | 15% |
| Failure to meet all 5 of the above metrics | 15% |

For example, if the Companies fail to meet the Energy Efficiency metric during Rate Year Two, their ability to recover revenue requirements would be reduced by 40 percent (25

percent for failing to meet Energy Efficiency targets and 15 percent for failing to meet all of the metrics).

#### 5.3.4 Continuation of the Demand Capacity Surcharge Mechanism

The Demand Capacity Surcharge Mechanism is a unique cost recovery mechanism that is being established for the purposes of these rate proceedings only. The Long-Term Capital Capacity Projects portion of the Demand Capacity Surcharge Mechanism will remain in effect, provided the Companies continue to meet the targets for the Capacity Demand Metrics, until the Companies' base rates are next set by the Commission. Nothing herein will prevent the Companies from seeking recovery of prudently incurred capital investments, including those associated with the Long-Term Capital Capacity Projects, in future rate proceedings. Nor shall there be any presumption that the Demand Capacity Surcharge Mechanism will continue in subsequent rate proceedings.

#### 5.3.5 Reporting Requirements

The Companies will file quarterly reports containing updated demand response forecasts, actions to implement energy efficiency and demand response programs and the status of the Companies' performance under the Capacity Demand Metrics. These reports will be filed no later than thirty days after the end of each calendar year quarter.

### 5.4 Use of NRA Balances to Fund Certain Programs

The Companies' existing NRA balances shall be used to fund (i) the Expanded Residential Methane Detection Program, and (ii) the Instrument and Regulation ("I&R") Control Line Survey and GPS Mapping program. No amounts are included in the Companies' revenue requirements for these programs.

### 5.5 Capitalization Changes

The Companies shall be authorized to capitalize all main installations regardless of length.

### 5.6 Capital Reporting

Prior to the beginning of Rate Year Two and Rate Year Three, the Companies will file with the Secretary to the Commission their LPP prioritization summaries identifying the proposed projects and their estimated costs, an inventory of Type 3 leaks on each system, and the approved five-year capital plan in the same format as Exhibit __ (GIOP-1).

The Companies will file quarterly variance reports to Staff within 45 days after the end of each of the first three calendar quarters of each Rate Year. The quarterly reports shall be in the same format as Exhibit __ (GIOP-1) and will include explanations for variances between approved budgets and the actual expenditures, as well as details on the progress of LPP retirement mileage, Type 3 leaks repaired, and a summary of the current Type 3 leak inventory.

The Companies will file annual reports not later than 60 days after the end of the last quarter in each Rate Year, which shall include: (1) a final variance summary of capital expenditures for all capital projects and programs, including all on-going and active construction projects and programs in the same format as Exhibit __ (GIOP-1); (2) a narrative explaining any cost or timeline differences exceeding ten percent; (3) a narrative on project design, permitting and/or construction status (including a detailed construction schedule for each project) for any ongoing projects; (4) a description of any new projects or programs; and (5) capital project sanctioning documents for any projects.

### 5.7 Low Pressure Main Valve Installations

The Companies will file with the Secretary to the Commission, no later than December 31, 2021, an analysis to determine locations, other than through the LPP Replacement Programs, where low pressure main valves should be installed. Locations shall be chosen based on limiting the scope and duration of outages, include locations where human health and safety are likely to be affected, and minimize the potential for fugitive methane emissions through the uncontrolled release of natural gas. The analysis will include a prioritized list of valves to be replaced based on a risk ranking, a list of the valves the Companies proposes to install and their locations, the justification for each valve selected, and the forecast cost associated with each installation. The budgets for low pressure main valve installations are limited to $5.0 million in Rate Year Two and $6.7 million in Rate Year Three for KEDNY, and $0.8 million in Rate Year Two and $1.3 million in Rate Year Three for KEDLI.

### 5.8 Service Line Proceeding

The Companies will file a procedure within ninety days of the issuance of a Commission order adopting the terms of this Joint Proposal by which they will establish tariff penalties to be assessed to customers that do not cooperate with inside service line inspections (*e.g.*, after one refusal, two scheduled and then cancelled appointments, or failure to respond to notifications). The amounts recovered through assessment of the penalties will be used to offset the costs of service line inspections. Service line inspections should be coordinated with other activities whenever reasonably feasible.

### 5.9 Research and Development

The Companies will file a plan within ninety days after the issuance of a Commission order adopting the terms of this Joint Proposal to propose a plan for the development of advanced utility detection devices for residential methane detection.

### 5.10 Local Law 152

During the term of the rate plans, the Companies will conduct their service line inspections independently of any service inspections required to be performed by third parties under Local Law 152. The Companies will also consult with the City of New York regarding Local Law 152 and file within ninety days after the issuance of a Commission order adopting the terms of this Joint Proposal a petition requesting a pilot program for alternative re-inspection intervals. In preparing such petition, the Companies will consider the "Order Granting Consolidated Edison Company Request for Authorization to Survey and Inspect Inside Gas Services in Alternative Intervals on a Pilot Basis with Conditions," issued in Case 15-G-0244 on October 21, 2019. The Companies' petition shall include a proposal to offer incentives to third parties to perform survey/inspection work in residential rental spaces on behalf of the Companies, or a report that explains why such a plan would not be feasible or cost effective.

### 5.11 Residential Methane Detection Programs

Within ninety days after the end of each Rate Year (beginning in Rate Year Two), the Companies will file an annual report setting forth their deployment strategies with respect to residential methane detectors and the costs the Companies have incurred to date.

### 5.12 Relocation of Inside Gas Meters

The Companies will relocate gas meters that are located inside a customer's premises and install them outside when performing any planned service line replacements (whether by insertion or direct burial), new service installations that offer the customer and the Companies the opportunity to relocate meters outside (*e.g.*, major renovation projects), and other opportunities where work can feasibly be performed. The Companies may also consider whether and where to relocate meters if the premises are located in a flood plain (*e.g.*, elevating the gas meter to a higher location). The following exceptions will apply to the Companies' obligation to relocate inside gas meters: (i) where the customer refuses to provide consent to such relocation; (ii) where local building codes, regulations, or authorities preclude such relocations; (iii) where exterior or interior obstacles, space constraints, or physical barriers preclude such relocations; (iv) when the work involved is an emergency service line repair or replacement; (v) where relocation requires extensive interior or exterior restoration and/or complicated interior piping work that would involve excessive costs or present increased operational risks for the Company and/or customer; or (vi) where the gas meter should not be moved outside for safety reasons. Customers who already have services installed, and who have no greater than two dwelling units, will be moved to a list of customers for meter relocation at a later date unless one of the above exceptions apply. The Companies will also make reasonable efforts to relocate for premises that are greater than two dwelling units and where none of the above indicated exceptions apply. Customers that refuse to move meters outside: (1) will be asked to sign a form explaining the reason(s) for refusal and stating that they are aware of the benefits of having their meters outside; and (2) will be subject to charges for future costs related to

survey/inspection of inside piping in accordance with the Companies' applicable tariff provisions.

The Companies will develop plans to address any remaining meters that are not located in a readily accessible location and file those plans in connection with their next rate proceedings. In instances where one or more of the above exceptions apply, the Companies will track and document each customer meter they do not relocate outside, as well as the reason(s) the relocation was not performed. The Companies will file with the Commission an annual report by April 1 of the following calendar year that includes: (1) the number of meters relocated outside; (2) the number of meters left inside; and (3) of the meters left inside, the specific reason that the meters were not moved and the number that involved service replacements by installation of a new service line in premises for one and two family homes.

The Signatory Parties recognize that there are issues associated with the interpretation of the NYC Department of Buildings rules regarding inside meter relocations. To that end, beginning in Rate Year Two, KEDNY and Staff will use good faith efforts to meet with NYC on a periodic basis to discuss issues related to relocating inside meters in NYC and work to reach a mutually agreeable resolution.

### 5.13 Pipeline Emergency Responders Initiatives and First Responder Training

Beginning in Rate Year Two, the Companies will adopt the principles of the Pipeline Emergency Responders Initiative and will conduct regular drills with local fire departments and municipalities. The Companies will provide, within ninety days of the end of each Rate Year, an annual report detailing its progress including, but not limited to, the date and times of the drills, who was in attendance, what topics were reviewed, and any

applicable recommendations. The Companies will also implement their revised First Responder Training program beginning in Rate Year Two.

### 5.14 City State Construction ("CSC") Program

The Companies agree to appoint a management-level contact to work with NYC to improve coordination on infrastructure projects, including enhanced coordination on CSC projects and discussions around implementing a new CSC cost sharing agreement. The Companies will seek to hold at least one meeting in each quarter of Rate Years Two and Three with NYC.

### 5.15 Green Infrastructure Efforts

The Companies agree to work with NYC on a process for protecting green infrastructure assets, including identifying a central point of contact for green infrastructure issues such as construction coordination and damage claims. Where possible, National Grid will endeavor to install infrastructure with consideration to the future implementation of green infrastructure assets.

### 5.16 LPP Algorithm

KEDNY will continue to apply its algorithm for risk ranking LPP such that where pipe segments have equal risk rankings, priority will be given to removing LPP in designated flood zones. KEDNY will also consider methane flow rate data (*i.e.*, the volume of methane emissions released over time) as a factor in prioritizing LPP for removal.

### 5.17 Enhanced High Emitter Methane Detection Program

The Companies will develop an Enhanced High Emitter Methane Detection Program that will target leaks of ten standard cubic feet per hour or greater for repair or

replacement to reduce methane emissions from the distribution system and prevent lost gas. The scope of the program is identified in Appendix 9. The Companies will hire an advanced leak detection contractor to aid in prioritizing for repair possible large emitters within areas previously identified as possible high leak concentration areas, and begin advanced leak surveying within twelve months of the issuance of a Commission order adopting the terms of this Joint Proposal.

**5.18 Leak Detection Pilot Program**

The Companies will continue to collaborate with EDF on programs to deploy advanced leak detection technology.

**5.19 Buried Vent Lines**

During the term of the rate plans, the Companies' shareholders shall be responsible for the funding of buried vent line programs. Nothing herein shall preclude the Companies from proposing to recover the costs of buried vent line programs in future rate proceedings.

**5.20 Plastic Fusion Quality Assurance/Quality Control ("QA/QC") Re-digs Inspection Program**

The Companies will defer the commencement of their Plastic Fusion QA/QC Re-dig programs until Rate Year Two.

**5.21 Construction Safety Inspections**

The Companies will defer the commencement of their Construction Safety Inspection Programs until Rate Year Two. During the term of the rate plans, the Companies will work towards a modified 1:1 and 1:2 inspector to contractor crew ratio depending upon the work being inspected, and work to ensure adequate levels of on-site inspections and oversight for all contractor crews, including field verification of operator

qualifications, work methods and construction standards/procedures compliance, and work scope documentation.

**5.22 LNG Facility Upgrade**

In Rate Year One, KEDLI will conduct engineering and design studies for the upgrade of its Holtsville LNG facility. KEDNY will conduct such studies for its Greenpoint LNG facility in Rate Year Two. The Companies will submit reports to the Secretary to the Commission in Rate Year Two for KEDLI and KEDNY concerning their plans to upgrade the LNG facilities.

**5.23 Inactive Accounts**

The Companies will continue to follow their current process of immediately performing a site analysis on every inactive account site to determine whether conditions warrant immediately disconnecting the service, and, if so, disconnecting the service within 24 hours. For those sites that do not present an urgent circumstance, the Companies' current process is designed to resolve inactive accounts within 60 days. Within six months of the issuance of a Commission order adopting the terms of this Joint Proposal, the Companies will meet with Staff and other interested parties to discuss potential enhancements to the inactive accounts process. The Companies will be allowed to defer up to $1.0 million in each Rate Year (including the Stayout Period) to fund any agreed upon enhancements to the inactive account process. The Companies will make an informational filing with the Commission detailing any agreed upon enhancements and their estimated costs. The Companies will file with the Secretary to the Commission a comprehensive annual inactive account program report no later than 60 days following the close of each calendar year. The first report will be filed in 2023 for CY22 data. The report

will include, at a minimum: (1) the total number of inactive accounts, broken down by a unique identifier, whether the inactive account site is occupied or unoccupied, and the number of days of inactivity entering the calendar year; (2) the total number of occupied and unoccupied accounts, broken down by a unique identifier, that were visited during the calendar year and when they were visited during the calendar year; (3) the course of action (*e.g.*, locking the meter, disconnecting the service, entering the replevin process, etc.) taken by the Companies for each inactive account, broken down by a unique identifier; and (4) the total number of inactive accounts broken down by a unique identifier, whether the residence is occupied or unoccupied and the number of days of inactivity at year's end. The Companies will provide Staff with additional inactive account data, to the extent reasonably available, upon request. The data shall be provided to Staff within 20 days of the request date.

**5.24 Additional Safety Programs**

During the term of the rate plans, the Companies will implement additional safety plans or plan enhancements as follows:

(i) Pipeline Safety Management and Damage Prevention Advisor Program - The Companies will implement program enhancements beginning in Rate Year Two;

(ii) Instrumentation and Regulation Training and Test Lab – The Companies will implement their proposed program in Rate Year Two;

(iii) Gas Control Standard Operating Procedure Training – The Companies will implement their proposed program in Rate Year Two;

(iv) Field Evaluation Training – The Companies will implement their modified

program beginning in Rate Year Two; and

(v) Plastic Fusion In Process Inspection Program – The Companies will implement their modified program beginning in Rate Year Two.

**6. <u>Information Technology</u>**

**6.1 Information Technology Capital Investment Level**

Both KEDNY and KEDLI's rates include costs associated with Information Technology ("IT") capital investments that are owned by National Grid USA Service Company, Inc. ("Service Company") and allocated to the Companies in the form of rent expense. Rent expense includes the return on, and the amortization or depreciation of, current IT capital investments along with incremental IT capital investments that are forecast for the Rate Years. The incremental IT capital investment is $150 million in each of the Rate Years. These costs do not include costs associated with the Gas Business Enablement ("GBE" Program), which is described in Section IV.6.2 below, or costs associated with the Customer Information System ("CIS"), which is described in Section IV.6.3 below. Appendix 1, Schedule 6 and Appendix 2, Schedule 6 set forth the IT capital investment plan by program. The schedules reflect actual capital spending through March 31, 2020, and the incremental capital investment forecast from March 31, 2020, through each Rate Year. Notwithstanding the specified program-level spending amounts shown in Appendix 1, Schedule 6 and Appendix 2, Schedule 6, nothing in this Joint Proposal is intended to limit the Companies' flexibility during the term of the rate plan to substitute, change, or modify the IT capital projects. Section IV.6.4 describes the downward-only Service Company Rents Net Utility Plant and Depreciation Expense Reconciliation Mechanism applicable to IT and GBE capital investments.

### 6.2 Gas Business Enablement

The Companies will continue to implement the GBE Program, the scope of which is more fully described in Appendix 1, Schedule 6 and Appendix 2, Schedule 6 during the term of the rate plans. The GBE Program is a shared investment across all National Grid USA operating companies that will be implemented and owned by Service Company, with a portion of the costs allocated to the Companies.

#### 6.2.1 GBE Program Total Cost Cap

For purposes of determining the Companies' allocable shares of GBE Program costs, the total Service Company costs, comprised of capital and project operating expenses related to capital expenses, for the GBE Program will be capped at $515.5 million for the work identified by the Companies to be conducted through Rate Year Three.[13] In future rate proceedings, the Companies may seek recovery of costs in excess of this cap that are associated with incremental investments in the GBE Program beyond those described in Appendix 1, Schedule 6 and Appendix 2, Schedule 6 as long as the incremental costs are justified by measurable incremental benefits.

#### 6.2.2 GBE Program Capital Investment Levels

The Companies' revenue requirements include the costs of GBE Program capital investment charged to the Companies by the Service Company as a rent expense. The rent expense charged to the Companies for the GBE Program includes the return on, and the amortization and depreciation of, the Companies' allocated portion of current GBE Program capital investments along with incremental GBE Program capital investments that

[13] For example, if work the Companies had forecast to conduct through Fiscal Year 2023 does not occur until after Fiscal Year 2023, the performance of that work would still be subject to the cap specified above.

are forecast for the Rate Years. The Companies' forecasts of capital expenditures reflect the following levels of Service Company capital investment for the GBE Program during the term of the rate plans: $305.27 million balance at March 31, 2020, and $75.12 million in Rate Year One, as shown in Appendix 1, Schedule 6 and Appendix 2, Schedule 6. Section IV.6.4 describes the downward-only Service Company Rents Net Utility Plant and Depreciation Expense Reconciliation Mechanism applicable to IT and GBE Program capital investments. Notwithstanding the specified program level spending amounts shown in the Schedule, nothing in this Joint Proposal is intended to alter the Companies' flexibility during the term of the rate plans to substitute, change, or modify the timing of its GBE Program capital investments to deliver the scope of the GBE Program.

#### 6.2.3 GBE Program Key Performance Indicators

The Companies will measure and report on six key performance indicators ("KPIs") that are intended to demonstrate successful delivery of GBE Program capabilities. The GBE KPIs are: (i) the average number of completed Customer Meter Services ("CMS") jobs per worker per day; (ii) the average feet of main replaced per Maintenance and Construction ("M&C") worker per day; (iii) work orders processed each year per each full-time equivalent ("FTE") engineering clerical employee; (iv) total call volume related to customer moves and non-moves per year; (v) total number of gas safety non-compliance occurrences per year; and (vi) the Companies' customer experience (effort) rating based on customer surveys. Appendix 10, details how each KPI is defined and calculated. The Companies will report on each GBE KPI on an annual basis as discussed in Section IV.6.2.4.

At the end of Fiscal Year 2024, the Companies will measure delivery of GBE Program capabilities based on performance across the Fiscal Year 2024 KPI targets. The Fiscal Year 2024 GBE KPIs, weighting, and targets are set forth in Appendix 10, Page 1 (for KEDNY) and Page 5 (for KEDLI).

Illustrative examples of the GBE KPI performance measurement are provided in Appendix 10, Pages 2 through 4 (for KEDNY) and Pages 6 through 8 (for KEDLI). To the extent the Companies fail to meet the Fiscal Year 2024 KPI targets (net of any offsets discussed below), the Companies will record regulatory liabilities to return (as applicable) to customers (i) all or a portion of KEDNY's $34 million share of GBE Program investment costs for enhanced capabilities beyond system replacement for KEDNY, and/or (ii) all or a portion of KEDLI's $15.9 million share of GBE investment costs for enhanced capabilities beyond system replacement for KEDLI.

As illustrated on Appendix 10, Pages 1 through 4 (for KEDNY) and Pages 5 through 8 (for KEDLI), in the event either of the Companies outperform on any individual GBE KPI, the value of such outperformance, expressed as a dollar value of business case benefits for the GBE Program, may be re-allocated to any underperforming KPIs subject to the following: (i) an underperforming GBE KPI may be improved by no more than 50 percent of business case benefits (as set forth in Appendix 10, Pages 1 through 4 (for KEDNY) and Pages 5 through 8 (for KEDLI)); and (ii) the value of all GBE KPIs after re-allocation is subject to a cap of 100 percent of its associated KEDNY or KEDLI business case benefits, as applicable.

In the event of any unforeseen circumstances, changes in law or regulation, or other events that impact the underlying assumptions used to develop the GBE KPI performance

targets, such that the KPI targets are no longer reasonable measures of the Companies' performance, the Companies and Staff may, by mutual agreement subject to Commission approval, equitably adjust the GBE KPI targets upward or downward to address such changes. In addition, the Companies' failure to perform under any GBE KPI will be excused if the Companies can reasonably demonstrate that the failure to perform was caused by any unanticipated or anomalous circumstances or events outside of the Companies' control and materially affected or delayed the Companies' performance with respect to the affected KPI.

#### 6.2.4 GBE Program Reporting

The Companies will file a quarterly GBE Program report with the Secretary to the Commission within 60 days after the end of each quarter of each Rate Year. The report will address the status of the GBE Program and budget, including: (i) a narrative explaining overall GBE Program status; (ii) detail on budgets and actual spending for the GBE Program; (iii) identification of allocations of GBE Program costs to the Companies; and (iv) explanations of variances between budgets and actual spending. In the report for the last quarter of each Rate Year (quarter ending March 31), the Companies will also include (i) any cost or timeline differences that exceed ten percent for the Rate Year; (ii) the Rate Year's GBE KPI performance; (iii) the number and length of the customer appointment windows (currently two-hour intervals (*e.g.*, 8 a.m. to 10 a.m.)) and non-appointment commitment windows (currently either 8 a.m. to 4 p.m., or 4 p.m. to 8 p.m.) offered to customers during the Rate Year; and (iv) the latest GBE Program sanction paper authorized during that Rate Year.

The Companies will hold semi-annual meetings with Staff to: (i) discuss budget and actual GBE Program spending to date; (ii) provide an update on the status of GBE Program initiatives that have been undertaken; and (iii) review quarterly filings.

#### 6.2.5 GBE Program Costs Reflected in Revenue Requirements

The GBE Program costs reflected in the revenue requirements underlying this Joint Proposal exceed the GBE Program costs approved for Niagara Mohawk and reflect in-service dates for the program that extend beyond those approved for Niagara Mohawk, as adopted by the Commission in Cases 17-E-0238 and 17-G-0239.[14] The Signatory Parties agree that nothing in this Joint Proposal shall affect the continuation of the current GBE-related provisions adopted by the Commission in its Niagara Mohawk Rate Order or serve as a basis for changing any provision concerning the GBE Program as it pertains to Niagara Mohawk.

### 6.3 Customer Information System ("CIS")

The Companies' revenue requirements in Rate Year One reflect operating expenses of $1.0 million for KEDNY and $0.4 million for KEDLI for a new CIS. No CIS-related capital expenditures are reflected in the revenue requirements for any Rate Year and no CIS-related operating expenses are reflected in the Companies' revenue requirements for Rate Years Two or Three. The Companies may, at any time during the rate plans, file a petition with the Commission setting forth its proposed CIS project and seeking authorization to defer CIS-related developmental costs. Such a petition will not be subject to the materiality threshold that normally applies to deferral petitions. In any such petition,

[14] Cases 17-E-0238 *et al.*, *Niagara Mohawk – Electric and Gas Rates*, "Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans" (issued March 15, 2018) (Niagara Mohawk Rate Order).

the Companies will submit a detailed description and estimate of the CIS costs they seek to defer. The petition shall also include, at a minimum, the Companies' sanction papers that demonstrate the project and associated costs were approved by all required National Grid management; an updated business case; a detailed project implementation timeline; and proposed key performance indicators. The Companies will also, as part of any such petition, identify the costs and benefits of certain CIS upgrades recommended in these proceedings by PULP to enable the Commission to determine whether the Companies should include such upgrades in the CIS project. In the absence of Commission deferral authority for the costs of PULP's proposed CIS upgrades, the Companies shall have no obligation to include PULP's upgrades in their CIS.

### 6.4 Service Company Rents, IT and GBE Net Utility Plant and Depreciation Expense Reconciliation Mechanism

The Companies will implement a downward-only IT and GBE Net Utility Plant and Depreciation Expense Reconciliation Mechanism. Each Rate Year, the Companies will reconcile their respective actual IT and GBE Program average net utility plant and depreciation expense revenue requirements to the forecast revenue requirements as set forth below and shown on Appendix 6, Schedule 13 for KEDNY and Appendix 7, Schedule 13 for KEDLI. This mechanism will not continue beyond Rate Year Three except that if the Companies are below their respective targets at the end of Rate Year Three, the mechanism will continue until the targets have been met.

| Company | Rate Year One | Rate Year Two | Rate Year Three |
|---|---|---|---|
| IT and GBE KEDNY | $19.596 million | $20.932 million | $33.048 million |
| IT and GBE KEDLI | $11.119 million | $17.501 million | $20.455 million |

The IT and GBE Program average net utility plant and depreciation expense revenue requirement will be calculated by applying the Companies' respective pre-tax weighted average costs of capital in the respective Rate Years to the IT and GBE Program average net utility plant balances and adding the depreciation expense to the product.

The difference between the actual IT and GBE Program average net utility plant and depreciation expense revenue requirement and the target average net utility plant and depreciation expense revenue requirement will carry forward for each Rate Year and be summed at the end of Rate Year Three for KEDNY and KEDLI, respectively. As illustrated in Appendix 6, Schedule 13 for KEDNY and Appendix 7, Schedule 13 for KEDLI, if, at the end of Rate Year Three, the cumulative actual IT and GBE Program average net utility plant and depreciation expense revenue requirements are negative, the Companies will defer the revenue requirement impact for the benefit of customers. If, at the end of Rate Year Three, the cumulative actual IT and GBE Program average net utility plant and depreciation expense revenue requirements are positive, there will be no deferral.

The reconciliation mechanism will apply to each of the Companies' aggregate total IT and GBE Program average net plant and depreciation expense combined, and not to individual components. The net plant target balances and reconciliation will not consider the impact of ADIT.

### 6.5 IT Capital Budgeting and Reporting

The IT reporting requirements require further development so that on a forward going basis, the annual and quarterly reports that are filed by the Companies will provide information in a format that permits easy monitoring and understanding of any individual IT project's status and progress, and will enable full comprehension of the entire IT

portfolio. Within 60 days of the of the issuance of a Commission order adopting the terms of this Joint Proposal, the Companies and Staff will begin a collaborative to develop modified and improved IT annual and quarterly reporting requirements. The Companies shall file with the Secretary to the Commission a report describing the reporting requirements agreed to through the collaborative process no later than 90 days prior to the start of Rate Year Three.

The revised process should provide greater transparency into the Companies' IT investments, sanctioning, budgeting and approval process, while avoiding placing an undue burden on both the Companies to compile the information and on Staff to review the information. The reporting requirement modifications should be intended to streamline the IT quarterly reporting so that strategic, executive-level information regarding the status of IT-related projects is provided, enabling easier monitoring of project status and progress in terms of schedule, scope, and budget, for each of the program categories (and individual projects within each category) and also major projects (CIS, GBE, AMI, etc.). Any modified reporting will include, at a minimum, quarterly reports that would identify project issues and risks; identify project milestones; and provide the details on project governance for each of the individual projects. Annual IT reporting will provide a more detailed description of the status of projects, expanding as necessary to address any issues identified. Further, because National Grid manages its IT portfolio at the Service Company level, IT reporting needs to be consistent across all New York jurisdictions. The reporting should include the Service Company's full IT portfolio, not just programs that will be allocated to KEDNY and/or KEDLI. Items such as variance reporting (including root cause determination of variances and corrective actions taken), allocation to each company,

and status of savings associated with retirement of legacy systems being replaced by new IT investments would continue to be addressed and included in the modified reporting requirements.

Once a reporting format is developed through the collaborative process described above, the Companies shall file with the Secretary to the Commission an annual report prior to the beginning of each Rate Year, and quarterly variance reports within 60 days after the end of each Rate Year quarter.

On a semi-annual basis, the Companies will meet with Staff to: (i) discuss budget and actual spending to date; (ii) provide an update on the status of ongoing projects; (iii) discuss proposed projects for the next six months; (iv) review quarterly filings; and (v) review the Companies' variance analyses for the top ten projects. These meetings, which will occur in April and October each year, will include a discussion of cybersecurity projects and notification to Staff cybersecurity personnel of the status of the sanctioning or partial sanctioning of cybersecurity projects. Beginning with the first semi-annual meeting (October 2021), the Companies will work with Staff to develop mutually agreeable sanction paper enhancements needed to justify IT investments and allow for adequate review. These enhancements are intended to reduce the number of budget items supported by IRS papers and increase the number supported by completed sanction papers. At a minimum, the enhancements will include information that more fully supports the Companies' costs estimates, and demonstrates that such estimates are reasonable, and information concerning whether the project was the minimum-cost alternative. If the Companies choose a higher cost or enhanced alternative, then the sanction paper will

present an analysis that compares the project benefits and costs over the project life cycle and supports the decision to pursue the chosen solution.

#### 6.5.1 IT Project Approvals

The National Grid New York Chief Information Officer, or successor with ultimate responsibility for IT projects and services in whole or in part for the New York jurisdiction, will be required to approve or disapprove any newly proposed IT project business case before the project can proceed. This officer, as well as any relevant sanctioning body (*e.g.*, the U.S. Sanctioning Committee or Senior Executive Sanctioning Committee), must review project closure papers that contain information concerning costs incurred, benefits derived, and lessons learned, and report that such review was completed and include a summary of the review in the IT report for the last quarter of each Rate Year.

#### 6.5.2 Key Performance Indicators

Within six months of the issuance of a Commission order adopting the terms of this Joint Proposal, the Companies will modify their IT sanctioning papers to include KPIs. The Companies will implement on-time/on-cost KPIs that will be reported quarterly on a portfolio basis. The Companies will also work with Staff to determine whether different or additional information would be useful to include in the quarterly reports.

## 7. <u>Future of Heat</u>

### 7.1 Energy Efficiency

As of the beginning of Rate Year One, the Companies' Energy Efficiency costs will be recovered in base rates. The Energy Efficiency costs included in base rates reflect the amounts authorized by the Commission in the NE:NY Proceeding. The annual Energy Efficiency costs included in base rates are $18.811 million, $22.029 million, and $28.351

million for KEDNY and $10.881 million, $16.309 million, and $21.667 million for KEDLI for Rate Years One through Three, respectively. Consistent with the Commission's March 15, 2018 Order in Case 15-M-0252, Energy Efficiency costs are subject to a downward-only reconciliation over the term of the rate plans. Any under-expenditures in a given Rate Year will be carried forward. Any under expenditures at the end of Rate Year Three shall be used for other Commission-authorized Energy Efficiency programs in subsequent years or deferred for Commission disposition. If the rates set forth in this Joint Proposal continue beyond Rate Year Three, then Energy Efficiency costs incurred beyond Rate Year Three will be reconciled annually to the costs reflected in rates. An example of this reconciliation is set forth in Appendix 6, Schedule 11 and Appendix 7, Schedule 11. The reconciliation applies to each of the Companies' aggregate total Energy Efficiency spending, not to individual program components. The Companies will continue to be afforded the flexibility to shift funds within their respective Energy Efficiency program portfolios. This provision does not apply to incremental Energy Efficiency expenditures that were increased in accordance with the Companies' Action Plan filed in Case 19-G-0678. Incremental Energy Efficiency costs arising from Case 19-G-0678 will be recovered as set forth in Section IV.3.22 of this Joint Proposal.

#### 7.1.1 Unspent Energy Efficiency Costs

The Companies shall use any previously recovered unspent funds associated with the Energy Efficiency Portfolio Standard, ETIP, or interest accrued on the New York State Energy Research and Development Authority ("NYSERDA") Clean Energy Fund Bill As You Go programs, plus any other associated interest to offset the Companies' Energy Efficiency program costs over the period 2021 – 2023.

### 7.1.2 KEDLI HEAT Program

The KEDLI HEAT Program is an energy efficiency program designed to serve low to moderate income customers. KEDLI's revenue requirement reflects $2.5 million in each Rate Year for this program incremental to the budgets established in the NE:NY Proceeding. The KEDLI HEAT Program will be implemented in accordance with New York State's Low to Moderate Income framework that is being developed in Case 18-M-0084.

### 7.2 Utility Energy Service Contract Program

Beginning in Rate Year Two, the Companies will be permitted to earn a Platform Service Revenue Fee equal to twenty percent of the revenue in excess of program costs derived from the Utility Energy Service Contract Program.

### 7.3 Distribution-Level Demand Response Costs

The Companies will recover the non-labor operation and maintenance costs associated with their distribution-level demand response programs through the Demand Response O&M Component of the DRA. An illustrative example of the reconciliation is provided in Appendix 6, Schedule 18 for KEDNY and Appendix 7, Schedule 15 for KEDLI. This section does not address the demand response program costs addressed in Section IV.3.22, above.

### 7.4 Online Fuel Switching Calculator

The Companies will implement their proposed Online Fuel Switching Calculator in Rate Year Two. The cost allocation reflected in the Companies' revenue requirements recognize that the cost of the Online Fuel Switching Calculator should be allocated to all National Grid affiliates that provide comparable gas distribution services.

### 7.5 Reducing Billed Gas Usage/Non-Pipe Alternatives

The Companies will operate their gas networks with the objective of reducing billed gas usage, normalized for temperature, in their service territories over the term of the rate plans. For purposes of measuring this goal, the Companies will endeavor to achieve weather-adjusted reductions of one half of one percent in billed gas usage as compared to the currently forecast levels of non-generator gas use in Rate Years Two and Three. The forecast levels are 1,249 million therms for KEDLI and 1,699 million therms for KEDNY in Rate Year Two and 1,295 million therms for KEDLI and 1,726 million therms for KEDNY in Rate Year Three. As set forth in this Joint Proposal, the Companies will pursue incremental efficiency programs, demand response, non-gas NPA projects, geothermal/electrification, and other initiatives intended to achieve target reductions. These initiatives include the programs that will be proposed in the Companies' forthcoming Demand Side Management filings to deliver demand-side options (energy efficiency, demand response, and electrification) to meet customers' energy needs in lieu of traditional infrastructure projects. The Companies will report on their progress against these gas usage reduction goals in their semi-annual non-infrastructure filings. Before the end of Rate Year Three, the Companies will file a report that assesses the energy efficiency and other non-infrastructure programs necessary to achieve climate appropriate reductions in billed gas usage in future years.

#### 7.5.1 Gas Expansion Programs

(a) *Programs*. The Companies have terminated all gas promotional and rebate programs and will not implement any such plans during the term of the rate plans, including any heating oil-to-gas conversion programs, involving both firm and non-firm customers.

Nothing contained herein will preclude the Companies from marketing their approved energy efficiency programs, nor will anything herein prevent the Companies from providing information to current or prospective customers concerning their rights to purchase service from the Companies.

(b) *Marketing*. The Companies have ceased all marketing for new gas connections and conversions, including any customer rebates for heating oil-to-gas conversions or new gas customers, and will not resume gas marketing for the term of the rate plans. Within six months of the issuance of a Commission order adopting the terms of this Joint Proposal, the Companies will modify their website, customer mailings, emails, and marketing materials to remove any reference to gas conversion promotional or rebate programs.

In addition, the Companies' MetroTech Sustainability Hub and customer offices will provide information to customers on Gas Safety and available Energy Efficiency programs.

(c) *Additional Information*. The Companies will provide information on their website regarding the emission reduction and energy efficiency goals of the CLCPA and Local Law 97 (KEDNY).

#### 7.5.2 Alternate Heating Options

The Companies commit to developing educational materials, in coordination with their energy efficiency and demand response programs, that will inform customers of alternative heating options, including air- and ground-source heat pumps and district geothermal heating systems. The Companies will also add these options to any materials showing the comparative advantages of one fuel choice or option over another, highlighting

federal and state incentives. The Companies will work to promote programs supporting electrification with NYC, PSEG-LI/LIPA, and Con Edison.

The Companies will also provide prospective customers with information on organizations and initiatives providing alternate heating options (*e.g.*, heat pumps) in their service territories.

The Companies will also refer customers to NYSERDA's website for information on available heat pump programs.

#### 7.5.3 CLCPA Study

Prior to their next base rate filings, but in no event later than the end of Rate Year Three, the Companies will complete a report (the "CLCPA Study") that evaluates how the Companies' businesses may evolve in the future to support the emission reduction and renewable energy goals of the CLCPA, NYC's Local Law 97, and any emission reduction goals the Companies have independently adopted. The CLCPA Study will provide an analysis of the scale, timing, costs, and customer bill impacts of achieving significant, quantifiable reductions in carbon emissions from the use of gas delivered by the Companies in their service territories. The CLCPA study will provide further analysis on the projects and programs needed to achieve specific decarbonization goals (*e.g*., 85% CO2e reductions by 2050). The analysis will include an assessment of potential CO2e reductions per year, MMBTU reductions in billed annual usage, and the numbers of customers heating with gas in residential, commercial and industrial classes per year under different scenarios. A pathways analysis will identify potential barriers to achieving the targeted carbon emission reductions and recommended solutions. The Companies will incorporate and respond to

any findings or guidance of the New York State Climate Action Council ("CAC") in the CLCPA Study.

The study process will include: (i) a scoping meeting at which the Companies will present a draft scoping plan for feedback from the parties; (ii) an opportunity for parties to review the draft study before publication; and (iii) a meeting where parties will have an opportunity to provide feedback to the Companies on the study before it is finalized and published.

In their next rate filings, the Companies will detail investments, programs, and initiatives that have been added, altered, or removed to achieve the objectives detailed in the CLCPA Study. The CLCPA Study will include presentation of the Companies' findings using the 20-year warming potential of GHGs in accordance with the CLCPA.

If the Commission commences a generic proceeding to consider issues to be addressed in the CLCPA Study within twelve months from the date of the issuance of a Commission order adopting the terms of this Joint Proposal, the Companies will not prepare or provide a separate report to the extent items are included in the generic proceeding. The Companies will continue to produce their own report for any items not included in the generic proceeding.

The Companies will be permitted to defer 50 percent of the third-party costs to conduct the CLCPA Study, up to $500,000 for National Grid's New York gas utilities in the aggregate. If feasible, National Grid will include, or at least identify, how the Study could be applied to, National Grid's Niagara Mohawk service territory.

#### 7.5.4 Depreciation Study

Unless required to do so earlier by the Commission, the Companies will complete and file, at least three months before their next base rate filings, a study on the potential depreciation impacts of climate change policies and laws – including the CLCPA and Local Law 97 – and the statewide GHG emission limits established therein – on their gas assets. The study will include an examination of the potential impacts of climate change policies and laws on average service lives, reserve deficiency/surplus, salvage value, cost of removal, depreciation rates, and customer bills, and an assessment of the appropriate survivor curve to help inform the Companies' next base rate filings. The process will include: (i) a scoping meeting at which the Companies will present a draft scoping plan for feedback from the parties; (ii) an opportunity for parties to review the draft study before publication; (iii) and a meeting where parties will have an opportunity to provide feedback to the Companies on the study before it is finalized and published.

#### 7.5.5 Heat Pump NPAs: LPP Alternatives and Customer Connections Pilots

(a) *Geothermal Heating*. The Companies will support the deployment of geothermal heating as an NPA in their service territories.

(b) *LPP Alternatives*. The Companies will identify instances where planned LPP replacement projects could be avoided by deploying shared geothermal loops or individual ground- or air-source heat pumps to serve affected customers. The Companies will, to the extent practicable, use experience and lessons learned from pilots by other utilities in New York and elsewhere to identify and potentially address operational, billing, and customer service hurdles for purposes of informing the Companies' long-term strategy for main replacement and geothermal deployment.

The Companies will initially identify areas of the gas distribution system that are slated for LPP replacement where non-gas NPAs could be used to address customers' heating needs. The Companies will then conduct outreach to affected customers to determine customer interest in the NPA(s). If material customer interest exists, the Companies will then issue RFPs for contactors and vendors to support the potential NPA projects.

(c) *Customer Connections*. For gas service requests that involve a main extension of more than 500 feet and serve five or more customers, the Companies will perform a preliminary analysis of the potential to meet the needs of the prospective customers with a non-gas NPA. If this analysis shows that it is feasible and beneficial for customers from a cost perspective and would lead to reduced GHG emissions, the Companies will contact those customers to present alternatives. If the customers are willing to consider an alternative to natural gas, the Companies will issue RFPs for contractors and vendors for installing the non-gas NPA.

Any proposal for a program or project involving utility ownership of non-gas infrastructure or equipment (*e.g.*, thermal loop fields and heat pumps) must receive further and specific Commission approval prior to recovery of costs in gas distribution rates (for example, through a petition).

Consistent with the "Report of Niagara Mohawk Corporation d/b/a National Grid Concerning the Non-Pipeline Alternatives Incentive Mechanism Collaborative" filed December 21, 2018 in Case 17-G-0239, the Companies will propose a mechanism to retain a percentage of the difference between the costs of a traditional investment and the proposed cost of an NPA, adjusted for other net benefits. This mechanism will be filed at

the time the Companies submit their first petition for approval of an NPA. The NPA Incentive Mechanism will not be available to projects that make use of utility-owned non-gas infrastructure, consistent with the Commission's REV Track One Order's requirements that utility ownership of Distributed Energy Resources as a regulated asset will be restricted to recovery of actual costs.[15]

The Companies will undertake reasonable efforts to prioritize potential projects to transition LPP to NPAs in low income and environmental justice communities in all service areas.

The Companies will implement an NPA screening process and conduct solutions for NPAs as part of their capital planning process. The process will be implemented to account for any relevant Commission decisions in Case 20-G-0131, *Proceeding on Motion of the Commission in Regard to Gas Planning Procedures* ("Gas Planning Procedures Proceeding").

#### 7.5.6 Climate Assessment of Investments and Initiatives

Unless required to do so earlier by the Commission, in their next rate filings, the Companies will provide the following information:

(a) A 1990 GHG emissions baseline (including Scope 1, 2 and 3 emissions) for each of KEDNY and KEDLI's gas networks and a description of the methodology used to calculate or otherwise develop the baseline;

[15] Case 14-M-0101, *Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision*, "Order Adopting Regulatory Policy Framework and Implementation Plan" (issued February 26, 2015) ("REV Track One Order"), p. 66.

(b) A calculation of annual GHG emissions for each Company at the time of filing – a current GHG emissions baseline (including Scope 1, 2 and 3 emissions) – and a description of the methodology used to calculate the emissions;

(c) An assessment of the impact that investments, programs, and initiatives described in the rate case filings will have on the Companies' GHG emissions from their gas networks, including a breakdown of the emissions impact of specific programs and investments proposed in the rate filing; and

(d) An analysis of NPAs considered for each investment, program, or initiative, including an explanation if an NPA option was not selected.

The Companies' next rate filings will reflect any guidance or standards regarding the calculation of GHG emissions issued by the New York State Department of Environmental Conservation, the Climate Action Council, the Commission, or other applicable regulatory bodies.

The Companies' compliance with any requirements resulting from Case 20-G-0131, the Gas Planning Procedures Proceeding, will not serve to narrow the Climate Assessment detailed above. However, the Companies will not be required to duplicate any efforts they must undertake pursuant to orders the Commission may issue in Case 20-G-0131.

### 7.5.7 New Gas Connections Cost Report

The Companies will file a report with the Secretary to the Commission, within nine months of the issuance of a Commission order adopting the terms of this Joint Proposal, regarding the cost of facilities (*e.g.*, main and service lines for connecting customers) provided to new customers pursuant the Commission's regulations and Companies' tariffs and how all or a portion of those costs could be used to provide applicants with an incentive to select electric thermal options (*e.g.*, heat pumps) rather than gas service. Such incentive would be in addition to federal and state incentives. The report could form the basis for a petition by any interested party to implement such a program, or could be utilized to discuss such a program in the next rate proceedings for the Companies. The following items will be addressed in the report:

i. Cost information for gas connection facilities as requested by NY-GEO: costs by main line, service line, service connections, appurtenant facilities, permits, risers, landscaping/grade finishing, meters, regulators, negative salvage value, labor, all paving charges that are legally imposed by any governmental authority for the repair or replacement of any street or sidewalk disturbed in the course of the installation, and any other cost to the Companies to provide the service. These data will be presented in total and broken down by residential and non-residential. The report will include the mean and per foot cost provided under the 100-foot regulatory allowance for various classes required by the Commission.

ii. An explanation, with examples, of whether the facilities allowance provide a subsidy to the applicant, or how the applicant, once a customer, provides revenues that offset the cost of the facilities.

iii. The report will also consider potential financial incentives for the Companies to promote electric thermal options, as well as opportunities for the Companies to support electric thermal options through new programs and system investments.

### 7.6 Hydrogen Blending Research

The Companies will proceed with their Hydrogen Blending Research initiatives during the term of the rate plan. The Companies forecast the remaining cost of these initiatives to be $0.446 million, of which $0.100 million will be funded in base rates (including $0.035 million incremental expense for each Company in Other Initiatives), with the remainder funded through a NYSERDA grant.

### 7.7 Economic Development

For each Rate Year, economic development funding will be set at $2.25 million for KEDNY and $2.75 million for KEDLI. During each Rate Year, the Companies will each amortize prior economic development deferral credits so that the net revenue requirement for each Company is $500,000. During the term of the rate plans, both firm and non-firm non-residential customers will be eligible for the respective Company's economic development grant and discount programs. Applicable infrastructure-related grant programs also will be modified to allow the related costs of converting from firm to non-firm service to qualify for additional funding.

The economic development grant programs will be subject to downward-only reconciliation over the term of the rate plans. Any difference between the respective rate allowance and actual program costs in a given Rate Year will be carried forward and reconciled at the end of Rate Year Three, with any under-expenditure to be deferred for future use in the respective Economic Development Grant Programs. The Companies may petition the Commission to utilize any deferred balances to fund emergency economic assistance or other incremental economic development programs. An example of the reconciliation is provided in Appendix 6, Schedule 6 for KEDNY and Appendix 7, Schedule 6 for KEDLI. In the event of any anticipated over-expenditures, the Companies may petition the Commission for deferral treatment and will have no obligation to make any additional expenditures unless and until the Commission authorizes the Companies to defer amounts in excess of the three-year aggregate rate allowance for future recovery.

The Companies will file with the Commission an annual report no later than April 1 each year that will include a review of program activity and results for the previous calendar year, as well as the Companies' proposed economic development grant programs for the current calendar year.

### 7.8 Earnings Adjustment Mechanisms

The Companies will implement the Earnings Adjustment Mechanisms ("EAMs") in accordance with the terms and conditions set forth in Appendix 6, Schedule 12 (KEDNY) and Appendix 7, Schedule 12 (KEDLI).

## 8. Reconciliations, Deferrals, and True-Ups

### 8.1 Existing Reconciliations, Deferrals, and True-Ups

Appendix 6, Schedule 1 sets forth KEDNY's deferral accounts and other regulatory assets and liabilities balances as of December 31, 2018. Appendix 7, Schedule 1 sets forth KEDLI's deferral accounts and other regulatory assets and liabilities balances as of December 31, 2018. With the exception of the deferral accounts and other regulatory assets and liabilities identified as "Discontinued" on Schedule 1, the Companies are authorized to continue the use of reconciliation mechanisms and/or deferral accounting (with certain modifications) with respect to the expenses set forth in Schedules 1 of Appendix 6 and Appendix 7.[16]

Except where otherwise noted, the Companies will accrue carrying charges on all deferral accounts and other regulatory assets and liabilities, net of deferred taxes, calculated using the pre-tax weighted average cost of capital for the respective Rate Year. An example of the calculation of carrying charges is set forth in Appendix 6 and 7, Schedules 1.

#### 8.1.1 Pension and Other Post-Employment Expenses

The Companies will continue to defer and reconcile their respective actual pension and Other Post-Employment Benefits ("OPEB") expenses to the levels allowed in rates (set forth in the tables below) in accordance with the Commission's Pension & OPEB Statement of Policy.[17] Carrying charges will not be calculated on pension or OPEB

[16] The deferral accounts and other regulatory assets and liabilities identified as "Discontinued" on Schedules 1 of Appendix 6 and 7 will be discontinued as of the Effective Date. These accounts contain balances as of December 31, 2019, which are set forth in Schedules 1. The discontinuance of these accounts is not intended to preclude the Companies from returning to or recovering from customers the balances as of December 31, 2019 plus any applicable carrying charges.

[17] Case 91-M-0890, *In the Matter of the Accounting and Ratemaking Treatment for Pensions and Post-Retirement Benefits Other than Pensions*, "Statement of Policy and Order Concerning the

deferred balances. An example of the reconciliation is set forth in Appendix 6 and 7, Schedule 2.

| Pension Expense | | | |
|---|---|---|---|
| **Company** | **Rate Year One** | **Rate Year Two** | **Rate Year Three** |
| KEDNY | $11.423 million | $8.505 million | $(1.044) million |
| KEDLI | $5.451 million | $4.657 million | $(0.679) million |
| **OPEB Expense** | | | |
| **Company** | **Rate Year One** | **Rate Year Two** | **Rate Year Three** |
| KEDNY | $(2.412) million | $(2.802) million | $(3.339) million |
| KEDLI | $(5.063) million | $(5.659) million | $(6.022) million |

For purposes of determining the internal reserve and the carrying costs that apply to that reserve, each Company is authorized to combine the funding of its pensions and OPEBs, and to offset, for example, any deficiencies in OPEB funding with any excess pension funding. The Companies will accrue and defer carrying charges on the net unfunded pension and OPEBs amounts, until the net unfunded amount is funded.

#### 8.1.2 Energy Affordability Program

The Companies will continue their Energy Affordability Program ("EAP") as set forth in Section IV.11.2.1 of this Joint Proposal. Each Rate Year, the Companies will fully reconcile EAP costs to the amounts reflected in rates. Amounts in excess of the rate allowance will be deferred for future recovery from customers. Any under-expenditures will be deferred for future use in a low-income program. An example of the reconciliation is set forth in Appendix 6, Schedule 3 for KEDNY and Appendix 7, Schedule 3 for KEDLI.

Accounting and Ratemaking Treatment for Pensions and Post-Retirement Benefits Other than Pensions" (issued and effective September 7, 1993) ("Pension & OPEB Statement of Policy").

#### 8.1.3 Exogenous Costs

One hundred percent of all Exogenous Costs (including any credits) associated with or caused by an individual instance (as described below) will be deferred, once such costs exceed the threshold set forth below. If Exogenous Costs in any one Rate Year exceed three percent of a Company's pre-tax utility income (determined in accordance with the methodology set forth above for the Earnings Sharing Mechanism) for the year in which the change first occurs (the "Exogenous Cost Threshold"), the total impact of the Exogenous Costs will be deferred. "Exogenous Costs" means all of the incremental effects on the Company's costs, revenues, or revenue requirements above or below the amounts set forth in Appendices 1 and 2, associated with or caused by an individual instance of:

(a) any externally imposed accounting change;

(b) any change in the federal, state, or local rates, laws, or regulations governing income, revenue sales, or franchise taxes; or

(c) any legislative, court, or regulatory change that imposes new or modifies existing obligations or duties (*e.g.*, incremental municipal permitting and paving requirements resulting from changes to Highway Rules.

In determining Exogenous Costs, the Companies will also be permitted to consider as a single Exogenous Cost all changes in costs arising from multiple municipalities' laws, regulations, or ordinances relating to the same subject matter.

In addition, the Signatory Parties recognize that:

(i) there is a pending Pipeline and Hazardous Materials Safety Administration ("PHMSA") rulemaking regarding pipeline integrity management, integrity verification, and related issues (Docket ID PHMSA 2011-0023);

(ii) there is a potential for legislation requiring professional engineering review and approval of all gas engineering plans;

(iii) there is a potential for federal and state income tax changes;

(iv) the Commission recently issued a "Memorandum and Resolution Initiating Promulgation Process for Amendments in Gas Safety Regulations" in Case 19-G-0736, and

(v) there is a potential for a significant increase in KEDLI's property taxes as a result of the municipalization of certain water utility facilities.

Each of these items could affect the Companies' costs, revenues and/or revenue requirements during the term of the rate plans. To the extent that any of these items are enacted or otherwise require the Companies to incur costs, the Companies will defer all incremental increases or decreases in costs arising from such enactments without regard to whether the impact exceeds the Exogenous Cost Threshold.

In the event that Exogenous Costs are incurred, the affected Company will file a letter with the Secretary to the Commission setting forth the rationale for the deferral and its calculation. Any disagreement associated with the filing will be referred to the Commission for a decision.

#### 8.1.4 Site Investigation and Remediation ("SIR") Expense

(a) *SIR Expense and Deferral*

The Companies' Forecast Rate Allowances for SIR expense for each Rate Year are as follows:

| Company | Rate Year One | Rate Year Two | Rate Year Three |
|---|---|---|---|
| KEDNY | $70.920 million | $70.920 million | $70.920 million |
| KEDLI | $4.897 million | $4.897 million | $4.897 million |

Each Rate Year, the Companies will fully reconcile actual SIR expense to the Forecast Rate Allowance. Any under- or over-expenditures will be deferred for future refund to or recovery from customers (with the exception of the Citizens site for KEDNY referenced below). Examples of this reconciliation are set forth in Appendices 6 and 7, Schedule 4.

(b) *SIR Recovery Surcharge*

To the extent that the difference between actual SIR expense (inclusive of Gowanus Canal and Newtown Creek) and the Forecast Rate Allowance exceeds $25 million on a cumulative basis, KEDNY will utilize its SIR Recovery Surcharge. The surcharge will be calculated annually and be limited to an amount no greater than two percent of KEDNY's prior year's aggregate revenues. The SIR Recovery Surcharge will include: (i) the difference between actual SIR expense in the prior Rate Year and the Forecast Rate Allowance in the prior Rate Year; and (ii) any amount that was not recovered in the prior Rate Year's SIR Recovery Surcharge because the cumulative difference between actual SIR costs and the Forecast Rate Allowance did not exceed the $25 million threshold and/or the amount would have increased KEDNY's aggregate revenues by more than two percent. An example of the operation of the SIR Recovery Surcharge is set forth in Appendix 6, Schedule 4.

(c) *Other Provisions*

KEDNY will continue to absorb ten percent of the remaining investigation costs for the Citizens site pursuant to the Stipulation and Agreement Resolving Corporate Structure Issues and Establishing Multi-Year Rate Plan, dated June 25, 1996, in Case 95-G-0671.

The Companies will continue to charge to SIR accounting the costs to pursue recovery (*e.g.*, attorney, expert, and consultant fees) as they are incurred and credit 100 percent of recoveries from insurance carriers and/or other potentially responsible parties as they are received. In addition, to enable the continued recovery of historic SIR expenditures, base rates for each of the Rate Years will continue to include the current amortization of $18.521 million and $14.168 million annually for KEDNY and KEDLI, respectively, representing one-tenth of the forecast SIR deferral balances as of December 31, 2016.

In the event that the Companies dispose of any property upon which SIR activities have occurred, they will continue to credit after-tax gains resulting from such disposition to the total SIR costs for the specific site.

#### 8.1.5 Property and Special Franchise Taxes

Each Rate Year, the Companies will reconcile actual property and special franchise taxes expense to the rate allowance. The difference between actual property and special franchise taxes expense, excluding the effects of tax refunds, and the rate allowances (for KEDNY $166.824 million in Rate Year One, $199.354 million in Rate Year Two, and $232.600 million in Rate Year Three) and (for KEDLI $180.634 million in Rate Year One, $188.636 million in Rate Year Two, and $198.554 million in Rate Year Three) will be deferred for future refund to or recovery from customers. In each Rate Year differences will be shared 90 percent/10 percent between customers and the Companies, respectively. The Companies' ten percent share above or below the level in rates will be capped at an annual amount equal to 7.5 basis points of return on common equity in Rate Year One, 5.0

basis points in Rate Year Two and 2.5 basis points in Rate Year Three. Examples of this reconciliation are set forth in Appendices 6 and 7, Schedule 5.

If the Companies are successful in obtaining tax refunds, they will have the right to petition the Commission to share in such refunds. Other parties may take any position concerning any petition filed by the Companies.

##### 8.1.5.1 Case 18-M-0270 – Hempstead Property Tax Refund (KEDLI Only)

In Case 18-M-0270, KEDLI has provided notice to the Commission that it had received a tax refund of $50.416 million, $28.209 million of which is principal and the remainder interest. The refund is the result of a judgment in a tax challenge obtained by KEDLI. The amount of the refund could change as a result of further appeals of the judgment. To resolve issues related to disposition of the property tax refund in Case 18-M-0270, KEDLI shall be permitted to retain its costs to achieve the ultimate refund (currently estimated at $200,000) and 15 percent of the ultimate refund after adjustment for costs to achieve the refund. KEDLI shall create a regulatory liability to record the amount of the refund (plus associated carrying costs) that will be provided to customers. At such time as the legal proceedings concerning the judgement obtained by KEDLI are finally resolved, KEDLI shall make a filing setting forth final 85 percent/15 percent split of the refund, KEDLI's ultimate costs to achieve and a calculation of carrying costs that have accrued upon the refund since KEDLI received it.

#### 8.1.6 Negative or Positive Revenue Adjustments

The Companies will defer any negative or positive revenue adjustments associated with the Service Quality Program (Section IV.9) or the Gas Safety Performance Metrics

(Section IV.10). Any negative revenue adjustments associated with the Gas Safety Performance Metrics will be deferred for future disposition by the Commission.

#### 8.1.7 Non-Firm Demand Response Services

Each Rate Year, the Companies will fully reconcile actual Non-Firm Demand Response revenues to the amounts imputed in the revenue requirement (for KEDNY $49.985 million in Rate Year One, $33.930 million in Rate Year Two, and $34.211 million in Rate Year Three) and (for KEDLI $5.176 million in Rate Year One, $3.433 million in Rate Year Two, and $3.337 million in Rate Year Three). An adjustment will be made to the revenue targets above to remove forecast revenues for Non-Firm Demand Response customers that migrate to firm service. Any difference between actual and imputed revenues will be credited or surcharged to firm sales and firm transportation customers through the DRA for the 12-month period beginning July 1, 2022.

The Companies filed the CY20 annual non-firm demand response reconciliation in accordance with their current tariff provisions. The Companies will refile their annual non-firm demand response reconciliation for the period January 1, 2020, through March 31, 2021, 45 days after the issuance of a Commission order adopting the terms of this Joint Proposal to reflect the appropriate Rate Year One revenue targets. The 15-month non-firm demand response reconciliation will include revenue targets for the months of January through March 2020 in accordance with Cases 16-G-0058 and 16-G-0059 and revenue targets in accordance with Cases 19-G-0309 and 19-G-0310 for the period April 1, 2020, through March 31, 2021.

#### 8.1.8 Electric Generator Revenues

The Companies will reconcile the difference between the electric generator revenues imputed in their revenue requirements and the actual revenues they recover from electric generators in each Rate Year. Any difference will be credited or surcharged to firm sales and firm transportation customers through the DRA for the 12-month period starting July 1, 2022. The Companies filed the CY20 annual Electric Generator Revenue reconciliation in accordance with their current tariff provisions. The Companies will refile their annual Electric Generator Revenue reconciliation (for the period January 1, 2020, through March 31, 2021) 45 days after the issuance of a Commission order adopting the terms of this Joint Proposal to reflect the appropriate Rate Year One revenue targets. The 15-month Electric Generator Revenue reconciliation will include revenue targets for the months of January through March 2020 in accordance with Cases 16-G-0058 and 16-G-0059 and revenue targets in accordance with Cases 19-G-0309 and 19-G-0310 for the period April 1, 2020, through March 31, 2021.

#### 8.1.9 Economic Development Grant Programs

The Companies will defer the difference between the economic development costs in rates and their estimated economic development expenditures as set forth in Section IV.7.7 of this Joint Proposal.

#### 8.1.10 RDM

The Companies' RDM reconciliations as modified in Section IV.3.7 above will continue.

#### 8.1.11 Continuing Gas Reconciliation Mechanisms

The following gas reconciliation mechanisms will continue outside of base rates:

(a) System Benefits Charge program costs will be reconciled pursuant to the Commission's January 21, 2016 Order in Case 14-M-0094 and January 22, 2016 Order in Case 15-M-0252. Carrying charges will be calculated using the Other Customer Capital rate.

(b) The Companies will continue to recover and reconcile the costs of gas in accordance with the applicable provisions of their tariffs. Carrying charges will be calculated using the Other Customer Capital rate.

(c) The LAUF reconciliation as modified in Section IV.3.6 above will continue. Carrying charges for the annual LAUF reconciliation will be calculated at the Other Customer Capital rate.

(d) The System Performance Adjustment Mechanism will continue as set forth in the Companies' tariffs. Carrying charges will be calculated at the Other Customer Capital rate.

(e) The Companies' existing gas cost incentive programs will continue as set forth in their tariffs.

#### 8.1.12 Net Utility Plant and Depreciation Expense Reconciliation Mechanisms

The Companies will continue to implement a downward-only Net Utility Plant and Depreciation Expense Reconciliation Mechanisms. Each Rate Year, the Companies will reconcile their actual average net utility plant and depreciation expense revenue requirement to the target average net utility plant and depreciation expense revenue requirement (for KEDNY - $591.063 million for Rate Year One, $635.822 million for Rate Year Two and $687.365 million for Rate Year Three; and for KEDLI - $416.035 million

for Rate Year One, $435.288 million for Rate Year Two and $475.891 million for Rate Year Three).

The average net utility plant and depreciation expense revenue requirement will be calculated by applying each Company's pre-tax weighted average cost of capital in the respective Rate Years to the average net utility plant balance and adding the depreciation expense to the product.

The difference between the actual average net utility plant and depreciation expense revenue requirement and the target average net utility plant and depreciation expense revenue requirement will carry forward for each Rate Year and be summed at the end of Rate Year Three. As illustrated in Appendices 6 and 7, Schedule 7, if, at the end of Rate Year Three, the cumulative actual average net utility plant and depreciation expense revenue requirement is negative, the Companies will defer the revenue requirement impact for the benefit of customers. If, at the end of Rate Year Three, the cumulative actual average net utility plant and depreciation expense revenue requirement is positive, there will be no deferral.

The reconciliation mechanism will apply to each of the Companies' aggregate total average net plant and depreciation expense amounts combined, and not to individual components. The net plant target balances and reconciliation will not consider the impact of ADIT.

#### 8.1.13 City/State Construction

The projected levels of the Companies' City/State Construction ("CSC") capital expenditures, net of reimbursements, for Rate Years One, Two, and Three are set forth below:

| Rate Year | CSC Forecast KEDNY | CSC Forecast KEDLI |
|---|---|---|
| Rate Year One | $199.300 million | $7.332 million |
| Rate Year Two | $274.250 million | $9.995 million |
| Rate Year Three | $265.210 million | $10.472 million |

To the extent that the Companies' actual capital spending for CSC, net of reimbursements, differs from the forecast amount in a Rate Year (including any Stayout Period), the affected Company will defer the revenue requirement effect (excluding O&M expenses) associated with 90 percent of the difference for future recovery from or return to customers. The Companies will submit a filing to the Secretary to the Commission that demonstrates that the CSC costs incurred in excess of the rate allowance were reasonable and beyond the Companies' control. Any disagreement associated with the filing will be referred to the Commission for decision. Examples of this reconciliation are set forth in Appendices 6 and 7, Schedule 10. As illustrated in Appendix 6, Schedule 10, the CSC reconciliation will work in conjunction with the Net Utility Plant and Depreciation Expense Reconciliation Mechanism.

#### 8.1.14 Variable Pay

Each Rate Year, the Companies will defer for refund to customers any variable pay compensation amounts reflected in rates that are not paid to employees. The rate allowance for KEDNY variable pay is $9.284 million for Rate Year One, $9.613 million for Rate Year Two, and $8.891 million for Rate Year Three. The rate allowance for KEDLI variable pay is $5.193 million for Rate Year One, $5.441 million for Rate Year Two, and $5.602 million for Rate Year Three. Examples of this reconciliation are set forth in Appendices 6 and 7, Schedule 8.

### 8.2 New Reconciliation, Deferrals, and True-Ups

The following new deferral accounts will be implemented. The Companies will accrue carrying charges on the new deferral account balances calculated using the pre-tax weighted average cost of capital for the respective Rate Year.

#### 8.2.1 Paving Expense (KEDNY Only)

The amounts of paving expense reflected in KEDNY's revenue requirement total $25.465 million in Rate Year One, $23.372 million in Rate Year Two, and $24.039 million in Rate Year Three. These amounts have been adjusted to reflect the COVID-19 pandemic in Rate Year One. KEDNY will defer the difference between its actual paving expense and the amount reflected in the revenue requirement. An example of this reconciliation is set forth in Appendix 6, Schedule 15.

#### 8.2.2 Downward-Only Reconciliation of IT Net Utility Plant and Depreciation Expense

As set forth in Section IV.6.4 of this Joint Proposal, the Companies shall implement downward-only reconciliation of net plant and depreciation expense associated with its IT capital programs. The reconciliation is described in more detail in Section IV.6.4 of this Joint Proposal. Illustrative examples of the operation of this mechanism are set forth on Appendices 6 and 7, Schedule 13.

#### 8.2.3 Pension and OPEB Settlement/Curtailment Gain

Consistent with Article VI, Section 2 of the Joint Proposal adopted by the Commission in Case 16-G-0058 *et al.*, KEDNY and KEDLI will be permitted to establish regulatory assets of $1 million and $47 million, respectively, for pension and OPEB-related amounts that were eliminated by KEDNY and KEDLI as a result of their affiliate KeySpan Electric Services LLC's ("KES") recognition of a curtailment/settlement gain required at

the expiration of the Management Services Agreement between KES and LIPA. The recognition of the regulatory assets will ensure that customers of KEDNY and KEDLI will pay no more and no less than they would have paid if KES had not recognized the curtailment/settlement gain.

#### 8.2.4 Energy Efficiency Costs

As described in Section IV.7.1 of this Joint Proposal, Energy Efficiency costs shall be subject to a downward-only reconciliation over the term of the rate plans and will be fully recorded to the costs recovered in rates annually thereafter.

#### 8.2.5 Inactive Accounts

As discussed in Section IV.5.23, KEDNY and KEDLI will be allowed to defer up to $1.0 million of incremental expenses associated with enhancing the inactive accounts process in Rate Year Two, Rate Year Three, and the Stayout Period if the Company does not file for new rates to be effective at the end of Rate Year Three.

#### 8.2.6 Uncollectible Accounts

The rate allowances for bad debt expenses are $15.687 million, $16.080 million and $16.828 million for KEDNY, and $6.768 million, $6.893 million, and $7.419 million for KEDLI in Rate Years One, Two and Three, respectively. For any Rate Year, the Companies may petition for authority to defer uncollectible expenses in excess of the rate allowance that result from the COVID-19 pandemic, or otherwise exercise any rights to defer such expenses arising under this Joint Proposal or any other applicable rate agreement. Notwithstanding this provision, should the Commission issue a decision in a generic proceeding concerning the deferral of incremental uncollectible expense arising

from the COVID-19 pandemic, such decision will control the Companies' abilities to defer uncollectible expenses.

#### 8.2.7 Customer Connections

The projected levels of the Companies' capital expenditures for customer connections for Rate Years One, Two and Three are set forth below:[18]

| Rate Year | Customer Connections Forecast KEDNY | Customer Connections Forecast KEDLI |
|---|---|---|
| Rate Year One | $36.265 million | $31.927 million |
| Rate Year Two | $37.313 million | $32.532 million |
| Rate Year Three | $38.120 million | $32.438 million |

To the extent that the Companies' actual capital spending for Customer Connections differs from the forecast amount in a Rate Year (including any Stayout Period), the Companies will defer the revenue requirement impact for future recovery from or return to customers. Examples of this reconciliation are set forth in Appendices 6 and 7, Schedule 14. As illustrated in Appendix 6, Schedule 14, the Customer Connections reconciliation will work in conjunction with the Net Utility Plant and Depreciation Expense Reconciliation Mechanism.

#### 8.2.8 Reconnect Fees (KEDNY Only)

Consistent with Section IV.11.3 of this Joint Proposal, KEDNY will be permitted to defer for future recovery from customers any reconnect fees waived for customers participating in the Energy Affordability Programs. An example of this reconciliation is set forth in Appendix 6, Schedule 17.

[18] The Customer Connections forecasts for purposes of this section do not include the cost of gas system reinforcement projects, which are reflected in the Customer Connections forecasts in Section IV.5.2.

**8.3 Additional Reconciliations, Deferrals, True-Ups**

Nothing in this Joint Proposal prevents the Companies from implementing additional reconciliations or deferral mechanisms if approved by the Commission.

**9. <u>Customer Service Quality Program</u>**

The Companies will keep the existing Customer Service Quality Performance Metric and targets for CY20. For CY21 and forward, each of the Companies' customer service performances will be measured for each calendar year against a set of Customer Service Quality Performance Metrics applicable to each Company. The former Customer Satisfaction Index metric will be renamed the Residential Customer Satisfaction Survey. For KEDNY, a total pre-tax potential negative revenue adjustment of $11.7 million per year will be allocated across the following four performance metrics, which are described below:

(a) PSC Complaint Rate;

(b) Residential Customer Satisfaction Survey;

(c) Adjusted Customer Bills; and

(d) Telephone Answer Response within 30 Seconds.

For KEDLI, a total pre-tax potential negative revenue adjustment of $9.9 million will be allocated across the same four metrics. All revenue adjustments related to the Customer Service Quality Performance Metrics will be deferred for future disposition by the Commission.

The Signatory Parties recognize that the COVID-19 pandemic could impact the Companies' performance under these metrics during the rate plan. To that end, the Companies can request that the Commission waive a negative revenue adjustment due

to performance impacts that the Companies can demonstrate was a result from the COVID-19 pandemic for CY20-CY24.

The Signatory Parties agree that if the Commission takes action regarding service quality metrics in Case 20-M-0266, Proceeding on Motion of the Commission Regarding the Effects of COVID-19 on Utility Service, or any similar proceeding, the Commission's determination in that proceeding shall control.

### 9.1 PSC Complaint Rate

A PSC complaint is initiated with a dispute being filed by, or on behalf of, a customer, or prospective customer seeking gas service, with the Commission. The basis of the complaint must be one within the Companies' control. Only "charged" complaints are included in the PSC Complaint Rate metric. A complaint will be considered charged when a customer, after first having contacted the Company to express dissatisfaction with an action, practice, or conduct of the Companies, and having provided the Companies a reasonable opportunity to address the matter, contacts the Commission to express dissatisfaction with such action, practice, or conduct. A complaint will not be charged if the contact with the Commission is for an opinion or inquiry. For the purposes of the PSC Complaint Rate metric, an "opinion" is an instance where a customer is contacting the Commission to voice a view on a particular issue or condition, such as a pending rate case, a change in rates or charges, the imposition of new rates or charges, or the level of executive compensation.

Complaints brought by ESCOs on behalf of their customers over which the Companies have control (*e.g.*, meter issues) will be included in the PSC Complaint Rate metric, provided the ESCO follows the Commission's designated complaint procedures

and provides the Companies with a reasonable opportunity to address the matter. ESCO complaints on behalf of customers over which the Companies have no control, such as slamming or ESCO charges, will not be included in the metric. For an ESCO to represent a customer with a complaint, the ESCO must follow the Commission's procedures and obtain a specific agency agreement with the represented customer. Questions or complaints related to the Companies' Retail Access programs will not be handled through the Companies' call center or submitted by the ESCOs to the Commission's call center.

Complaints will be measured monthly, and the metric will be based on the average of the 12 monthly scores. Beginning in CY21 and continuing until modified by the Commission, the metrics and targets for KEDNY and KEDLI will be as follows:

| Company | Metrics | Benchmark | Amount at risk |
|---|---|---|---|
| KEDLI | PSC Complaint Rate | ≤ 1.0 Complaints per 100,000 customers | $3,960,000 |
| KEDNY | PSC Complaint Rate | ≤ 1.0 Complaints per 100,000 customers | $4,680,000 |

### 9.2 Customer Satisfaction

The Customer Satisfaction metric will be renamed the Residential Customer Satisfaction Survey in accordance with Staff's audit in Case 20-M-0046. Customer satisfaction will be measured monthly based on the satisfaction ratings resulting from a random survey of residential customers who have contacted either KEDNY or KEDLI. The satisfaction level will be measured based on the number of customers rating the Companies between "6" and "10" on a ten-point satisfaction scale. The Companies will each seek to receive a minimum of 100 completed surveys per month. The Signatory Parties acknowledge the ongoing joint utility collaborative in Case 15-M-0566, *In the Matter of Revisions to Customer Service Performance Indicators Applicable to Gas and*

*Electric Corporations*, is working toward a common satisfaction survey for New York utilities that could be used in lieu of existing customer satisfaction metrics and targets. Once sufficient data is obtained using the new survey methodology, the Companies will be permitted to convene a collaborative and propose new customer satisfaction metrics and targets based on the common satisfaction survey for New York utilities to supersede the existing Customer Satisfaction Survey metrics and targets set forth in this Joint Proposal.

Satisfaction levels will be measured monthly, and the metric will be based on the average of the 12 monthly scores. Beginning in CY21 and continuing until modified by the Commission, the metrics and targets for KEDNY and KEDLI will be as follows:

| Company | Category | Benchmark | Amount at risk |
|---|---|---|---|
| KEDLI | Customer Satisfaction | ≥ 85.1% | $3,960,000 |
| KEDNY | Customer Satisfaction | ≥ 86.7% | $4,680,000 |

### 9.3 Telephone Answer Response within 30 Seconds

This is a measure of the proportion of customer service calls answered by the Companies' customer service representative ("CSR") within 30 seconds, expressed as a percentage of the total calls answered.

The metric will be measured monthly and be based on the average of the 12 monthly scores. Beginning in CY21 and continuing until modified by the Commission, the metrics and targets for KEDNY and KEDLI will be as follows:

| Company | Category | Benchmark | Amount at risk |
|---|---|---|---|
| KEDLI | Call Answer Rate | ≥ 62.2% of calls answered by a CSR within 30 seconds | $990,000 |
| KEDNY | Call Answer Rate | ≥ 60.6% of calls answered by a CSR within 30 seconds | $1,170,000 |

### 9.4 Adjusted Customer Bills

This is a measure of the proportion of customer bills that require later adjustment as a result of errors by the Companies, expressed as a percentage of total customer bills. The following are not adjusted bills for purposes of the metric: an estimated bill replaced by a bill based on an actual reading; a customer reading replaced with an actual or estimated reading; a change in a customer bill because of switching to or from budget billing; or changes to correct for the responsible billing party (*e.g.*, where bills have been rendered to a prior resident, and bills are re-issued to the current resident).

The metric will be measured monthly, be based on the average of the 12 monthly scores for the applicable calendar year, and rounded to the hundredth decimal place. Beginning in CY21 and continuing until modified by the Commission, the metrics and targets for KEDNY and KEDLI will be as follows:

| Company | Category | Benchmark | Amount at risk |
|---|---|---|---|
| KEDLI | Adjusted Bills | 1.50% or less<br>1.51% to 1.60%<br>1.61% to 1.70%<br>1.71% and over | $0<br>$495,000<br>$742,500<br>$990,000 |
| KEDNY | Adjusted Bills | 0.62% or less<br>0.63% to 0.72%<br>0.73% to 0.82%<br>0.83% and over | $0<br>$585,000<br>$877,500<br>$1,170,000 |

### 9.5 Reporting

The Companies will submit annual performance reports to the Secretary to the Commission within three months after the conclusion of each full calendar year. The annual performance report will include a description of the service quality measures, the method for calculating performance, the results for the period, supporting calculations of annual results in spreadsheet format, and a narrative overall assessment of customer service

performance during that calendar year.

If either of the Companies believe in any year that its inability to meet any of the established targets was attributable to demonstrable force majeure circumstances (causes that are outside the control of the Companies and could not be avoided with the exercise of due care), they may petition the Commission for relief from any associated negative revenue adjustment.

### 9.6 Service Guarantee

The Companies will continue their current service guarantee policies as set forth in their tariffs of compensating customers for a missed appointment. For each missed appointment, the Companies will provide a credit of $30 for residential customers and $60 for non-residential customers.

### 9.7 Termination and Uncollectible Incentive

In light of the COVID-19 pandemic and Chapter 108 of the Laws of New York of 2020, which amended Public Service Law § 32 and imposed a moratorium on termination of residential service, the existing termination and uncollectible incentive mechanism shall be suspended for the term of the rate plans, subject to the outcome of the generic COVID-19 proceeding.

## 10. Gas Safety Performance Metrics

The Companies' gas safety performance will be measured for each calendar year against a set of Gas Safety Performance Metrics. A total of 150 pre-tax basis points of return on common equity will be at risk per calendar year for each Company's performance under the Gas Safety Performance Metrics. Basis points at risk shall be allocated as shown in the table below and further described in the discussion of each metric in this Section.

| Performance Measure | Basis Points at Risk CY20 – CY23 |
|---|---|
| LPP Retirement | 15 |
| Leak Management | 15 |
| Damage Prevention | 20 |
| Emergency Response Time | 25 |
| Gas Regulations Performance Measure | 75 |
| **Total at Risk** | **150** |

Any Gas Safety Performance Metrics negative revenue adjustments incurred by the Companies will be deferred for future disposition by the Commission. The Gas Safety Performance Metrics will be in effect for the term of the Companies' rate plans, and will continue on a year-to-year basis, unless discontinued or modified by the Commission. If the Companies believe in any year that their inability to meet any of the established incentive targets was attributable to demonstrable *force majeure* circumstances (including causes that are outside their control and could not be avoided with the exercise of due care), they may petition the Commission for relief from any associated negative revenue adjustment.

The Companies filed their CY20 annual gas safety performance metrics report on March 15, 2021, using metrics carried over from the Joint Proposal adopted by the Commission in Cases 16-G-0058 and 16-G-0059. The Companies shall refile their annual gas safety performance metrics report for CY20 45 days after the issuance of a Commission order adopting the terms of this Joint Proposal to reflect the CY20 targets established in this proceeding.

The Signatory Parties recognize that the COVID-19 pandemic could impact the Companies' performance under these metrics during the rate plan. To that end, the Companies can request that the Commission exclude performance impacts that they

demonstrate resulted from the COVID-19 pandemic from the calculation of the gas safety metrics for CY20-CY22.

The Signatory Parties agree that if the Commission takes action regarding gas safety performance metrics in Case 20-M-0266, Proceeding on Motion of the Commission Regarding the Effects of COVID-19 on Utility Service, or any similar proceeding, the Commission's determination in that proceeding shall control.

### 10.1 LPP Removal Metric

#### 10.1.1 Annual LPP Removal

The Companies will each incur a negative revenue adjustment of 15 basis points should they fail to remove from service a minimum number of miles of LPP in CY20, CY21, CY22, or CY23, or the cumulative four-year totals of miles of LPP as set forth below by the end of CY23. The Companies will replace leak prone services in conjunction with LPP main removal efforts. KEDNY and KEDLI's respective targets are as follows:

| KEDNY | Current Target 2019 | CY20 | CY21 | CY22 | CY23 | Cumulative (CY20-CY23) |
|---|---|---|---|---|---|---|
| Minimum Removal Targets | 55 | 38 | 45 | 45 | 41 | 194 |
| Proposed Removal Targets | 60 | 48 | 50 | 50 | 46 | 194 |

| KEDLI | Current Target 2019 | CY20 | CY21 | CY22 | CY23 | Cumulative (CY20-CY23) |
|---|---|---|---|---|---|---|
| Minimum Removal Targets | 145 | 101 | 116 | 116 | 114 | 477 |
| Proposed Removal Targets | 150 | 116 | 121 | 121 | 119 | 477 |

In CY20, in consideration of delays related to the COVID-19 pandemic, the Companies will be deemed to have met their targets if the main is installed in the street and energized, but customer services are not tied in. Those customer services not tied into mains will be completed in CY21 and will not be counted towards the LPP metric in CY21.

### 10.2 Leak Management

#### 10.2.1 Leak Backlog Metrics and Revenue Adjustments

The Companies will incur negative revenue adjustments if they fail to achieve year-end leak backlog targets for (i) workable leaks (Type 1, 2 and 2A leaks) and (ii) for all leaks (Type 1, 2, 2A and 3), as follows:

| **KEDNY Leak Metric** | **Target** | | **Negative Revenue Adjustment** |
|---|---|---|---|
| Workable Leaks (Type 1, 2, 2A) | Each CY | ≤ 20 | 10 basis points |
| Total Leaks (Type 1, 2, 2A, 3) | CY20 | 2,250 | 5 basis points |
| | CY21 | 1,800 | |
| | CY22 | 1,650 | |
| | CY23 | 1,500 | |
| | CY24 | 1,350 | |

| **KEDLI Leak Metric** | **Target** | | **Negative Revenue Adjustment** |
|---|---|---|---|
| Workable Leaks (Type 1, 2, 2A) | Each CY | ≤ 20 | 10 basis points |
| Total Leaks (Type 1, 2, 2A, 3) | CY20 | 6,700 | 5 basis points |
| | CY21 | 5,750 | |
| | CY22 | 5,000 | |
| | CY23 | 4,250 | |
| | CY24 | 3,500 | |

The Companies are considered to have met their annual backlog targets if the target is achieved any time between December 21 and December 31 of the respective calendar year.

For every 100 additional leaks repaired beyond the Total Leaks target in a calendar year, each Company will earn a positive revenue adjustment of two basis points. This incentive is capped at 300 additional leak repairs or six basis points. In the event that a Company earns a positive revenue adjustment in a calendar year, the following year's target will be adjusted based on the additional leaks repaired. For example, if KEDNY were to repair an additional 113 leaks in CY21, it would earn two basis points, the CY22 target would be reduced to 1,550, the CY23 target would be reduced to 1,400, the CY24 target would be reduced to 1,250, and the 13 additional leaks would be carried over to CY22's leak backlog performance. Re-check inspections that fail shall be incorporated into the Companies' leak backlog.

The Companies' backlog reduction targets of 150 Total Leaks per year for KEDNY and 750 total leaks for KEDLI shall continue until changed by the Commission. Notwithstanding the foregoing, no positive revenue adjustment can be earned for CY20.

**10.2.2 Enhancement of Leak Backlog Metric**

Before filing their next rate cases, the Companies will work collaboratively with EDF, and other interested parties, to consider changes to the leak backlog metric, to ensure that the metric incentivizes the Companies to identify all reasonably discoverable leaks using available technologies. Starting in CY21, the Companies, EDF, and any other interested parties will have at least one meeting each year by the end of September until the conclusion of the Companies' next rate proceedings. As the culmination of this effort,

in their next rate case filings, the Companies will propose refinements to the leak backlog metric to incentivize reductions in the volume of leaked methane.

#### 10.2.3 Year-End Leak Reporting

The Companies will submit an annual report to the Secretary to the Commission detailing all leaks in its year-end backlog, by type, no later than 30 days following the end of each calendar year. The report will detail the leaks that were eliminated in the prior year and the total cost of leak repairs.

### 10.3 Damage Prevention

All damages will be tracked, measured and counted following the guidelines for the data reported for the Annual Pipeline Safety Performance Measures Report, excluding homeowners and hand damages that did not provide a one-call ticket. The Companies will incur negative revenue adjustments of up to 20 basis points or positive revenue adjustments of up to ten basis points for damage prevention performance within the following targets:

| NPA/PRA | Basis Points | CY20 | CY21 | CY22 | CY23 | CY24 |
|---|---|---|---|---|---|---|
| NRA | 20 | >4.50 | >4.25 | >4.00 | >3.75 | >3.50 |
| NRA | 10 | 4.26 to 4.50 | 4.01 to 4.25 | 3.76 to 4.00 | 3.51 to 3.75 | 3.26 to 3.50 |
| NRA | 5 | 4.01 to 4.25 | 3.76 to 4.00 | 3.51 to 3.75 | 3.26 to 3.50 | 3.01 to 3.25 |
|  | 0 | 0.00 to 4.00 | 1.51 to 3.75 | 1.51 to 3.50 | 1.51 to 3.25 | 1.51 to 3.00 |
| PRA | 5 | None | 1.26 to 1.50 | 1.26 to 1.50 | 1.26 to 1.50 | 1.26 to 1.50 |
| PRA | 10 | None | ≤ 1.25 | ≤ 1.25 | ≤ 1.25 | ≤ 1.25 |

Notwithstanding the foregoing, no positive revenue adjustment can be earned for CY20. The Companies will continue to collect damage data and compute damage performance in accordance with the criteria for the Gas Safety Performance Measures Report. In addition, the Companies will periodically convene meetings among gas operators, Gas Safety Staff, New York's one-call center and other interested parties to discuss damage prevention reports, including the process of timely "relocate" tickets in the interest of promoting a consistent approach to damage prevention in New York.

### 10.4 Emergency Response

The Companies will incur a negative revenue adjustment for failure to meet the leak and odor call response targets as shown in the table below:

| Required Response Time ("RRT") | Calls that must be responded to within RRT | NRA for failure to meet RRT |
|---|---|---|
| 30 minutes | 75% | 12 basis points |
| 45 minutes | 90% | 8 basis points |
| 60 minutes | 95% | 5 basis points |

The Companies cannot earn a positive revenue adjustment in CY20. For CY21 and CY22, the Companies can earn a positive revenue adjustment of up to six basis points as shown in the table below.

| Emergency Response Incentive | Response within 30 minutes | | |
|---|---|---|---|
| Response Rate | 86% - 87.99% | 88%-89.99% | ≥90% |
| Positive Revenue Adjustment | 2 basis points | 4 basis points | 6 basis points |

Instances of 20 or more odor calls in a two-hour period resulting from a mass area odor issue that is not caused by the Company can be excluded from this measure

contingent upon Staff consent. The Company will provide notification to Staff (through an email to safety@dps.ny.gov) within seven days after such events.

**10.5 Gas Safety Regulations Performance Metric**

(a) The Companies will incur negative revenue adjustments for instances of noncompliance (occurrences of violations) of certain gas safety regulations identified during Staff's field and records audits. See Appendix 8 for a list of the high risk and other risk gas safety regulations pertaining to this metric. Staff's audits of the Companies' compliance with the regulations applicable to LNG operations (Title 49 of the Code of Federal Regulations) will be covered by this metric beginning with the CY23 audit of CY22 performance.

(b) Subject to section (c), below, the Companies will each be assessed negative revenue adjustments for each high risk and other risk violation, up to a maximum of 75 basis points per calendar year, as follows:

| Audit | Type | Occurrence | Basis Points |
|---|---|---|---|
| Records | High Risk | 1 to 5 | 0 |
| | | 6 to 20 | 0.5 |
| | | 21+ | 1 |
| | Other Risk | 1-15 | 0 |
| | | 16+ | 0.25 |
| Field | High Risk | 1 to 20 | 0.5 |
| | | 21+ | 1 |
| | Other Risk | All | 0.25 |

(c) The number of occurrences of noncompliance with each high risk and other risk regulation listed in Appendix 8 subject to a negative revenue adjustment is capped at ten per audit type (Field or Record) per calendar year. If either of the

Companies are individually cited for more than ten occurrences of noncompliance with a particular high risk or other risk regulation in a calendar year, the affected Company will provide Staff, within 90 days of Staff's audit letter, a compliance improvement plan that contains: (i) a root cause analysis of its compliance deficiency; and (ii) a proposed mitigation plan to address future performance. The affected Company and Staff will meet to develop a mutually agreeable mitigation plan that will include provisions for tracking and regular reporting on the Company's efforts to address the compliance deficiency. Should either Company fail to comply with their improvement plan, those violations of a given code section in excess of ten shall count towards this metric.

(d) At the conclusion of each audit, Staff and each Company will have a compliance meeting where Staff will present its findings. The Company will have ten business days from the date the audit findings are presented to cure any identified document deficiency. Only official Company records, as defined in its Operating and Maintenance plan, will be considered by Staff as a cure to a document deficiency. Staff will submit its final audit report to the Secretary to the Commission under Case 19-G-0309 and/or 19-G-0310, as applicable. If the Company disputes any of Staff's final audit results, the Company may appeal Staff's findings to the Commission. The Company will not incur a negative revenue adjustment on the contested findings until such time as the Commission has issued a final decision on the contested findings. The Company does not waive its rights to seek an appeal of any Commission determination regarding a violation or penalty under applicable law.

(e) If an alleged occurrence of noncompliance with a high risk or other risk regulation is the subject of a separate penalty proceeding by the Commission, the occurrence will not count under this performance metric. Any violation of a pipeline safety regulation that has a corresponding procedural violation under 16 NYCRR 255.603(d) will count as one occurrence for the purpose of calculating a negative revenue adjustment.

(f) The total negative revenue adjustment incurred will be deferred for future use to fund gas safety and compliance improvement programs. The Companies and Staff will develop mutually agreeable program scopes and timelines for these safety and compliance programs, which will be submitted to the Commission for its review. The Companies will submit regular status reports on the programs and funds expended.

**10.6 Gas Safety Reporting and Exceptions**

The Companies will each report their annual performance in each of the areas set forth in Sections IV.10.1 to IV.10.5 to the Secretary to the Commission no later than April 1st of the following calendar year.

**11. Customer Initiatives**

**11.1 Electronic Deferred Payment Agreements ("E-DPAs") Reports**

The Companies will permit residential customers to negotiate E-DPAs over the telephone, with the resulting E-DPA provided to the customer for review and electronic signature via email or other electronic means. After the customer provides the customer's electronic signature, the E-DPA will be returned electronically to the Companies to be reviewed and accepted. After the E-DPA is accepted, the Companies will follow the process currently in place to activate DPAs in the Companies' billing system.

#### 11.1.1 Reporting

The Companies will submit quarterly reports regarding the E-DPA program to the Secretary to the Commission within 30 days after the end of each Rate Year quarter, beginning with the first quarter in which E-DPAs are offered to customers. The reports shall include the following information for both E-DPAs and paper DPAs:

(1) The number of active DPAs at the beginning of the reporting period, and the total dollar amount;

(2) The number of DPAs made during the reporting period, and the total dollar amount;

(3) The number of DPAs reinstated during the reporting period, and the total dollar amount;

(4) The number of DPAs defaulted during the reporting period, and the total dollar amount;

(5) The number of DPAs satisfied during the reporting period, and the total dollar amount;

(6) The number of active DPAs at the end of the period, and the total dollar amount; and

(7) The percentage of DPAs in arrears more than 60 days, in both number and dollar amount.

The quarterly reports shall be created using the data reported on the Companies' collection activity reports. In addition to implementing E-DPAs, KEDNY will no longer require customers to come into a KEDNY Customer Office to provide documentation for a DPA.

### 11.2 Energy and Affordability Programs

#### 11.2.1 EAP Tier Discount Levels

The Companies will implement their EAPs in accordance with their respective EAP implementation plans, which were approved by the Commission with modification in the "Order Approving Implementation Plans With Modifications" in Case 14-M-0565, Proceeding on Motion of the Commission to Examine Programs to Address Energy Affordability For Low Income Utility Customers, issued on February 17, 2017.

The benefit levels for each tier in the EAP are updated annually and published in the Companies' tariff statements.

The annual rate allowances for the KEDNY and KEDLI EAPs are $38.45 million and $6.75 million, respectively. In accordance with the Commission's "Order Adopting Low Income Program Modifications and Directing Utility Filings," issued and effective May 20, 2016, in Case 14-M-0565 ("Low Income Order"), the Companies will adjust the energy burden target and benefit levels for each calendar year, to align the annual rate allowance to the two percent budget cap, if necessary. The rate allowances for the Companies EAPs are subject to reconciliation, as set forth in Section IV.8.1.2 above.

The Companies will revise the tier structure to eliminate duplicative tiers, consolidating into a four-tier structure, by eliminating Tier 5 for KEDLI and Tiers 5 and 6 for KEDNY.

The Companies will continue to submit quarterly reports on the EAP to the Secretary to the Commission under Case 14-M-0565, as specified in the Low Income Order. The Parties acknowledge that Phase II of the Commission's ongoing Affordability Proceeding (Case 14-M-0565) could result in modifications to EAP programs and discount calculations. To the extent the Commission adopts such modifications, in Case 14-M-0565

or Case 20-M-0266, the Commission's determination in such proceeding(s) will control and the Companies will incorporate any such changes to their respective EAP discount calculations and budgets.

**11.2.2 Energy Affordability Engagement Initiative**

To implement the energy affordability engagement initiatives, the Companies will add one FTE resource to support KEDNY and KEDLI in the continued implementation of the EAP.

**11.2.3 File Match**

The Companies agree to increase the frequency of its file match process with NYC HRA from twice per year to four times per year. During each Rate Year and each year during any Stayout Period, KEDNY and KEDLI will each reimburse NYC up to $50,000 for NYC's mailing and associated costs for performing the file matches, and this cost reimbursement will be incorporated into the EAP deferral mechanism. Costs beyond the $50,000 per Company, if any, will not be recoverable from customers. The Companies will not be responsible for reimbursing more than the $50,000 per Company.

**11.2.4 KEDLI File Match with Nassau and Suffolk Counties**

Expanded file matching with Nassau and Suffolk Counties could significantly increase the number of participants in the Company's EAP. KEDLI, therefore, will schedule a collaborative meeting with the Office of Temporary Disability Assistance ("OTDA") and Nassau and Suffolk Counties to investigate an expanded file-matching mechanism for its EAP customers. Department of Public Service Staff, AARP and other interested parties will be invited to participate in the collaborative meeting. The associated costs for an expanded file match with Nassau and Suffolk Counties, up to $25,000, would

be incorporated into the EAP deferral mechanism. Costs beyond the $25,000, if any, provided herein will not be recoverable from customers. The Company will file a report to the Commission on the outcome of its discussions regarding a file-matching mechanism with Nassau and Suffolk Counties within six months of the issuance of a Commission order adopting the terms of this Joint Proposal. If an expanded file match can occur, this report will contain the method of such a file match, the associated costs, and what is included in the costs.

### 11.3 Reconnection Fees For EAP Customers

KEDLI does not charge EAP customers reconnect fees. KEDNY will waive all reconnection fees for customers that participate in the EAP. KEDNY will be permitted to defer for future recovery all reconnect fees for EAP customers waived during the terms of the rate plans.

### 11.4 Outreach and Education Plan

The Companies will file their annual Outreach and Education Plans electronically with the Secretary to the Commission by April 1 of each year in the docket for Case 17-M-0475, In the Matter of Utility Outreach and Education Plans. These Plans will include the annual outreach and education budget for the calendar year and the actual spend for the prior calendar year.

### 11.5 Increased Participation in Energy Efficiency Programs

The Companies shall modify their energy efficiency programs to the extent necessary to offer them to non-firm customers and Baseload Distributed Generation (“DG”) customers. The Companies will modify the manner in which they assess energy efficiency costs to assess costs to Baseload DG customers.

### 11.6 Arrears Resolution

If the Commission does not address residential and small business arrears arising from the COVID-19 pandemic by September 15, 2021, in either the generic COVID-19 proceeding or another generic proceeding, then the Companies will commence a collaborative to discuss arrears resolution-related issues to begin no later than October 1, 2021. The Companies shall file with the Commission a report no later than November 15, 2021, which shall describe any arrears resolution program that the Companies are planning to undertake and shall request, to the extent necessary, Commission authorization for such programs. The Companies shall not be obligated to undertake any arrears resolution program without obtaining approvals that they determine to be necessary. If the Commission makes a determination concerning an arrears resolution on a generic basis, such determination will control and eliminate the requirement for the collaboration.

### 11.7 Language Access

The Companies will work with Staff and other interested parties to assess the Companies' program to communicate with customers and other parties in different languages. The Companies will file a report with the Secretary to the Commission in Cases 19-G-0309 and 19-G-0310 concerning their efforts and programs no later than six months from the issuance of the Commission order adopting the terms of this Joint Proposal.

### 11.8 Enhanced Training for Consumer Advocates

As a consequence of the COVID-19 pandemic, moratorium on utility terminations, and related economic impacts, there is a growing number of customers who have arrears in excess of $300 or who have not made a payment in more than three months. Certain of these customers may not be fully aware of their options for assistance because their

situation is relatively new to them, resulting from the effects of the COVID-19 pandemic. The Companies will work to develop new training for Consumer Advocates involving implementation of a checklist of steps targeted at assisting these customers. An example of the Customer Advocate checklist is provided in Appendix 12.

## 12. Filing for New Rates

### 12.1 During the Term of the Rate Plans

KEDNY and KEDLI agree not to file for new base delivery rates to be effective prior to April 1, 2023. The following exceptions will apply:

(a) KEDNY and KEDLI may petition the Commission to implement changes to their base rates as may be required or warranted by newly-enacted legislation or regulations and nothing in the Joint Proposal shall prohibit KEDNY or KEDLI from implementing changes to rates or charges, in a manner to be determined by the Commission, as may be required by newly enacted legislation or regulations;

(b) KEDNY and KEDLI may petition the Commission for deferral of extraordinary expenses;

(c) KEDNY and KEDLI may petition the Commission for approval of new services and/or discrete incentives;

(d) KEDNY and KEDLI may petition the Commission for changes to rate design or revenue allocation that are revenue neutral, including, but not limited to, the implementation of new service classifications and/or elimination of existing service classifications. Such petitions must demonstrate that the proposed changes are consistent with the overall rate design and revenue allocation provided for in this Joint Proposal;

(e) KEDNY and KEDLI may petition the Commission for minor changes in

base rates, provided the effect is *de minimis* or is essentially offset by associated changes in other base rates, statements, terms or conditions of service; and

(f) KEDNY and KEDLI may file tariff amendments to implement changes as described in this Joint Proposal.

Any party may take any position on any filing made by the Companies pursuant to this Section. Moreover, any party may petition the Commission for minor changes in base rates, provided the effect is *de minimis* or is essentially offset by associated changes in other base rates, statements, terms or conditions of service.

Notwithstanding the foregoing, nothing in the Joint Proposal shall prohibit the Commission (upon its own motion or upon motion of an interested party) from exercising its ongoing statutory authority to act on the level of the Companies' rates in the event of unforeseen circumstances that, in the Commission's judgment, have such a substantial impact on the rate of return as to render the return on common equity devoted to either KEDNY or KEDLI's gas operations, unreasonable, unnecessary or inadequate for the provision of safe and adequate service.

**12.2 Following the Term of the Rate Plans**

If KEDNY and/or KEDLI do not file for new rates to be effective on or before April 1, 2023:

(i) The Net Utility Plant and Depreciation Expense Reconciliation Mechanisms will be converted to two-way reconciliations through March 31, 2024 (capped at the Companies' current capital forecast levels

for the twelve months ending March 2024).[19] The forecast capital levels to be used as the cap during the Stayout Period are set forth in Schedule 5 of Appendices 1 and 2 for KEDNY and KEDLI, respectively. Examples of this reconciliation are set forth in Schedule 4 of Appendices 1 and 2 for KEDNY and KEDLI, respectively. The Companies will establish surcharge mechanisms to be included in the DRA to recover the pre-tax revenue requirement associated with their capital investments to the extent they exceed the level of net utility plant and book depreciation expense reflected in rates. The costs will be allocated to all firm and non-firm service classifications based on the Total Plant allocator; and

(ii) The Companies will be permitted to recover through a surcharge any Commission-approved NE:NY budget (or other approved energy efficiency programs) not otherwise recovered in rates needed to achieve energy efficiency targets in the twelve months ending March 31, 2024. Examples of this reconciliation are included in Schedule 11 of Appendices 6 and 7 for KEDNY and KEDLI, respectively.

If utilized, these accounting/rate mechanisms will take effect April 1, 2023 and continue until the earlier of the effective date of new base rates for each Company or March 31, 2024. KEDNY and KEDLI will not be permitted to recover incremental revenues through the mechanisms described in this section (or defer such revenues for

[19] For the purpose of implementing individual deferral mechanisms, both the CSC and Customer Connection deferrals will reflect the Companies' forecast levels for the twelve months ending March 31, 2024. The CSC deferral will continue to be reconciled fully on a 90/10 basis during the period beyond the term of the rate plans until new base rates become effective.

future recovery) to the extent they cause the affected Company to earn a ROE in excess of 8.8 percent during the period in which the mechanisms are in effect.

13. **Miscellaneous Provisions**

**13.1 Corporate Structure and Affiliate Rules**

The corporate structure and affiliate rules that apply to the Companies are set forth in Appendix 11.

**13.2 Paving Deferral Balances**

Consistent with the provision of the Joint Proposal adopted by the Commission in Cases 16-G-0058 and 16-G-0059, KEDNY was authorized to defer paving costs. As of March 31, 2020, KEDNY had a deferral balance of $67.9 million of such costs. KEDNY will write off $3.4 million, or five percent of this balance, plus associated carrying charges. After this adjustment, KEDNY's deferral balance will be $64.5 million as of March 31, 2020, plus carrying charges, and will continue to accrue carrying charges until addressed in a future rate proceeding. This balance will remain subject to audit but will not be subject to any further challenges that the $64.5 million paving costs were not incremental to paving costs reflected in KEDNY's rates. Moreover, the scope of any future audit of KEDNY's paving deferral balance as established per Cases 16-G-0058 and 16-G-0059, will be limited to identifying whether there are discrete invoices that do not reflect paving costs. To the extent that such invoices are identified, such identification shall not result in any extrapolation that costs beyond those reflected on the discrete invoices should not be reflected in this deferral balance. Moreover, to the extent that unrepresented costs are identified that should be removed from the deferral balance, the deferral balance shall be

reduced by ninety-five percent of such costs to reflect the five percent adjustment that has already occurred.

## V. Other Provisions

### 1. Submission to the Commission

The Signatory Parties agree to submit this Joint Proposal to the Commission and to request that the Commission adopt the terms of this Joint Proposal without modification. The Signatory Parties intend that this Joint Proposal will be adopted by the Commission as being in the public interest and agree individually to advocate its adoption by the Commission in its entirety and to act so as to expedite that result.

### 2. Conditioned on Commission Adoption/No Severability

Each provision of this Joint Proposal is in consideration and support of all other provisions, and the Signatory Parties' agreement with each provision is expressly conditioned upon the acceptance of the Joint Proposal in its entirety by the Commission. In the event or to the extent that the Commission does not adopt this Joint Proposal in its entirety, the Signatory Parties will be free to pursue their respective positions in this proceeding and any remedies at law or in equity without prejudice.

### 3. Application of Agreement/No Precedent

The provisions of this Joint Proposal apply solely to and are binding only in the context of this Joint Proposal and this proceeding. None of the terms of this Joint Proposal and none of the positions taken by any Signatory Party with respect to this Joint Proposal may be referred to, cited by or relied upon by anyone in any manner as precedent or otherwise in any other proceeding before the Commission or any other regulatory body or before any court of law for any purpose other than the adoption, implementation,

furtherance, or extension of this Joint Proposal. Concessions made by any Signatory Party on any issue do not preclude that party from addressing such issues in future rate proceedings or in other proceedings.

**4. Future Actions/Dispute Resolution**

The Signatory Parties recognize that certain provisions of this Joint Proposal contemplate actions to be taken in the future and agree to cooperate with each other in good faith in taking such actions.

In the event of any disagreement over the interpretation of this Joint Proposal that cannot be resolved informally among the Signatory Parties, the party claiming a dispute will serve a Notice of Dispute on the remaining parties, briefly identifying the provision or provisions of this Joint Proposal under dispute and the nature of the dispute, and convening a conference in a good faith attempt to resolve the dispute. If any such efforts are not successful in resolving the dispute among the Signatory Parties, any Signatory Party may submit the matter to the Commission for resolution.

**5. Continuation**

Except as set forth herein, following the expiration of the term of the KEDNY and KEDLI rate plans, all provisions of this Joint Proposal will continue until changed by order of the Commission. Except as expressly provided otherwise, any targets, goals, deferral thresholds, or other similar items set forth in this Joint Proposal for Rate Year Three will continue beyond Rate Year Three until modified by the Commission.

**6. Extension**

Nothing in this Joint Proposal will be construed as precluding the active parties from convening additional conferences and from reaching agreement to extend the term of

the rate plan set forth in this Joint Proposal on mutually acceptable terms and from presenting an agreement concerning such extension to the Commission for its approval.

**7. Entire Agreement**

This Joint Proposal sets forth the entire agreement of the Signatory Parties and supersedes any prior or contemporaneous written documents or oral understandings among the Signatory Parties concerning the matters addressed herein. In the event of any conflict between this Joint Proposal and any other document addressing the same subject matter, this Joint Proposal will control.

**8. Counterparts**

This Joint Proposal is being executed in counterpart originals and will be binding on each Signatory Party when all of the counterparts have been executed.

**Signature Pages Follow**

The Brooklyn Union Gas Company d/b/a National Grid NY and KeySpan Gas East Corporation d/b/a National Grid have this day signed and executed this Joint Proposal.

By:

Philip A. DeCicco
Deputy General Counsel

Date: May 14, 2021

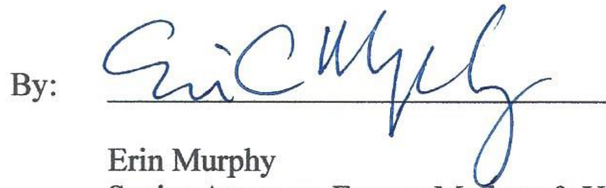
Case 19-G-0309
Case 19-G-0310

New York State Department of Public Service Staff has this day signed and executed this Joint Proposal.

By:
Brandon F. Goodrich
Staff Counsel

Date: May 14, 2021

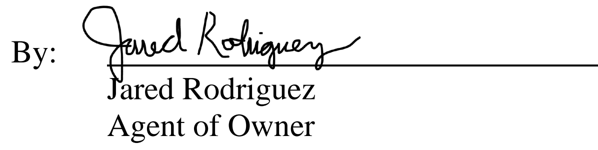
Environmental Defense Fund has this day signed and executed this Joint Proposal.

By: 

Erin Murphy
Senior Attorney, Energy Markets & Utility Regulation
Environmental Defense Fund

Date: May 14, 2021

Estates NY Real Estate Services LLC has this day signed and executed this Joint Proposal.

By: 
Jared Rodriguez
Agent of Owner

Date: May 14, 2021

NY-GEO has this day signed and executed this Joint Proposal.

By: Bill Nowak

Date: May 14, 2021

Bob Wyman has this day signed and executed this Joint Proposal.

By:

Date: May 13, 2021

Long Island Power Authority has this day signed and executed this Joint Proposal.

READ AND LANIADO, LLP
Attorneys for Long Island Power Authority

By:
Kevin R. Brocks

Date: May 14, 2021