

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

**Petition of the Brooklyn Union Gas Company d/b/a
National Grid NY and KeySpan Gas East Corporation
d/b/a National Grid for Authorization to Permit their
Existing Base Tariff Rates to Remain in Effect During the
Year Ending March 31, 2028 and Other Related Relief**

Case 26-G-0384

**COMMENTS OF
THE CITY OF NEW YORK
ON NATIONAL GRID'S RATE
STABILIZATION PETITION**

September 23, 2026

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PRELIMINARY STATEMENT

The City of New York (“City”) submits these comments in response to the Petition filed by The Brooklyn Union Gas Company d/b/a National Grid (“KEDNY”) and KeySpan Gas East Corporation d/b/a National Grid (“KEDLI”, together, “National Grid” or the “Companies”), seeking to extend their current rate plans by an additional year, with modifications.^{1,2} As an overarching matter, affordability is a critical concern to the City. Utility rates in New York, especially in New York City, are among the highest in the United States,³ and over 460,000 low-income households in the City faced an energy burden at or above six percent of household income

¹ A request for procedural relief was filed by the Utility Intervention Unit on August 14, 2026. Should this request be granted, the City reserves the right to supplement and modify these comments.

² Case 26-G-0384, Petition of The Brooklyn Union Gas Company d/b/a National Grid NY and KeySpan Gas East Corporation d/b/a National Grid for Authorization to Permit their Existing Base Tariff Rates to Remain in Effect During the Year Ending March 31, 2028 and Other Related Relief, National Grid Cap Ex Petition (filed May 29, 2026) (“Petition”).

³ U.S. Energy Information Administration, Electric Power Monthly, Table 5.6.A. Average Price of Electricity to Ultimate Customers by End-Use Sector, by State, July 2025 and 2024, available at: eia.gov/electricity/monthly/epm_table_grapher.php?t=table_5_06_a.

as of 2019.⁴ The City supports efforts to address affordability concerns and appreciates that freezing utility rates, even for a year, could help address these concerns.

However, this Petition seeks modifications to the current rate plan that will harm ratepayers and elevate utility costs over the medium and long term, frustrating this collective goal. Specifically, National Grid proposes:

- A rate stabilization surcharge mechanism and two-way capital tracker that would, if granted, ensure National Grid can recover significant costs without the full regulatory scrutiny that occurs in rate cases.
- A materially weaker leak repair backlog target, potentially compromising safety and environmental performance while pushing leak repairs farther into the future.
- Delaying adjustments to National Grid’s gas demand and supply cost forecast to reflect downward trends in gas use that will embed inaccurate assumptions into planning that could result in higher costs for customers.

Should the Commission materially modify the current rate plan in these ways, customers will bear significant costs without any process to challenge them and few controls on National Grid to keep costs low, *in addition to* any future rate increases that National Grid may request in a forthcoming rate case. Therefore, if the Commission adopts the Petition, at minimum it should: (1) reject the proposed rate stabilization surcharge mechanism (the “RSM”) and the associated changes to the current property tax deferral mechanism; (2) reject the proposed two-way capital tracker; (3) reject

⁴ NYC Mayor’s Office of Sustainability and NYC Mayor’s Office of Economic Opportunity, “Understanding and Alleviating Energy Cost Burden in New York City” (Aug. 2019). The City expects that the number of energy cost burdened New Yorkers has increased since 2019, given rising energy utility rates. The City is updating the Energy Cost Burden Report, which it will share with the Commission and other stakeholders upon completion.

the proposed leak backlog buffer; and (4) preserve opportunities for comprehensive reviews of the impacts of National Grid’s gas demand forecasts and supply costs.⁵

Moreover, in addition to the City’s substantive concerns, this Petition would set an unwanted precedent authorizing the utility to materially modify an approved settlement agreement without prior input or approval from the parties to the settlement. As such, the City respectfully urges the New York State Public Service Commission (“Commission”) to closely scrutinize this Petition before setting a precedent that could weaken parties’ incentives to settle future cases if settlements are not treated as binding for their term.

BACKGROUND

On May 29, 2026, National Grid filed the Petition to freeze current base rates beyond the end of the rate period. If granted, the Petition would: (1) permit the current base rates, now effective until March 31, 2027, to remain in effect until March 31, 2028;⁶ (2) establish regulatory liabilities equal to approximately \$162 million for KEDNY and \$86 million for KEDLI; (3) convert the existing downward-only Net Utility Plant and Depreciation Expense reconciliation mechanisms to two-way tracking mechanisms; (4) implement tracking mechanisms for future recovery of amounts related to City/State construction (“CSC”), property taxes, and uncollectible expenses; (5) implement a new surcharge – the RSM – to recover costs related to property taxes and site investigation and remediation (“SIR”) activity; and (6) modify the existing leak-prone pipe (“LPP”) replacement and leak backlog safety metrics.⁷

⁵ The City’s silence on any particular aspect of the Petition does not constitute support for such aspect(s).

⁶ The period of April 1, 2027 through March 31, 2028 is referred to as “Rate Year 4.”

⁷ Petition at 1-2.

These proposed changes would significantly and substantively modify the existing rate plan without the scrutiny of a full rate proceeding. For background, the current rate plan is a three year term covering the period of April 1, 2024 through March 31, 2027, established through an approved settlement agreement.⁸ Relevant here, the current rate plan contains a provision for a downward-only net plant and depreciation expense reconciliation mechanism.⁹ Each Rate Year, the Companies reconcile the actual expenses to the target average, and the difference carries forward and is summed at the end of the rate plan. Any resulting negative amount (*i.e.*, any under-spend of capital dollars) is deferred for the benefit of customers. Importantly, under the existing downward-only reconciliation, the Companies are not permitted to defer any over-spend for future recovery from customers.

Additionally, the Companies have a reconciliation mechanism for property tax expenses wherein the differences between actual property and special franchise taxes are deferred for future refund to or recovery from customers.¹⁰ The differences are shared on a 90/10 split between customers and the Companies, respectively. Through an existing surcharge mechanism – the Rate Adjustment Mechanism, or RAM – the Companies are permitted to annually reconcile deferrals associated with property taxes, energy affordability programs, and exogenous costs.¹¹ The RAM is subject to an annual cap of two percent of the Company’s actual operating revenues for the prior

⁸ Cases 23-G-0225, *et al.*, KEDNY and KEDLI – Gas Rates, Order Approving Terms of Joint Proposal and Establishing Gas Rate Plans, with Minor Modification and Corrections (issued August 15, 2024) at 6 (“Rate Order”). *See also* Cases 23-G-0225, *supra*, Joint Proposal (filed April 9, 2024) at 1 (“JP”).

⁹ Rate Order at 69-70; JP at 23-24.

¹⁰ JP at 65.

¹¹ JP at 18.

year. Effective July 1, 2026, KEDNY and KEDLI are surcharging customers approximately \$45 million and \$34 million, respectively, in unrecovered property taxes through the RAM.¹²

The Companies are also allowed to fully reconcile SIR costs with any under- or over-expenditures deferred for future refund or recovery, as applicable.¹³ To the extent that the difference between the actual SIR expense and the rate allowance exceeds \$25 million cumulatively, National Grid has an SIR Recovery Surcharge that is imposed annually up to an amount no greater than two percent of KEDNY's prior year's aggregate revenues. KEDNY is currently surcharging customers approximately \$34.2 million in SIR expense through the SIR Recovery Surcharge.¹⁴

Lastly, the current rate plan sets forth annual leak backlog reduction and leak-prone pipe ("LPP") removal targets.¹⁵ Failure to achieve these targets can subject the Companies to negative revenue adjustments. The LPP removal targets have been increasing each year while the leak backlog targets get progressively lower, representing more LPP removed each year and fewer leaks in the backlog each year, respectively.

¹² Cases 23-G-0225 and 23-G-0226, *supra*, Annual KEDNY/KEDLI Rate Adjustment Mechanism Informational Meeting (June 9, 2026).

¹³ JP at 63.

¹⁴ Case 23-G-0225, *supra*, Statement of Site Investigation and Remediation Recovery Surcharge ("SIR") for The Brooklyn Union Gas Company d/b/a National Grid NY (May 22, 2026) at Att. 1.

¹⁵ JP at 74-77.

COMMENTS

POINT I

IF THE COMMISSION APPROVES THE PETITION, IT MUST MODIFY ELEMENTS OF THE REQUEST

A. The Proposed Rate Stabilization Mechanism Should Be Rejected

The RSM, if approved, would authorize annual surcharges of up to two and a half percent of operating revenues. This surcharge to recover unrecovered Rate Year 4 property taxes and SIR expenses would begin in Fiscal Year (“FY”) 2029 and would remain in effect until all FY 2028 deferred costs are recovered.¹⁶ National Grid notes in the Petition that it forecasts substantial unrecovered property tax and SIR costs in FY 2028 if current rates remain in effect — approximately \$150,000,000 and \$140,000,000 for KEDNY and KEDLI, respectively, before the annual cap.¹⁷

The Companies state in the attached response to DPS-003 that “the 2.5% cap reflects a balanced approach. It aligns with Commission policy supporting surcharge mechanisms to facilitate gradual, equitable recovery of deferred costs, while protecting both customers and the Companies from adverse financial and rate impacts.”¹⁸ The City disagrees that Commission policy supports establishing a new surcharge to add on to the existing RAM and SIR surcharges, thereby further burdening customers. The City urges the Commission to reject the RSM for several reasons.

As proposed, the RSM would guarantee recovery of tens of millions in FY 2028 property taxes and SIR expenses outside of a rate case, without careful consideration and review to ensure

¹⁶ Petition at 10.

¹⁷ *Id.* at Exhibit 6.

¹⁸ See DPS-003, appended here as Attachment 1.

that recovery is appropriate. Initially, the proposed 2.5 percent surcharge cap is the maximum threshold of rate impacts allowed under the Public Service Law (“PSL”) without triggering the requirement to file a full rate case.¹⁹ As such, the RSM appears to be an attempt to guarantee recovery of as many costs as possible without the full regulatory scrutiny, and bill impact analysis, applied in a rate case. Additionally, the Companies’ request to defer capital expenditures appears to be in addition to the 2.5 percent RSM cap, raising a question as to whether this Petition, if approved, exceeds the statutory threshold for a major rate case.

Moreover, the proposed RSM would weaken existing incentives for the Companies to control and/or reduce property tax and SIR expenditures. Under the current structure, as discussed above, if property taxes exceed the amounts embedded in rates, the Companies can defer up to 90 percent for future recovery from customers. Here, National Grid is proposing to recover 100 percent of any unrecovered property taxes. This not only increases what National Grid is allowed to defer, which is a material change to the current rate plan, but it also removes an incentive for the Companies to accurately forecast taxes in their rate plans. Such a material change should only be approved within the context of a rate case, where it can be considered in conjunction with all other elements of a rate plan.

Finally, as noted above, the current rate plan already includes two existing mechanisms that allow recovery of unrecovered property taxes and SIR costs. For property taxes, National Grid uses the RAM to recover property taxes up to two percent of the annual operating revenues of the prior year. For SIR costs, National Grid uses the SIR Recovery Surcharge. As noted above, those existing RAM and SIR surcharges already have significant impacts on customer bills.

¹⁹ PSL § 66(12)(b) and (c).

National Grid has not justified the need to implement another surcharge to allow additional recovery of these costs via the proposed RSM.

For the foregoing reasons, the City urges the Commission to reject the proposed RSM, and instead require the Companies to continue recovery of unrecovered property taxes and SIR costs through existing mechanisms, continue to cap excess property tax deferrals at 90 percent of the excess, and require review of these costs in the next full rate proceeding.

B. The Proposed Modification To The Capital Tracker Should Be Rejected

The Companies are proposing to convert the existing downward-only capital tracker into a two-way recovery mechanism. For KEDNY and KEDLI, respectively, this modification could allow deferral of more than \$116 million and \$84 million in capital and depreciation costs for future recovery.²⁰

The City objects to National Grid receiving guaranteed recovery of its FY 2028 capital budget without rate case-level scrutiny. The forecasted expenditures cannot be properly and sufficiently audited without the level of data that is required in a rate case, like the full details of the proposed capital plans and the potential impacts on customer rates. It is worth noting that National Grid requested amounts of \$91.874 million and \$59.445 million for KEDNY and KEDLI, respectively, in the original Petition, with the amounts increased “following discussions with [DPS] Staff.”²¹ This material, unverified increase only underscores the importance of the scrutiny normally provided in a rate case, where material changes to capital expenditures, and the capital tracker mechanism, can be evaluated in the context of all the other rate elements proposed, negotiated, and decided during a full rate proceeding. The Commission should not rely on, much

²⁰ Case 26-G-0384, *supra*, Errata Filing (filed July 16, 2026) at 10 (“Errata Filing”).

²¹ *Id.*

less accept, National Grid’s capital expenditure forecasts and simultaneously allow for full deferral of \$200 million in over-spend between KEDNY and KEDLI. Again, this type of change should instead be reviewed within a full rate proceeding, not only for the level of detail that comes with a rate case, but the opportunity for stakeholders to actively be engaged in shaping the outcome through the filing of testimony and through settlement negotiations.

The City reviewed, in particular, the proposed RY4 capital spending for the Greenpoint LNG facility, totaling over \$60 million. As part of this initial review, the City identified concerns about the proposed timing of capital investments. The City also has outstanding questions on how these investments impact or intersect with the ongoing remediation studies and planning at the Greenpoint LNG facility, under the oversight of the New York State Department of Environmental Conservation’s State Superfund Program.²² These are precisely the types of concerns that would otherwise be fully evaluated within the context of a rate case. The Commission should give close scrutiny to whether any of these programs can be deferred to future years, whether less costly alternatives exist, or whether this work needs to be conducted as scoped.

Moreover, KEDNY and KEDLI each forecast nearly twelve percent growth in capital expenditures between FYs 2027 and 2028,²³ substantially exceeding inflation.²⁴ The Companies have not offered sufficient justification for why their capital expenditures are materially outpacing inflation, which also should be subject to rate case scrutiny.

²² See Greenpoint LNG Facility Site, available at: <https://www.greenpointmgpsite.com/>

²³ JP at App. 1, Sch. 4 (KEDNY FY 2027 budget of \$971.1 million) and App. 2, Sch. 4 (KEDLI FY 2027 budget of \$729.3 million). The deferral requests of \$116 million and \$84 million represent year-over-year increases of 11.9 percent and 11.5 percent for KEDNY and KEDLI, respectively.

²⁴ See U.S. Bureau of Labor Statistics, “Consumer Price Index Summary” (dated July 14, 2026) (for the 12 months ending June 2026, reporting an “all items” inflation rate of 3.5 percent) available at <https://www.bls.gov/news.release/cpi.nr0.htm>.

For these reasons, the City urges the Commission to reject the proposed modification to the capital tracker. Should the Commission find this modification appropriate in this limited review setting, the City respectfully recommends that, at a minimum, any deferral authority for excess capital spending during FY 2028 should be subject to a cap set at the rate of inflation.

C. The Proposed Twenty Percent Buffer On Leak Backlog Reduction Targets Should Be Rejected

Under the current rate plan, National Grid has annual leak backlog targets, and associated negative revenue adjustments (“NRAs”) for failure to meet those targets. For example, in Calendar Year 2026, KEDNY has a target of less than ten workable leaks and 800 total leaks, and KEDLI has a target of ten workable leaks and 1,250 total leaks.²⁵ Here, National Grid is proposing to modify the leak backlog target for Calendar Year 2027 to 650 and 800 total leaks for KEDNY and KEDLI, respectively.²⁶ National Grid also proposes a 20 percent deadband such that neither KEDNY nor KEDLI would incur an NRA if the end-of-year backlog is 780 leaks or less and 960 leaks or less, respectively. This is a material change from the current rate plan, which does not include a buffer and instead states, in explicit terms, that if the metric is not modified at the end of Rate Year Three, the total leak backlog targets would decrease at an annual rate of 200 leaks for KEDNY and 750 leaks for KEDLI, until the total backlog is reduced to less than 100 leaks.²⁷ In other words, National Grid is proposing to *decrease* its otherwise-applicable annual leak backlog target by 180 leaks per year for KEDNY, which is a substantive change from the current rate plan and unacceptable.

²⁵ JP at 76.

²⁶ Petition at 10

²⁷ JP at 77.

The City urges the Commission to reject this component of the Petition. National Grid's proposed twenty percent buffer on leak backlog reduction targets would remove a significant incentive to reduce the leak backlog.

Maintaining strong leak reduction incentives remains critical. This has been a point of contention in prior rate cases, and the City has strongly advocated for stricter leak reduction targets. Changing the target here undermines the City's and other parties' efforts to address this major problem. KEDNY continues to have one of the largest leak backlogs among New York gas utilities. In fact, the Commission recently highlighted KEDNY's lagging performance relative to peer utilities during the June 2026 Commission session when DPS Staff presented its report on gas safety metrics.²⁸ The proposed buffer would materially weaken incentives for the Companies to reduce the backlog by allowing the Companies to avoid penalties as long as they achieve minimal reductions to the backlog.

Nor has National Grid sufficiently justified the need for this buffer. National Grid cites to general cost increases and higher costs of addressing the next marginal leaks.²⁹ These generalized concerns do not justify a twenty percent buffer on the leak backlog reduction targets. In addition, there are options for National Grid to address the leak backlog without incurring the typical repair expense. This includes non-pipeline alternatives ("NPAs") and use of other advanced technologies such as in-line joint sealing. These opportunities should be at the forefront of the Companies' planning processes. At most, if the Commission adopts a buffer on the leak backlog targets, the

²⁸ See Case 26-G-0169, In the Matter of Staff's Analysis of Local Distribution Company (LDC) Performance Related to the Pipeline Safety Measures, 2025 Pipeline Safety Performance Measures Report (issued June 11, 2026) at 22.

²⁹ Petition at 19.

buffer should be substantially narrower and limited only to the extent that the current rate of inflation restrains repairs.

D. The Petition Risks Delaying Review Of Demand Forecasts And Supply Costs

The Commission should also carefully review National Grid's demand forecast. This is not a new issue—the demand forecast was at the forefront of concerns expressed by several parties (the City included) in the Companies' long-term gas planning process³⁰ and recent forecast updates reflect significant downward revisions in projected demand growth.³¹ These revisions have important implications for rates, capital investment planning, and myriad other issues. Extending the current plan as requested by the Companies will delay adjustments needed to reflect changing demand trends.

In this time of growing energy affordability concerns, it is critical that utilities maintain transparency in customer utility bills. The Commission must remain mindful of these concerns and, if it approves the Petition, the Commission must preserve opportunities, for both itself and other stakeholders, to scrutinize National Grid's demand forecasts and supply costs.

³⁰ See Case 24-G-0248, In the Matter of a Review of the Long-Term Gas System Plans of The Brooklyn Union Gas Company d/b/a National Grid NY, KeySpan Gas East Corporation d/b/a National Grid, and Niagara Mohawk Power Corporation d/b/a National Grid, City of New York Comments on National Grid's Final LTP Addendum (filed September 5, 2025); City of New York Comments on National Grid's Final LTP (filed April 3, 2025); City of New York Comments on Long-Term Gas Plan (filed September 18, 2024); PA Consulting Preliminary Findings Report (filed January 30, 2025); PA Consulting Final Report (filed May 19, 2025); NRDC Comments on Initial LTP (filed September 19, 2024); Sierra Club Comments (filed September 18, 2024); NRDC and Sierra Club Comments on Revised LTP (filed December 13, 2024); Sierra Club Comments (filed September 5, 2025).

³¹ Case 24-G-0248, *supra*, National Grid LTP Demand Forecast Update and Report (filed December 17, 2025).

POINT II

GRANTING THIS PETITION WOULD SET AN UNWANTED PRECEDENT THAT UNDERMINES RATE CASE SETTLEMENTS

This Petition marks a significant departure from the traditional rate case process. As noted above, several parties including the City negotiated and signed a Joint Proposal to resolve the last rate proceeding. With this Petition, National Grid attempts to forego filing a new rate case by freezing rates for one rate year while, in parallel, making material modifications to the existing rate plan that significantly impact customers in future rate years.

Commission guidelines dictate that “[t]he rights of interested parties to fully participate in shaping a settlement agreement must be protected.”³² Here, National Grid did not provide formal notice to the signatory parties of its intent to revisit the approved settlement agreement and to modify the conditions therein. Instead, it asks for Commission approval to unilaterally modify an existing rate settlement. Granting this Petition would set a precedent allowing a utility to modify an existing settlement without re-entering settlement negotiations with parties to that settlement. Not only is this contrary to Commission settlement guidelines, but it also would likely discourage parties from engaging in settlement discussions in the future.

National Grid cites other proceedings where the Commission approved relief in the form of extending rate orders and freezing rates, but those cases did not involve substantive modifications as are presented here. In fact, two cases cited by National Grid involved a *new* Joint Proposal filed in a proceeding to modify an existing rate plan, wherein the original signatory parties

³² Cases 90-M-0255, *et al.*, Proceeding on Motion of the Commission Concerning its Procedures for Settlement and Stipulation Agreements, Procedural Guidelines for Settlements (issued March 24, 1992) at 2 (“Settlement Guidelines”).

re-entered settlement negotiations after an Order had been issued approving a Joint Proposal.³³ The third cited case involved the approval of deferral authority *after* rates had already been frozen, and did not involve substantive changes to the existing rate plan.³⁴ In other words, none of the cited cases directly support the requested relief in the Petition.

Additionally, the Commission has held that, in rate case proceedings, the Commission is required to review the case to “ensure reliability and public safety are maintained through just and reasonable rates in the broad context of many considerations that include achieving emissions reductions and other clean energy objectives.”³⁵ Rate cases are, therefore, required to be reviewed with the Climate Leadership and Community Protection Act (“CLCPA”)³⁶ in mind. As a result, there is a greater level of review of a full rate case to ensure that the proposal complies with the State’s clean energy and emissions reduction goals, and more consideration of such impacts are

³³ See Cases 15-E-0050, *et al.*, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service, Order Adopting Terms of Joint Proposal to Extend Electric Rate Plan (June 19, 2015); Cases 19-E-0378 *et al.*, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of New York State Electric & Gas Corporation for Electric Service, Order Approving Electric and Gas Rate Plans in Accord with Joint Proposal, with Modifications (November 19, 2020).

³⁴ See Case 14-G-0214, Petition of KeySpan Gas East Corporation d/b/a National Grid for Authority to Defer Costs Associated With Incremental Capital Expenditures and Other Related Relief, Order Directing Investments And Allowing, In Part, Deferral Authority For Costs Associated With Incremental Capital Expenditures And Establishing A Surcharge (December 15, 2014).

³⁵ Cases 22-E-0064, *et al.*, Consolidated Edison Company of New York Inc. - Electric and Gas Rates, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans with Additional Requirements (issued July 20, 2023) at 95-96.

³⁶ L. 2019, ch. 106.

placed in the preparation of a Joint Proposal. Here, the Petition vaguely notes that the proposed investment plans support the goals of the CLCPA, but the discussion is limited.³⁷

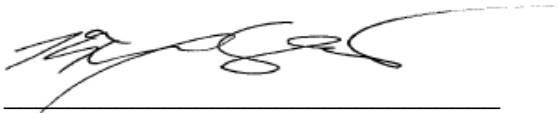
As such, granting this Petition would be a departure from established procedures and policies, and would set an unwanted precedent that may discourage parties from engaging in settlement discussions in future rate cases and would limit the review of the Petition within the context of the CLCPA. For these reasons, the Commission must closely scrutinize this Petition before approving it, and reject certain aspects of it, as detailed above.

³⁷ Petition at 12.

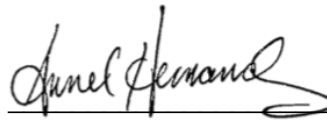
CONCLUSION

For the foregoing reasons, the City is concerned that the Petition will set an unwanted precedent in utility rate proceedings and it therefore should be closely scrutinized by the Commission. If adopted, the City recommends that, at minimum, the Commission should: (1) reject the proposed RSM; (2) reject the proposed two-way capital tracker; (3) reject the proposed twenty percent leak backlog buffer; and (4) preserve opportunities for comprehensive review of demand forecasts and supply costs.

Respectfully submitted,



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Dated: September 23, 2026
Albany, New York

Attachment 1

Date of Request: June 17, 2025
Due Date: June 29, 2025

Request No. DPS-003
NG Request No. NG-003

KeySpan Gas East Corporation d/b/a National Grid
The Brooklyn Union Gas Company d/b/a National Grid NY
Niagara Mohawk Power Corporation d/b/a National Grid
Case No. 26-G-0384
Rate Stabilization Petition

Request for Information

FROM: PSC - Anthony DiGiacomo

TO: National Grid

SUBJECT: CapEx and Rate Stabilization Mechanism

Request:

In all interrogatories, all requests for workpapers or supporting calculations shall be construed as requesting any Word, Excel or other computer spreadsheet models in original electronic format with all formulae intact and unlocked.

1. In reference to the rate stabilization mechanism mentioned on page 21 of the Petition:
 - a. Explain the rationale behind the 2.5% cap of the Companies' total operating revenue for the annual surcharge.
2. In reference to Exhibit 1 of the Petition:
 - a. List the individual projects and their budgets that make up the total \$1,066,877 forecasted for FY27 Direct Capital Expenditure (CAPEX) spending.
 - b. List the individual projects and their budgets that make up the total \$1,076,643 forecasted for FY28 Direct CAPEX spending.
 - c. List the individual projects and their budgets that make up the total \$1,093,266 forecasted for FY27 Indirect CAPEX spending.
 - d. List the individual projects and their budgets that make up the total \$1,102,833 forecasted for FY28 Indirect CAPEX spending.
3. In reference to Exhibit 2 of the Petition:

- a. List the individual projects and their budgets that make up the total \$682,055 forecasted for FY27 Direct CAPEX spending.
- b. List the individual projects and their budgets that make up the total \$656,333 forecasted for FY28 Direct CAPEX spending.
- c. List the individual projects and their budgets that make up the total \$687,659 forecasted for FY27 Direct CAPEX spending.
- d. List the individual projects and their budgets that make up the total \$665,193 forecasted for FY28 Indirect CAPEX spending.

Response:

1. The Rate Stabilization Mechanism (“RSM”) is a central feature of the Companies’ Rate Stabilization Proposal, which is designed to freeze customer rates in Rate Year Four. Maintaining flat rates necessarily results in the accumulation of deferral balances, particularly for property taxes and environmental remediation costs, which are significant and largely outside the Companies’ control.

The 2.5% cap is a key design element of the RSM. It enables the Companies to begin recovering projected large deferral balances in a timely manner – supporting cash flow and credit quality – while ensuring recovery is gradual and does not create undue bill impacts for customers. At the same time, the cap mitigates the risk of excessive deferral balance accumulation and associated carrying costs that would otherwise increase future customer rate pressure.

Accordingly, the 2.5% cap reflects a balanced approach. It aligns with PSC policy supporting surcharge mechanisms to facilitate gradual, equitable recovery of deferred costs, while protecting both customers and the Companies from adverse financial and rate impacts.

2. a-d. Please see Attachment 1 (KEDNY).

3. a-d. Please see Attachment 2 (KEDLI).

Please note for question 2 & 3, the FY27 forecast presented in the attachments to DPS-003 (detail to Exhibit 1 (KEDNY) & 2 (KEDLI)) may differ from the FY27 amounts reflected in the individual FY28 rate petition capital program workpapers provided in DPS-001. Each capital program workpaper represents a point-in-time view of the FY27 forecast, as it existed when that specific FY28 program forecast was developed.

Because FY27 was the forthcoming fiscal year during the development of the FY28 capital workpapers, the FY27 forecast continued to be refined throughout the year as additional information became available and assumptions were updated. As a result, subsequent updates to the FY27 forecast are not reflected in workpapers that had already been finalized and included in the revenue requirement.

The FY27 forecast included in Exhibits 01 and 02 (DPS-003) reflects the final, updated forecast, which was completed after the FY28 capital workpapers were developed.

Please note, FY27 is funded as part of the 2023-G-0225 & 2023-G-0226 Rate Case.

Name of Respondent:

Patricia McVeigh

Date of Reply:

June 29, 2026