

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

CASE 22-G-0464 - In the Matter of the Filing of Annual
Reconciliation of Gas Expenses and Gas Cost
Recoveries.

STAFF REPORT REGARDING RECONCILIATION
OF PURCHASED GAS EXPENSE AND
GAS COST RECOVERIES

Filed: Session of December 14, 2023

INTRODUCTION

Pursuant to Title 16 of the New York Codes, Rules and Regulations (16 NYCRR) §720-6.5, the local gas distribution companies and municipal gas companies in New York State (collectively, Local Distribution Companies or LDCs) are required to file the reconciliation of their gas costs by October 15 of each year.¹ This year's filings reconcile purchased gas expense and gas cost recoveries for the 12 months ended August 31, 2023, and, generally, either refund or surcharge the differences to customers over a 12-month period beginning January 1, 2024.

The total annual purchased gas expense for this reconciliation period is approximately \$3.1 billion, or a \$189 million decrease from the previous reconciliation cycle.² The statewide average cost of gas for this reconciliation period is approximately \$6.22 per thousand cubic feet (Mcf), a decrease of approximately \$0.66 per Mcf from the prior reconciliation period.

This year's annual reconciliation results in eight LDCs refunding approximately \$52.9 million to customers due to over-collection of gas costs and eleven LDCs surcharging customers approximately \$48.5 million due to under-collection of gas costs, resulting in a statewide aggregate net over-collection of approximately \$4.5 million, or 0.15 percent of the total annual statewide purchased gas expense. The annual reconciliation includes the current period gas cost reconciliation, prior period reconciliations, the impact of lost and unaccounted for

¹ The 19 LDCs are listed in the Appendix to this report.

² The total annual purchased gas expense for the previous reconciliation period was approximately \$3.3 billion.

(LAUF) gas, other revenues (i.e., off system sales, supplier refunds, etc.), and interest.

BACKGROUND

The Commission has authorized the use of gas cost adjustment clauses (GAC) by the LDCs to better reflect the variability in the cost of purchased gas. The Commission's regulations require the use of current or estimated supplier prices on the basis of estimated sales volumes in determining monthly gas cost adjustments.³ However, actual supply mixes and/or related price differences and changes in sales patterns from estimates affect the ability of the GAC to recover, with complete precision, an LDC's actual gas costs on a monthly basis. Thus, the Commission's regulations require LDCs to reconcile, on an annual basis, their actual gas costs and related recoveries for the 12 months ended August 31 and file such results with the Commission by October 15 each year.⁴ Any over- or under-recoveries are then refunded or surcharged, respectively, to customers over a 12-month period beginning with the first billing cycle in January of the subsequent year.

Department of Public Service Staff (Staff) reviews each LDC's annual reconciliation filing to ensure that the information is accurate and any adjustments to gas costs are appropriate and consistent with each LDC's rate plan. Staff also verifies the actual cost of gas by reviewing samples of pipeline and supplier invoices, financial documents, customer bills and other primary source documents. As a result of this review, Staff discovered several errors in the filings of

³ 16 NYCRR §720-6.5(c).

⁴ 16 NYCRR §720-6.5(g).

Chautauqua Utilities, Inc. (Chautauqua), Hamilton Municipal Utilities Commission (Hamilton), KeySpan Gas East Corp d/b/a National Grid (KEDLI), The Brooklyn Union Gas Company d/b/a National Grid NY (KEDNY), Niagara Mohawk Power Corporation d/b/a National Grid (NMPC), and Woodhull Municipal Gas (Woodhull), which Staff then brought to the utilities' attention. These LDCs filed revisions, modifying their surcharges, to address the errors. In addition, Bath Electric, Gas & Water Systems (Bath) filed a revision to update its forecast for the upcoming 2024 calendar year to better reflect recent changes to certain customers that have switched from being gas heating customers to electric customers.

Staff notes that the review of the Liberty Utilities (St. Lawrence Gas) Corp. (St. Lawrence) and Reserve Gas Company, Inc. (Reserve) annual GAC reconciliations is still ongoing. St. Lawrence continues to investigate a perceived discrepancy in its LAUF calculation and Reserve has not responded to Staff's requests for supporting information in a timely manner.

Winter 2022-2023

Last winter's weather was warmer than normal in New York State, which experienced 4,291 Heating Degree Days (HDD)

compared to a 30-year average of 4,837 HDD.⁵ According to the LDCs, the most significant factors contributing to their under-collections were purchase gas expenses exceeding recoveries, weather, estimates of demand recovery, and higher than estimated gas commodity market price and lower than budgeted volumes. The most significant factors contributing to their over-collections were gas revenues exceeding current gas expenses, off-system sales revenues, weather, and changes in market conditions. Because the monthly cost of gas charged to customers is estimated and set before the beginning of the month, price changes that occur during the month also contribute to LDCs over or under collecting their gas costs from customers.

To ensure that the year-end imbalances are kept to a minimum, the major LDCs closely monitor their gas costs and recoveries, and regularly inform Staff of year-end imbalance projections. Due to potential significant gas cost imbalances, Central Hudson Gas & Electric Corporation (Central Hudson), KEDLI, KEDNY, New York State Electric & Gas Corporation, NMPC, and National Fuel Gas Distribution Corporation (NFG), filed interim gas cost surcharges. Absent these interim gas cost adjustments, the LDCs collectively would have had a greater under collection of gas costs. Implementation of interim gas

⁵ A heating degree day is a measurement used to quantify the amount of energy needed to heat a building to 65 degrees Fahrenheit. It is the number of degrees that a day's average temperature is below 65 degrees. Winter is considered the five months of November through March. The 4,837 HDD is the normal heating degree days for New York State based on a 30-year degree day average value for the winter months during the years of 1981 to 2010. See <https://www.nyserda.ny.gov/About/Publications/Energy-Analysis-Reports-and-Studies/Weather-Data/Heating-Degree-Day-Information>.

cost adjustments allowed these major LDCs to mitigate calendar year 2024 bill variations resulting from this year's gas cost reconciliation.

DISCUSSION AND CONCLUSION

The Appendix to this report presents a summary of the amounts over- or under-collected by each LDC and the estimated annual bill impacts for each LDC's typical residential heating customer resulting from this year's gas cost reconciliation. The estimated impacts reflect only the elimination of the previous year's annual reconciliation rate (the surcharge or refund effective during calendar year 2023) and the implementation of this year's annual reconciliation rate (the surcharge or refund to be effective during calendar year 2024). Presented below is a discussion of the significant over or under recoveries and the associated annual bill impacts.

Among the major LDCs, the most significant annual bill increase by percentage will be for the residential heating customers of KEDNY. Compared to the refund rate of \$0.171 per dekatherm (Dth) for the prior reconciliation period, KEDNY's reconciliation for this reconciliation period, calendar year 2024, results in a surcharge rate of \$0.009 per Dth. The change in the surcharge results in an annual total bill increase of approximately \$18.42 (or 1.2 percent) for a typical residential heating customer.

In contrast, the most significant annual bill decrease by percent among the major LDCs will be for residential heating customers served by NFG. Compared to the surcharge rate of \$1.102 per Mcf for calendar year 2023, the reconciliation for this reconciliation period results in a surcharge rate of \$0.326 per Mcf. A typical residential heating customer is expected to

realize an annual total bill decrease of approximately \$80.04 (or 6.5 percent).

Among the small LDCs, Staff expects the most significant annual bill increase by percentage will be for residential heating customers served by Chautauqua. Compared to the refund rate of \$0.524 per Mcf from calendar year 2023, the surcharge rate of \$0.863 per Mcf for calendar year 2024 results in an increase of approximately \$137.87 (or 12.7 percent) for a typical residential heating customer's annual total bill. Conversely, the most significant annual bill decrease by percentage among the small LDCs is expected for customers served by Fillmore Gas Company, Inc. (Fillmore). In the prior GAC reconciliation, Fillmore had a surcharge rate of \$0.960 per Mcf in calendar year 2023. For calendar year 2024, the GAC refund rate is \$0.215 per Mcf, which results in an annual decrease of approximately \$122.22 (or 11.5 percent) for a typical residential heating customer's annual total bill.

The GAC reconciliation for Bath excluded the LAUF gas adjustment due to a metering issue with its sole supplier, Corning Natural Gas Corporation. Bath should include the LAUF gas adjustment for this GAC reconciliation period in next year's filing and include any additional steps taken to resolve the metering issue.

Staff completed the review of each LDC's annual reconciliation filing, with the exception of St. Lawrence's and Reserve's filings, and made recommendations to Bath, Chautauqua, Hamilton, KEDNY, KEDLI, NMPC, and Woodhull to correct errors or revise their filings. The respective LDCs have made all recommended revisions; therefore, all the LDCs' surcharge or refund rates stated in the Appendix should be allowed by the Commission to become effective January 1, 2024. Finally, as

noted above, St. Lawrence is still investigating its LAUF calculation and Reserve has not provided supporting information requested by Staff in a timely manner. While Staff recommends that the Commission allow the initial surcharges listed in the Appendix to become effective January 1, 2024, Staff will continue to review their filings and if any errors are found, Staff will ensure that the corrections are addressed in their respective GAC imbalances for the 2024 GAC reconciliation.

2023 ANNUAL GAS COST RECONCILIATION
 TWELVE MONTHS ENDED - AUGUST 31, 2023

Major Local Distribution Companies	UNDER COLLECTION (\$)	OVER COLLECTION (\$)	SURCHARGE (\$/UNIT)	REFUND (\$/UNIT)	Annual Bill Impact (\$)	Annual Bill Impact %
Central Hudson Gas & Electric Corp.		(3,788,625)		(\$0.371) Mcf	(\$113.52)	-5.7%
Consolidated Edison Company of N.Y. Inc.	23,240,749		\$0.262 Dth		(\$77.25)	-3.2%
Corning Natural Gas, Inc.		(254,272)		(\$0.154) Mcf	(\$3.90)	-0.2%
KeySpan Gas East Corp d/b/a National Grid LI		(11,266,438)		(\$0.131) Dth	(\$4.43)	-0.3%
The Brooklyn Union Gas Co. d/b/a National Grid NY	914,859		\$0.009 Dth		\$18.42	1.2%
National Fuel Distribution Corp.	18,760,017		\$0.326 Mcf		(\$80.04)	-6.5%
Niagara Mohawk Power Corp.		(27,852,483)		(\$0.438) Dth	(\$27.78)	-2.4%
N.Y.S. Electric and Gas Corp.		(7,274,462)		(\$0.268) Dth	(\$13.10)	-1.2%
Orange & Rockland Utilities, Inc.	5,081,876		\$0.281 Mcf		(\$14.16)	-1.0%
Rochester Electric & Gas Corp.		(2,331,793)		(\$0.079) Dth	(\$14.70)	-1.4%
St. Lawrence Gas Company, Inc.	242,010		\$0.037 Dth		(\$44.69)	-4.0%
Small Local Distribution Companies						
Bath Electric, Gas and Water Systems	85,914		\$0.335 Mcf		\$31.16	3.8%
Chautauqua Utilities, Inc.	22,233		\$0.828 Mcf		\$137.87	12.7%
Fillmore Gas Company, Inc.		(31,229)		(\$0.215) Mcf	(\$122.22)	-11.5%
Hamilton Municipal Utilities Commission	76,908		\$0.838 Mcf		(\$2.09)	-0.2%
N.E.A. Cross of N.Y. Inc.	1,179		\$0.016 Mcf		\$2.76	0.2%
Reserve Gas Company	20,518		\$0.604 Dth		\$9.08	5.1%
Valley Energy Inc.		(147,222)		(\$0.553) Mcf	\$61.94	7.6%
Woodhull Municipal Gas Company	9,412		\$0.4368 Mcf		\$4.90	0.5%
STATEWIDE TOTAL - UNDERCOLLECTION				\$ 48,455,675		
STATEWIDE TOTAL - OVERCOLLECTION				\$ 52,946,524		
STATEWIDE NET TOTAL - OVERCOLLECTION				\$ (4,490,849)		

Notes:

- The unit "Dth" is a Dekatherm and "Mcf" is 1000 cubic feet of gas. These units are roughly equivalent to one another.
- The calculation for the annual reconciliation impact assumes consumption of 100 Mcf or Dth per year, with an average cost of gas of \$5.00/Mcf or Dth.

Notes:

- The annual bill impact figures were calculated to show the effect of the annual reconciliation. Changes to the delivery rates and other surcharges are not reflected in this annual bill impact analysis.
- The calculation for the annual bill impact assumes consumption of 100 Mcf or Dth per year, with an average cost of \$5.00/Mcf or Dth.
- St. Lawrence and Reserve's filings are still under review and the under collection from their initial filings is included in the table above.