STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 21-E-0074 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Orange and Rockland Utilities, Inc. for Electric Service.

CASE 21-G-0073 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Orange and Rockland Utilities, Inc. for Gas Service.

**STATEMENT IN SUPPORT OF
JOINT PROPOSAL**

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I. Introduction and Background

On October 29, 2021, Orange and Rockland Utilities, Inc. ("Orange and Rockland" or the "Company"), New York State Department of Public Service Staff ("Staff"), New York Power Authority ("NYPA"), New York Geothermal Energy Organization, and New Yorkers For Cool Refrigerant Management (collectively, the "Signatory Parties") entered into a Joint Proposal (the "Proposal") to resolve the issues raised in the above-captioned proceedings. Among other things, the Proposal sets forth the terms of an electric rate plan for the period January 1, 2022 through December 31, 2024 ("Electric Rate Plan") and a gas rate plan for the period January 1, 2022 through December 31, 2024 ("Gas Rate Plan"). (Collectively, the Electric Rate Plan and the Gas Rate Plan are referred to as the "Rate Plans.")[1]

The Proposal was filed with the New York State Public Service Commission ("Commission") on October 29, 2021. Pursuant to a September 20, 2021, Ruling Revising Procedural Schedule, issued by Administrative Law Judges ("ALJs") Maureen F. Leary and Erika Bergen, the presiding litigation judges in these proceedings, Orange and Rockland submits this Statement in Support of Joint Proposal ("Statement").

II. Overview of the Joint Proposal

A. Benefits of the Joint Proposal

The Proposal provides customers with rate predictability for the Rate Plans' period; provides the Company with funds needed to build, operate and maintain safe and adequate electric and gas systems; while the Company has concerns, as described below, the Proposal

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[1] The Rate Plans cover the periods January 1, 2022 through December 31, 2022 ("RY1"), January 1, 2023 through December 31, 2023 ("RY2") and January 1, 2024 through December 31, 2024 ("RY3"). RY1, RY2 and RY3 are collectively referred to as the "Rate Years."

provides for adequate returns to Company investors; reflects various measures to mitigate rate increases in light of the ongoing COVID-19 pandemic, including eliminating funding for senior management wages increase for the linking period (*i.e.*, October 1, 2020 – December 31, 2021) and RY1; reflects the Company taking on increased responsibility to perform efficiently and risks for bearing cost increases outside its control; continues the Company's low income customer discount program; increases certain electric and gas safety, reliability and customer service performance metrics and associated revenue adjustments if the established targets are not met; implements Earning Adjustment Mechanisms ("EAMs") allowing the Company to achieve positive incentives for its efforts related to electric and gas energy efficiency, system peak reduction, utilization of distributed energy resources ("DER"), beneficial electrification, and promoting energy efficiency for low and moderate income ("LMI") customers to help address affordability and advance environmental justice goals; advances achievement of important state policy goals, including the objectives of the Climate Leadership and Community Protection Act ("CLCPA");[2] and addresses various other issues and concerns raised by the parties during the course of these proceedings.

In addition, the Electric Rate Plan reflects a revenue requirement based on the adoption of the electric sales and revenue forecast agreed to by the Signatory Parties, the continuation of a revenue decoupling mechanism ("RDM") and various other reconciliations, including a property tax reconciliation, and a downward reconciliation only of net plant balances in the event that actual average net plant is lower than that reflected in rates. The Electric Rate Plan also provides for the continued exploration of potential Non-Wires Alternatives ("NWAs").

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[2] CLCPA, L. 2019, ch. 106, ch. 735.

The Gas Rate Plan reflects a revenue requirement based on the adoption of the gas sales and revenue forecast agreed to by the Signatory Parties, the continuation of the interruptible sales benefit imputation, the continuation of an RDM on the basis of Revenue Per Class and various other reconciliations, including a property tax reconciliation, and a downward reconciliation only of net plant balances in the event that actual average net plant is lower than that reflected in rates. The Gas Rate Plan also provides for the continued exploration of potential Non-Pipe Alternatives ("NPAs").

The Proposal addresses these issues in a manner that allowed most of the active parties to these proceedings to support the Proposal or not to oppose the Proposal.

As set forth below, the Proposal fully satisfies the Commission's settlement guidelines, and should be adopted by the Commission in all respects and without modification.

1. CLCPA-Related Benefits

As the Commission has recently determined, the CLCPA applies to utility rate cases.[3] Specifically, under CLCPA section 7(2), the Commission must determine whether a proposed rate case settlement is "inconsistent with or will interfere with" statewide emissions goals and, if so, provide a detailed justification and identify alternatives or mitigation measures. Second, under CLCPA section 7(3), the Commission must ensure that the settlement does not disproportionately burden disadvantaged communities.

With respect to emissions limits under Section 7(2), the Commission has held that showing a connection to safe and reliable service and demonstrating emissions mitigation measures satisfies the required review. In the National Grid Rate Proceeding, the Commission

[3] Case 19-G-0309 *et al.*, *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*, Order Approving Joint Proposal, As Modified, And Imposing Additional Requirements (Aug. 12, 2021) at 69-70 ("National Grid Rate Proceeding").

explained that the CLCPA's required emissions reductions do not "override" the Commission's statutory mandate to ensure that utilities provide safe and reliable service at just and reasonable rates.[4] This "long-standing" mandate is the Commission's "core responsibility" and is itself "fundamental to protecting the public health and welfare."[5] The Commission explained, therefore, that it cannot perform its CLCPA review "in a vacuum" but must "balance reliability, public safety, and reasonable rate[] interests with emission reductions and clean energy objectives."[6]

Regarding the CLCPA section 7(3) requirements barring state agencies from disproportionately burdening disadvantaged communities, the Commission in the National Grid Rate Proceeding found that disadvantaged communities were not disproportionately burdened because they would receive the benefits of safe and reliable service and low-cost natural gas.[7] The Rate Plans provide similar benefits to disadvantaged communities in the Orange and Rockland service territory.

In accordance with the requirements established by the Commission and as described in more detail below, the Proposal includes significant measures to mitigate emissions; is designed to provide safe and reliable service at reasonable rates; and does not disproportionately burden disadvantaged communities. Therefore, the Proposal is consistent with and supports the goals of the CLCPA, including Sections 7(2) and 7(3).

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[4] *Id.* at 80 ("The CLCPA does not override the Commission's responsibility to ensure reliability, public safety and reasonable rates in favor of emissions reductions and we find that both are appropriately addressed and balanced in the Joint Proposal here.").

[5] *Id.* at 73-74.

[6] *Id.* at 73, 80.

[7] *Id*. § 7(3) ("In considering and issuing permits, licenses, and other administrative approvals and decisions, including but not limited to the execution of grants, loans, and contracts, pursuant to article 75 of the environmental conservation law, all state agencies, offices, authorities, and divisions shall not disproportionately burden disadvantaged communities as identified pursuant to subdivision 5 of section 75-0101 of the environmental conservation law.").

The Proposal contains numerous provisions that are intended to further New York State's ability to meet the goals of the CLCPA, including provisions that: reduce the carbon intensity of gas transmission and distribution by lowering emissions from operations, primarily through retirement of leak prone pipe ("LPP"); enhance awareness and education of low carbon heating alternatives, including ground source heat pumps, air source heat pumps and heat pump water heaters and provide incentives to reduce the upfront costs of installing these technologies; install remote natural gas detectors that will detect inside and outside leaks and automatically notify O&R's gas emergency response center for immediate response, reducing the amount of methane emissions from these leaks; target reductions in electric and gas sales volumes over the rate plan from 2019 levels; support efforts that will lower emissions by shifting electric consumption to periods of lower carbon intensity; target reductions in peak day gas usage across commercial, industrial, and residential customers by 2024 through the use of EAMs; modify its natural gas tariff to reduce the maximum required allowances for residential heating customers from 200ft. of main and service (in any combination) to 100ft. of main and 100ft. of service; seek out opportunities for NPAs to meet customers' energy needs; support efforts by developers in the service territory to pursue renewable natural gas as a complement to energy efficiency/electrification; advance customer adoption of emerging clean energy technologies such as electric vehicles ("EV"), EV supply equipment, air-source heat pumps, ground-source heat pumps, and heat pump water heaters; transition the Company's light-duty vehicles to EVs; deploy EV plugs to support EV adoption and avoid tons of carbon from transportation sources; targeting approximately 84.6 MW of energy storage and approximately 120 MW of solar photovoltaic to its electric system by 2024; pursue distribution system and multi-value transmission infrastructure investments that will increase the Company's ability to integrate large-scale renewable resources; continue to support and facilitate customers participation in clean energy programs through its Customer Engagement Marketplace Platform, especially for LMI customers; and partner with the New York State Energy Research and Development Authority ("NYSERDA") and other New York utilities to implement a low-income program to help reduce energy bills and increase energy affordability.

Under the Proposal, the Company agreed to inventory its emissions and file its results and methodology on an annual basis.[8] As set forth in the table below, the Company is anticipating significant emissions reductions as a result of its various programs and mitigation measures.

Category	**Source of CO2e Reduction**	**Lifetime CO2e Reduction (useful life varies by source)**
Vehicles	Electric Vehicle Adoption	609,740 tons of CO2e
Heating	Heat Pump Adoption	91,508 tons of CO2e
Electric Consumption	Reduced Elec. Consumption (EE)	211,171 tons of CO2e
	Cleaner Sourced Electricity	71,688 tons of CO2e
Gas Consumption	Reduced Gas Consumption (EE)	52,662 tons of CO2e
	Reduced Gas Leaks	360,360 tons of CO2e
Total		**1,397,130 tons of CO2e**

*Emissions reductions are projections provided for illustrative purposes only.

[8] The Company will inventory its emissions using the same methodology (subject to any specific standards that the Commission formally adopts) it uses to calculate emissions savings and its then applicable load forecasts, as modified to reflect beneficial electrification.

These commitments and targets represent significant movement by the Company and diverse parties to reach agreement on measures to advance the goals of the CLCPA and programs that will provide environmental, safety, and economic benefits to the Company's customers and the public at large. In addition, these commitments and targets were designed to address the concerns of many parties about the role of natural gas in the clean energy transition. Finally, these commitments and targets are integral components of a multi-faceted compromise that would not be possible in a one-year litigated proceeding and support the finding that the Proposal is in the public interest.

B. The Joint Proposal Comports with the Commission's Settlement Guidelines

The Proposal is just, reasonable and in the public interest and, therefore, meets the Commission's standards for adopting proposed settlements. Factors the Commission considers in determining whether a settlement proposal is in the public interest include: consistency with State law and policies; whether the result compares favorably with the likely result of full litigation; a fair balance among interests of customers and the Company; and a rational basis for a decision adopting the Proposal.[9]

Appropriate notice of settlement negotiations was provided in these proceedings in accordance with 16 NYCRR §3.9 (a). All active parties were provided the opportunity to participate fully in settlement discussions and were advised of all negotiation meetings and/or teleconferences.

The record in these proceedings is well developed and provides a rational basis for a Commission decision adopting the Proposal. Parties engaged in discovery, with the Company

[9] Case 90-M-0255, *Proceeding on Settlement Procedures and Guidelines*, Opinion No. 92-2 (issued March 24, 1992).

responding to over 930 formal discovery requests (many of which were multi-part) on the filings. In addition to the Company, seven other parties submitted pre-filed direct and/or rebuttal testimony in these proceedings, comprising hundreds of pages of testimony. All parties are being afforded the opportunity to submit statements in support/opposition to the Proposal, as well as reply statements.

The Signatory Parties represent a broad range of diverse interests, including governmental agencies, consumer advocates, and environmental advocacy organizations. In terms of balancing the interests of customers, the Company, and other stakeholders, the Proposal reflects compromises of the widely-differing viewpoints of the participants in the settlement process, including those of non-signatory parties. A primary factor in the Company's consideration and support of the Proposal was the benefit of multi-year rate plans, which will allow the Company to focus on operational improvement opportunities in its electric and gas services and further implementation of the Commission's REV Proceeding initiatives. In addition, as noted in detail above, the Joint Proposal contains provisions consistent with the emissions reduction goals of the CLCPA, including the development of a greenhouse gas ("GHG") emissions reduction plan and other significant commitments designed to support New York State's CLCPA goals.

The settlement process enabled parties to explore their respective positions and reach a compromise. As with any compromise, individual provisions of the Proposal may not be to the liking of one or more parties, and all parties, including the Company, made substantial and difficult concessions to reach this agreement. For example, the Proposal provides the Company with significantly lower revenues than the Company sought and greater challenges in meeting its service obligations. Given the wide range of complex issues presented and the inherent litigation risk, the Company ultimately concluded that the Proposal was reasonable on an overall basis, accepting the many features of the Proposal that were a significant departure from the Company's filed position as part of the give and take inherent in any compromise. As explained more fully in the sections that follow, the Proposal is within the reasonably expected range of potential litigated outcomes. The Proposal is consistent with law and Commission policies, is supported by a rational basis, and strikes an equitable balance among the interests of customers, investors, and other stakeholders.

III. Provisions of the JP

A. Term

The Proposal recommends that the Commission adopt a three-year Electric Rate Plan and a three-year Gas Rate Plan, both commencing January 1, 2022 and continuing through December 31, 2024. The three-year terms of the Electric Rate Plan and the Gas Rate Plan are consistent with the length of recent electric and gas rate plans approved by the Commission. The rate certainty provided by the Rate Plans will benefit both the Company and its customers by facilitating their planning efforts. The rate certainty also should prove useful to market participants as they seek to provide or to acquire new or enhanced products and services, particularly those related to the REV Proceeding.

B. Rates and Revenue Levels

The electric and gas revenue requirements reflected in the Proposal are significantly less than those reflected in the Company's initial filing. In order to reach settlement, the Company agreed to an 80% decrease to its electric rate request and a 93% decrease to its gas rate request. The Proposal adopts many of the adjustments that Staff proposed in its direct testimony, in addition to adjustments proposed by other parties, and reflects many of the same methodologies used to establish rates under the Company's existing electric and gas rate plans.[10] Notably, the Proposal includes a number of adjustments to mitigate customer bill impacts in light of the on-going COVID-19 pandemic.

First, although the senior management team led the Company's response to support our customers throughout the COVID-19 pandemic, the Proposal has eliminated funding for senior management (Band 4 and executive) wage increases for the period October 1, 2020 to December 31, 2022. As management wage increases are effective in April of each year, this results in eliminating funding for senior management wage increases for two years.

Second, the electric and gas revenue requirements reflected in the Rate Plans contain significant productivity and efficiency-related adjustments. In addition to a one percent productivity adjustment to the cost of direct labor, fringe benefits (*i.e.*, pension, post-employment benefits and employee welfare expenses) and payroll taxes, the revenue requirements also include $2.9 million in COVID-19 related adjustments over the Rates Plans. The combined productivity and additional adjustments are equivalent to approximately a two percent productivity adjustment for RY1. The adjustment also effectively decreases RY2 and RY3 rates.

Third, the Company has imputed $19.6 million of forecasted targeted efficiency savings over the term of the Rate Plans. These targets were developed as ambitious, stretch goals and will be very challenging for the Company to meet. The Company bears the risk of not achieving

[10] For example, the forecasts for property taxes in the revenue requirements use the same methodology as was used to develop the revenue requirements under the Company's existing rate plans.

the targeted efficiency savings, as they are not subject to reconciliation, and provides additional justification for the ROE adopted in the Proposal.

Finally, the Proposal accelerates the pass-back to customers of unprotected excess deferred federal income taxes balances related to the Tax Cuts and Jobs Act of 2017 (*i.e.*, shortened the amortization from 15 years, as established in the 2019 Rate Order, to six years).

Although the Company accepted certain cost and expense adjustments for purposes of achieving a resolution of all of the issues in these proceedings, the Company's acceptance should not be construed as acknowledging such costs to be avoidable, unnecessary, unreasonable or unrecoverable in the context of providing safe and adequate service to its customers (*e.g.*, the proposed rates expose the Company to risks associated with achieving ambitious efficiency-related targets and understate customer charges). Accordingly, the proposed electric and gas rates present significant challenges for the Company.

1. Electric Rate Plan Revenue Requirements

The Proposal recommends changes to the Company's electric delivery service rates and charges designed to produce an additional $4.939 million in revenues on an annual basis starting in RY1, an additional $16.158 million increase in revenues on an annual basis starting in RY2, and an additional $23.129 million increase in revenues on an annual basis starting in RY3. The Signatory Parties recommend that the Commission adopt the option to phase in these three base rate changes on a levelized basis to provide rate stability over the Electric Rate Plan. The annual levelized revenue changes would be an $11.675 million increase in RY1, RY2 and RY3.

The Signatory Parties recognize that levelizing the revenue increases over the three years of the Electric Rate Plan to moderate customer bill impacts will result in lower base delivery rate revenues for the Company at the end of RY3 than would result if the revenue increases were not levelized. To address this circumstance, $20.9 million of the RY3 rate increase will be included in base rates and $9.2 million of the RY3 rate increase will be refunded via a temporary credit through the Energy Cost Adjustment ("ECA").

For a typical residential customer (who uses an average of 600 kWh per month), the total bill impact of the Proposal's levelized rate increase is 1.4% in RY1, 2.7% in RY2, and 3.1% in RY3. Customers who take advantage of the Company's energy efficiency programs may see lower increases.

2. Gas Rate Plan Revenue Requirements

This Proposal recommends changes to the Company's retail gas sales and gas transportation service rates and charges, designed to produce a $0.660 million increase in revenues on an annual basis starting in RY1, an additional $7.395 million increase in revenues on an annual basis starting in RY2, and an additional $9.870 million increase in revenues on an annual basis starting in RY3.

The Signatory Parties recommend that the Commission adopt the option to phase in these three base rate changes on a levelized basis to provide rate stability over the term of the Gas Rate Plan. The annual revenue changes would be a $4.421 million increase in RY1, RY2 and RY3.

The Signatory Parties recognize that levelizing the revenue increases over the three years of the Gas Rate Plan to moderate customer bill impacts will result in lower base delivery rate revenues for the Company at the end of RY3 than would result if the revenue increases were not levelized. To address this circumstance, $9.1 million will be included in base rates in RY3 and $4.7 million will be refunded via a temporary credit through the Monthly Gas Adjustment ("MGA").

For a typical residential customer (who uses an average of 100 Ccf per month), the total bill impact of the Proposal's levelized rate increase is 3.1% in RY1, 1.9% in RY2 and 2.3% in RY3. Customers who take advantage of the Company's energy efficiency programs may see lower increases.

3. Cost of Capital

The Proposal reflects a return on common equity ("ROE") of 9.2% and a capital structure of 48% equity for the three-year terms of the Rate Plans. These are substantially lower than the return of 9.75% and a capital structure of 50% equity for a single-year rate plan proposed by the Company's cost of capital and ROE witnesses. These are also lower than the national mean for ROEs awarded since the beginning of 2020, which was 9.5%, and the national mean for the percentage of common to total capital for that same period, which was 51%.[11]

New York has one of the most ambitious clean energy goals in the country. The clean energy goals require substantial utility investment that can only be accomplished if the Company can attract capital at reasonable rates. Weak investment signals, such as ROEs that are well below industry averages, impair cash flow and credit metrics, which result in degradation of our credit ratings. All of these factors negatively impact the utility's access to the capital markets and could cause liquidity pressures and higher financing costs, and ultimately adversely affect customers through higher rates. The ROE under the Proposal is reflective of the Commission's adherence to a cost of capital framework that routinely establishes returns that are at the low end of the range of returns within the utility industry. The Company is concerned with the long-term

[11] See Exhibit 1 to this Statement.

implications of this framework because it may constrain the Company's ability to contribute to meeting the State's ambitious clean energy policy goals.

As discussed in Sections III.B, III.H. and III.I of this Statement, the Company is cognizant of recent public health and economic conditions and has implemented programs to assist customers and agreed to (and proposed in its rate filing) adjustments to its revenue requirements to mitigate customer bill impacts. It is misguided, however, to disregard the role of investors in enabling utility investment and suppress ROE in an attempt to reduce rates in the short-term.

The Company ultimately accepted the provisions related to ROE and overall costs of capital in the context of all of the other provisions of the Proposal and in recognition of current Commission policy regarding returns on equity for both one-year and multi-year rate plans.

C. Computation and Disposition of Earnings

An Earnings Sharing Mechanism ("ESM") under which a utility shares with customers earnings above pre-established thresholds is a traditional component of Company and other utility multi-year rate plans. An ESM is intended to balance the interests of parties who are concerned that a utility's earnings under a multi-year rate plan may significantly exceed projected earnings, and the interests of parties, like the Company, who maintain that customers will derive greater benefits from rate mechanisms that eliminate sharing requirements for the period of a rate plan and thereby produce stronger earnings and efficiency incentives that will redound to customer benefit in the long term. The Proposal properly follows the historical approach of calculating the return on common equity on a "per books" basis, excluding Company incentives and performance-based revenue adjustments (both positive and negative), the Company's share of property tax refunds and any other Commission-approved ratemaking incentives and revenue adjustments in effect during the applicable rate year.

The ESMs for electric and gas under the Proposal have 50 basis point sharing bands, ten basis points smaller than under the current electric and gas rate plans. The ESMs significantly favor the interests of customers. Under the Proposal, earnings sharing will be assessed each Rate Year, rather than on a cumulative basis over the full three-year terms of the Rate Plans. This plainly benefits customers at the risk of the Company because earnings in any Rate Year that are above the earnings sharing threshold cannot be offset by earnings that are below the earnings threshold in any other Rate Year.[12]

As a further benefit to customers, the Proposal continues a provision common to recent Company rate plans that provides for 50% of the Company's share of any shared earnings to inure to the benefit of customers, as opposed to shareholders, in that 50% of the Company's share will be used to reduce deferred Site Investigation and Remediation ("SIR") costs that would otherwise remain deferred for future collection from customers. The application of a portion of the Company's share of shared earnings, as well as the full customer share of any shared earnings, to offset deferred SIR costs is responsive to the Commission's expectation that negotiation of ESMs in rate plans explore the opportunity to allocate some portion of shared earnings to offset SIR costs.[13]

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[12] The ESM does not contain a sharing "floor" below which a deficiency in earnings lower than forecast are shared between the Company and shareholders.

[13] Case 11-M-0034, Proceeding on Motion of the Commission to Commence a Review and Evaluation of the Treatment of the State's Regulated Utilities' Site Investigation and Remediation (SIR) Costs, *Order Concerning Costs for Site Investigation and Remediation* (issued November 28, 2012), p. 12 ("SIR Order").

The Company's agreement to these ESMs reflects another material concession made by the Company in return for other elements of this comprehensive settlement.

D. Additional Accounting Provisions

1. Deferrals and Reconciliations

The Commission routinely adopts reconciliation mechanisms for costs and expenses that are difficult to project with any reasonable degree of accuracy in order to protect both customers and investors from the risk that projections upon which rates are based may vary materially from actual costs incurred by the Company.

Appendix 9 of the Proposal provides for the reconciliation of certain of the Company's actual costs or revenues to the amount reflected in rates. For some items, the Proposal provides for a full true-up, protecting customers and the Company equally in the event of variation. For others, the sharing of risk is asymmetrical in favor of customer interests. With few exceptions, the reconciliation mechanisms are generally the same as those in place under the Company's current electric and gas rate plans, and/or pursuant to longstanding Commission policy or practice and were not matters of significant, if any, dispute in litigation positions.[14] The reconciliation mechanisms proposed by the Joint Proposal are reasonable and should be adopted.

The Proposal notably includes new reconciliations for late payment charges and uncollectible expenses that address the COVID-19 pandemic's impact on customers and the Company. Under these provisions, the Company will fully reconcile late payment charges and

[14] The Proposal specifically identifies those existing reconciliation mechanisms that the Signatory Parties have agreed are no longer necessary or appropriate under the Rate Plans. In addition, to avoid the inadvertent discontinuance of a reconciliation or deferral accounting mechanism on the basis that it is not specified for continuation under the Proposal, the Proposal reasonably provides that all existing reconciliations and/or deferral accounting mechanisms will continue except for those expressly identified in the Proposal for termination.

uncollectible expense write-offs for the period 2020-2024. To date, the Company's COVID-19 related expenses have exceeded its savings. These reconciliations are necessary because they recognize the Company's right to recover its costs to serve. It is anticipated that during the rate plan there may be COVID-19-related adjustments to these expenses (*e.g.*, as uncollectible write-offs occur and offset uncollectible reserve changes). These reconciliations protect customers because they are cumulative over the pandemic period and rate plan so customers will receive the benefit of these adjustments.

2. Depreciation Rates

In the Company's rate filing, it noted that its depreciation study begins planning for the impact achievement of CLCPA goals would have on the equitable and appropriate recovery of the Company's assets through depreciation. The Company believes it is essential to begin to consider the potential impacts of New York's carbon emissions goals in establishing the Company's depreciation rates. While there are a number of decarbonization paths that are being considered at this time, all show reduced gas usage.[15] As such, the Company proposed, among other things, to decrease the service lives for the longer-lived gas accounts by five years (when compared to the results of service life analysis that does not consider the impact of the CLCPA's goals). The Company also proposed to match the service lives of existing pipe to be replaced under its pipe replacement program (mainly cast iron, bare steel and Aldyl-A plastic pipe) to the duration of the program.

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[15] *See, e.g.,* October 14, 2021 Climate Action Council Meeting Presentation at slides 11-14 and 44, *available at* https://climate.ny.gov/-/media/Migrated/CLCPA/Files/2021-10-14-CAC-Meeting-presentation.ashx.

In order to reach settlement, the Company agreed that it would only amortize the lives of existing pipe to be replaced under its pipe replacement program over ten years and make no other changes. However, the Company believes it is short-sighted to delay incorporating the impact of the CLCPA by not making modest changes in gas depreciation now. As discussed above, while the extent is unknown, decarbonization will result in the loss of gas customers. Ignoring this reality now will result in significantly higher future rates for a smaller number of gas customers. Many of these remaining will be lower income customers, given their lack of the financial means to electrify. This is contrary to the public interest and at odds with the Commission's goal of protecting low-income and other vulnerable customers, which would be contrary to the CLCPA's environmental justice goals.

The average services lives, net salvage factors and life tables used in calculating the depreciation reserve and establishing the revenue requirements for electric and gas service are set forth in Appendix 11.

3. Property Tax Refunds and Credits

The Proposal reasonably continues the property tax refund and credits sharing mechanism included in the Company's existing electric and gas rate plans. The Company proposed continuation of the mechanism in its filing and no party opposed.

Property tax refunds allocated to electric and/or gas that are not reflected in the respective Rate Plans and that result from the Company's efforts will be deferred for future disposition, except for an amount equal to 14 percent of the net refund or credit, which will be retained by the Company. Incremental expenses incurred by the Company to achieve the property tax refunds or credits will be offset against the refund or credit before any allocation of the proceeds is calculated. The only change to the mechanism was to recognize that costs to achieve settlements that reduce future tax assessments should be eligible for offset against refunds or credits. Although the Company's efforts to seek tax refunds occasionally produce actual refunds or credits, these are extremely difficult to obtain from governmental entities. A future assessment reduction is often the better solution because the Company obtains a property tax reduction and the governmental entity avoids both the current cash outlay of a refund and the administrative burden of approving a credit. Municipalities also prefer settlements for future assessment reductions because it facilitates their financial planning. As such, it is reasonable that costs to achieve these reductions are recognized.

4. Income Taxes and Cost of Removal Audit

The Proposal specifically acknowledges that the Commission has an on-going focused operations audit to investigate the income tax accounting of Orange and Rockland and other New York State utilities.[16] The Signatory Parties agree that the final, non-appealable Commission-ordered findings in the COR Audit Proceeding are binding on the instant proceedings. In addition, the Signatory Parties reserve all of their administrative and judicial rights to take and pursue their respective positions with respect to all issues, rulings and decisions in the COR Audit Proceeding.

E. Revenue Allocation/Rate Design and Other Tariff Changes

As discussed below, in addressing the revenue allocation and rate design issues memorialized in the Proposal, the Company agreed to various compromises and changes from its initial positions in order to accommodate the interests of other parties so as to reach settlement.

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[16] Case 18-M-0013, *In the Matter of a Focused Operations Audit to Investigate the Income Tax Accounting of Certain New York State Utilities*, Order Approving and Issuing the Request for Proposals Seeking a Third-Party Consultant to Perform Audits to Investigate the Income Tax Accounting of Certain New York State Utilities (issued January 11, 2018) ("COR Audit Proceeding").

1. Electric

The Proposal realigns delivery revenues for each Service Classification ("SC") in each Rate Year to reflect one-third of deficiency and surplus indications from the Company's electric embedded cost of service ("ECOS") study. The Billing and Payment Processing Charge has been increased from $1.30 to $1.50. In addition, the Company has increased the SC No. 1 customer charge from $19.50 to $22.00 over the course of the three-year rate plan, as compared to its original proposal to increase such charge to $22.00 in RY1. The gradual increase in the customer charge brings the Company closer to the ECOS study customer costs while limiting the bill impacts to low usage customers.

a. ECOS Study

In its next electric base rate case, the Company agreed to provide, for illustrative purposes, an alternative ECOS study that excludes transmission and distribution ("T&D") components from customer-related costs (*i.e.*, the ECOS study does not make use of the minimum system methodology and poles (FERC Account 364), conductors (FERC Accounts 365, 366, 367) and transformers (FERC Account 368) are classified as entirely demand-related). Following its next electric base rate filing, the Company agreed to conduct, for interested parties, a post-filing walk-through of the ECOS study and rate design underlying the proposed electric base delivery rates. In addition, the Company agreed to provide and review at the walk-through an explanation of the differences in the ECOS studies filed pursuant to the Proposal, a more detailed explanation of the purpose of each file and cross-references of the underlying data sources, a table of acronyms used, a table of contents, and an index of files. These measures will enhance the transparency of the Company's next electric base rate filing and facilitate participation in that proceeding by interested parties.

The Company further agreed to study the cost basis for seasonal differentials in its electric tariff. The Company will complete this study within one year of the Commission Order adopting the Proposal and circulate it to all parties in the case. Within 60 days of completing this study, the Company will schedule a meeting with parties to discuss the results.

2. Gas

The Proposal realigns delivery revenues for each SC in each Rate Year to reflect one-third of the deficiency and surplus indications from the Company's gas ECOS study. The Billing and Payment Processing Charge has been increased from $1.30 to $1.50. The Company has increased the SC No. 1 and SC No. 6 – Rate IA first block charge from $19.50 to $22.00 over the course of the three-year rate plan, as compared to its original proposal to increase such charge to $22.00 in RY1. The gradual increase in the first block charge brings the Company closer to the ECOS study customer cost indications while limiting the bill impacts to low usage customers.

a. ECOS Study

In its next gas base rate case, the Company has agreed to provide for illustrative purposes, an alternative ECOS study that excludes T&D components from customer-related costs (*i.e.*, the ECOS study classifies mains (FERC Account 376) as entirely demand-related).

Following its next gas base rate filing, the Company has agreed to conduct, for interested parties, a walk-through of the ECOS study and rate design underlying the proposed gas base delivery rates. In addition, the Company agreed to provide and review at the walk-through, an explanation of the differences in the ECOS studies filed pursuant to the Proposal, a more detailed explanation of the purpose of each file and cross-references of the underlying data sources, a table of acronyms used, a table of contents, and an index of files. These measures will enhance the transparency of the Company's next gas base rate filing and facilitate participation in that proceeding by interested parties.

b. Marginal Cost Study

The Proposal establishes the Excelsior Jobs Program ("EJP") discounts shown below (based on the Company's marginal cost study), which will be applicable to customers commencing service on the EJP on or after January 1, 2022:

SC Nos. 2 and 6 – RS IB and II	- 47.8 %

c. Interruptible Transportation Rates

Under the Proposal, SC No. 8 rates will continue to consist of a block rate design and a minimum monthly charge. The minimum monthly charge for 100 Ccf will be set at $131.00 in RY1 and $132.00 in RY2. The monthly minimum charge will then remain at $132.00 until gas base rates are reset. A Base Charge will continue to be used to determine the block rates for usage greater than 100 Ccf. The Base Charge will be determined each month and shall not exceed 26.8 cents per Ccf during RY1, 27.0 cents per Ccf during RY2, and 27.5 cents per Ccf during RY3 and thereafter until such time as the Commission resets the Company's gas base rates.

F. Performance Metrics

Performance metrics designed to measure various activities that are applicable to the Company's Electric, Gas and Customer Service Operations, and assess negative and/or positive revenue adjustments where performance targets are not met or are exceeded, are set forth in Appendices 13, 14, and 15 of the Proposal. Any negative or positive revenue adjustments incurred by the Company during the Rate Plans relating to the performance metrics will be recovered from or credited to customers through the ECA/MGA over a 12-month period commencing June 1. Any such surcharge or credit will be applicable to customers who are subject to the ECA and MGA on a common cents per kWh or cents per Ccf basis, respectively. The Company will perform an annual reconciliation of these revenue adjustments.

The Proposal continues many of the electric, gas and customer service performance metrics, some with modifications that increase the target level of performance, and in other cases, by adding new metrics. While the Company accepted continuation of performance metrics as a standard element of Commission adopted rate plans, there was disagreement among the parties as to the extent to which, if any, existing performance mechanisms should be changed and whether new metrics should be added.

The Proposal reflects a compromise among the Signatory Parties on this matter.[17] As discussed below, the new metrics and associated potential negative revenue adjustments were, in particular, a very difficult element of the Proposal for the Company to accept, but were ultimately viewed by the Company as acceptable in the context of this comprehensive settlement. The Proposal contains provisions that leave open the opportunity for positive incentives, including in the event the Company replaces or eliminates leak-prone pipe in excess of certain target amounts, and/or reduces the number of total damages to Company gas facilities.[18] These provisions are consistent with principles articulated in the REV Proceeding, which focus on positive incentives rather than penalties as a more effective mechanism to motivate superior performance.

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[17] The Company has explained that continually tightening standards to match historical performance more closely can be a disincentive to improve, is unnecessary given the Company's demonstrated performance levels, and carries the potential for higher costs to customers to maintain such levels of performance.

[18] See Proposal, Appendix 14, pp. 9-10.

1. Electric

The Proposal (at Appendix 13) makes no changes to the Company's existing performance measures. Neither Staff nor any other party to the electric rate case proposed any such changes.

2. Gas

The Proposal (at Appendix 14) sets out terms and conditions for safety performance metrics related to leak management, emergency response (gas leak or odor calls), prevention of damage to Company facilities and replacement of leak-prone gas mains. They are similar to the safety performance metrics established in the Company's last gas rate case, although they ratchet up some of the targets to be more in line with and/or to exceed more recent performance. While the Company disagrees with these increased ratchets for the reasons explained above, the Company accepted the modifications proposed by Staff in order to resolve the issues in these proceedings, and because the revenue requirements and ultimately the rate levels were adjusted to reflect a portion of the increased costs the Company will incur to achieve certain of these higher targets.

3. Customer Service

The Proposal (at Appendix 15) includes performance mechanisms that continue to measure the Company's performance with respect to customer service. The Proposal maintains (although renames) the PSC Complaint Rate (formerly the Annual Complaint Rate), Residential Customer Satisfaction Survey (formerly the Customer Contact Satisfaction Survey), and Percent of Calls Answered by a Representative within 30 Seconds (formerly the Call Answer Rate) metrics for electric and gas but does implement more stringent the targets for the Call Answer Rate metric. Although the Company did not view these more stringent targets as appropriate, particularly in light of the Company's historic performance, it agreed to them as part of the overall settlement of the Rate Cases.

Appendix 15 also reports on the Company's Audited Historic Performance for the period 2018 through 2020.

The Company will forego collection of the positive revenue adjustments associated with the residential terminations and uncollectible metric authorized by the 2019 Rate Order for the Company's performance during 2020 and 2021. Customers will benefit from the Company's agreement not to collect these positive revenue adjustments. In light of the COVID-19 pandemic and Chapters 108 of the Laws of New York of 2020 and 106 of the Laws of New York of 2021, which amended Public Service Law § 32 and imposed moratoriums on termination of service for residential and eligible small business customers, the Company's existing termination and uncollectible metric shall be suspended for the term of the Rate Plans. Reconsideration of the pause on the termination and uncollectible metric will be addressed in the Company's next base rate proceedings.

G. Additional Gas and Electric Programs

1. REV Demonstration Project Costs

The Company will continue to manage REV Demonstration Projects during the Rate Plans.

2. Pomona NWA

The Company's annual operation and maintenance costs include funding for the continued operation and maintenance of the Pomona battery, which is a valuable component of the overall Pomona NWA Program. These costs include battery vendor services, maintenance on a dedicated fire hydrant and water line at the battery site and communication network fees.

3. Managed Charging Program

The Company agreed to continue to develop and pursue a managed charging program for review in Case 18-E-0138[19] to encourage EV operations to charge EVs during off-peak times to maintain system reliability.

4. AMI-Enabled Natural Gas Detectors ("NGDs")

As further discussed in Section K.2 below, the Company agreed to install approximately 15,400 Advanced Metering Infrastructure ("AMI")-enabled NGDs over the term of the Gas Rate Plan. The installation of these devices is in the public interest as they will serve to enhance customer safety and reduce methane emissions. Orange and Rockland will file with the Secretary of the Commission ("Secretary") an annual report regarding NGD installations no later than 90 days following the end of each Rate Year.

5. Review Gas Interruptible Rates

In response to a proposal from Staff, the Company agreed to examine the current interruptible discount during the term of the Gas Rate Plan and recommend an adjustment in its next gas base rate case filing, if the Company's analysis supports it.

6. Non-Pipes Alternatives

The Company agreed to explore NPAs for Farm Taps and other projects, including LPP removal, to minimize or avoid the replacement of gas infrastructure. The Proposal makes clear that LPP removed from service with an NPA will count toward the removal target for the Company's annual and cumulative LPP targets. This clarification eliminates any disincentive

[19] Case 18-E-0138, *Proceeding on Motion of the Commission Regarding Electric Vehicle Supply Equipment and Infrastructure*.

the Company may otherwise have to implement NPAs as an alternative to installing traditional gas infrastructure for LPP removal projects.

The Company will continue its ongoing efforts to evaluate the NPA Framework filed by its affiliate, Consolidated Edison Company of New York, Inc. ("Con Edison") in Case 19-G-0066,[20] and will implement aspects of that framework, including lessons learned from the Farm Tap NPA effort, above, to the extent they are applicable to Orange and Rockland. The Company will pursue and report upon NPAs in accordance with requirements established under the Gas Planning Proceeding.[21] In the event that the Commission has not established the framework and reporting requirements associated with NPAs in the Gas Planning Proceeding by the end of RY1, the Company will file a petition with the Commission seeking approval for a proposed NPA Framework within 45 days after the end of RY1. This NPA Framework filing will include, but not be limited to, proposed suitability criteria, timing, cost thresholds and a reporting schedule, which will be used to identify capital projects for NPA consideration, resource requirements and recovery mechanisms.

7. Renewable Natural Gas ("RNG")

In response to a proposal by Staff and to the extent that the Commission does not provide clear guidance on the treatment of RNG in the Gas Planning Proceeding, the Company agrees to submit an RNG Plan that would explore what specifically would be required to bring those sources of energy to Orange and Rockland customers. If necessary in this case because RNG is not clearly addressed in the Gas Planning Proceeding, the Company will file this RNG Plan with

[20] Case 19-G-0066, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Gas Service*.

[21] Case 20-G-0131, *Proceeding on Motion of the Commission in Regard to Gas Planning Procedures* ("Gas Planning Proceeding").

the Secretary within six months of the Commission decision in this rate proceeding or the issuance of an Order in the Gas Planning, whichever comes first.

8. Pipeline Emergency Responders Initiative ("PERI")

Under the Proposal, as recommended in Staff's testimony, the Company will adopt the principles, as applicable, of PERI. On an annual basis, Orange and Rockland will document its outreach to each fire department and other applicable agencies in its service territory for joint drills and/or operational exercises

9. Millennium Back-Feed Project

In the Proposal, the Company agreed to accelerate efforts to reach agreement with Millennium Pipeline in order to complete the Millennium Back-Feed Project. This project will re-establish an important operational mechanism to enhance service reliability. The Company further agreed to provide Staff with periodic updates on the status of this project at the regular quarterly meetings between Staff and the Company.

10. Relocating Inside Meters

As recommended in Staff's testimony, the Proposal includes Orange and Rockland relocating gas meters outside when performing replacements (either by insertion or direct bury), new service installations, and where such work may feasibly be performed. Orange and Rockland will commence documenting (*e.g.*, through inside service line inspections) the difficulty, limitations, and/or costs associated with relocating its remaining inside meters to outside locations. The Company will propose an outside meter program, during its next gas base rate proceeding, to address those inside meters that are more difficult, subject to limitations, and/or cost prohibitive to relocate.

11. Certified Gas Pilot Program

Under the Proposal, the Company is authorized to contract for and purchase certified gas under a pilot program.[22] The pilot program may commence as early as the winter of 2022-2023 and be in place for the duration of this Gas Rate Plan. Maximum annual additional commodity costs to customers may not exceed $100,000 for Orange and Rockland's share of the joint portfolio with Con Edison. Starting May 31, 2023, the Company will file an annual report. Following the filing of the annual report, the Company will meet with Staff each June to discuss its plan to either continue or terminate the pilot program. The Company will make a filing with the Commission if it seeks any modifications to the pilot program.

12. Little Tor Substation

As part of the Proposal, because the schedule for constructing the Little Tor Substation remains uncertain, the Company agreed not to include funding for the construction of this project in the electric revenue requirement. Notwithstanding the Commission's adoption of the Proposal, the Company may file a petition with the Commission seeking recovery of Little Tor Substation costs via surcharge during the Electric Rate Plan. This is a practical solution to address the circumstances, outside the Company's control, that have delayed the completion of this vital project.

13. Refrigerant Management Initiative

In response to a proposal by New Yorkers For Cool Refrigerant Management, the Company agreed to evaluate whether a refrigerant management initiative should be incorporated as part of the Company's energy efficiency program. During RY1, the Company will assess the

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[22] Given that Orange and Rockland and its affiliate, Con Edison, operate a joint gas portfolio, this pilot program also will be conducted on a joint Orange and Rockland/Con Edison basis.

suitability, potential costs and GHG emission reductions associated with such an initiative. The Company's evaluation will include a benefit-cost analysis under the existing Commission-approved framework. Subject to the results of its evaluation, the Company will seek to integrate the refrigerant management initiative into its energy efficiency program during RY2.

14. Customer-Owned Street Lights

The Proposal establishes the requirements for installing networked lighting control ("NLC") nodes on municipally owned street lights and sets forth next steps for the ongoing Customer-Owned Street Light Dimming Pilot. The Company will establish and provide the technical requirements that municipalities must meet to install NLC nodes on municipal-owned street lights. The Company will make any required tariff changes to allow for the installation and operation of the NLC nodes. The Company will host a collaborative to discuss the metering accuracy of the NLC nodes and methodologies that may be used to account for the reduced usage associated with dimming street lights. The parameters for customer-owned street lights established under the Proposal properly balance NYPA's desire to allow municipalities to implement operational efficiencies with the Company imperative and responsibility for metering/billing accuracy.

H. Customer Service

1. Outreach and Education

The Proposal continues the Company's efforts to inform and educate customers regarding their rights as utility customers and new programs available to them. In light of the COVID-19 pandemic, the Company will continue to provide bill messages, email messages and outbound calls to customers in arrears advising them of availability of payment agreements through 2022. The Company will provide through 2022 the same payment agreement terms that have been/are available through the end of 2021. In addition, within certain parameters, the Company will continue to allow customers to develop the terms of their payment agreements (*e.g.*, length, monthly payment amounts).

2. Same-Day Electric Service Reconnections

The Company will continue to exercise reasonable efforts, within the Company's existing staffing levels and budgets, to attempt 100% same day electric service reconnection for residential electric customers whose service was disconnected for non-payment at the meter and who become eligible for reconnection by 5:00 PM Monday-Friday, excluding Company holidays. These efforts represent a commitment beyond what is required by Commission regulations. The Company will also continue to file a quarterly report on residential same-day reconnections.

The Company will be set up to be able to query the length of time it takes to establish new service connections with remote AMI capabilities in relation to customer requested start dates.

3. Voluntary Protections During Periods of Extreme Cold and Heat

The Company will implement additional protections for residential customers during the cold weather period of November 1 through April 15. The Company will accept all regular and/or emergency Home Energy Assistance Program ("HEAP") payments and restore service when necessary upon receipt or guarantee of such a payment. The Company will consider a Regular and Emergency HEAP payment as entitling the applicant to a fair and reasonable payment agreement regardless of any previous payment agreement defaults. The Company will refrain from scheduling residential service terminations on days when the local weather forecast predicts below-freezing temperatures (*i.e.*, 32 degrees Fahrenheit or less).[23] Finally, the Company will establish a voluntary moratorium on winter terminations for customers who are elderly, blind, or disabled.

The Company also will implement additional protections for residential customers during periods of excessive heat. Specifically, the Company will suspend residential service terminations during a heat advisory. A heat advisory is in place when the heat index is forecasted at 95 degrees Fahrenheit or more for two or more consecutive days and/or when the heat index is forecasted at 100 degrees Fahrenheit or more for one or more consecutive days.

These additional protections are in the public interest because they will allow at risk residential customers to continue to receive electric and gas service during periods of extreme weather.

4. Various Other Improvements

Pursuant to the Proposal, the Company will make and/or continue various other customer related improvements. The Company will, to the extent practicable, record outbound and inbound collection calls to and from the Company's call centers. The Company will retain records of such calls for 24 months, after which the Company may delete such records.

The Company will maintain as part of a customer's account file a record of collection arrangements entered into by oral agreement with the customer. The Company will offer to send a written summary of such collection arrangements to the customer upon the customer's request.

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[23] To avoid confusion, the Proposal provides that weather information that will trigger these protections, including heat index, heat advisory, temperature and the heat index chart will all be as available on the weather.gov website. Given the diversity of weather conditions in the Orange and Rockland service territory, weather information for Orange and Rockland's Eastern Division will be based on conditions in West Nyack, New York. Weather information for Orange and Rockland's Northern Division will be based on conditions in Middletown, New York.

The Company will waive the reconnection charge for electric customers with remote connect/disconnect capable meters whose service was shut off for non-payment or tampering-related reasons where the Company is able to complete the reconnection of electric service remotely.

Customers will benefit from all of these improvements.

5. Digital Customer Experience ("DCX")

Beginning in RY1, the Company will file quarterly reports with the Secretary on the DCX program that details progress on the redesign of existing digital content and services, and implementation of new digital services/functionality. In order to enhance consistency and transparency and address the timing concern of proposals in individual rate proceedings, Orange and Rockland and its affiliate, Con Edison, will make future DCX proposals in a manner that includes both companies' costs and benefits. This framework should facilitate Staff's review of the DCX program.

6. Customer Relationship Management ("CRM") System

The Company plans to scope and implement an initial CRM system during the Rate Plans. A CRM system is a software tool used for managing a company's relationships and interactions with customers and potential customers. The use of a CRM system is consistent with the Company's vision, consistent with the Commission's goals, that it should be a premier provider of safe, reliable, clean, innovative, cost-effective energy services and solutions that enhance the lives of our customers, ultimately allowing customers to interact more seamlessly with the Company. It is also a key component in the Company's efforts to streamline processes and reduce costs. Orange and Rockland will file an annual status report on CRM implementation with the Secretary by September 30 of each year. The report will include actual spending for the project, the anticipated completion date of the project and any realized costs savings. The report should facilitate Staff's review of the Company's CRM implementation efforts.

I. Electric and Gas Low Income Assistance Programs

Historically, the size and availability of discounts to low income customers have been sources of contention in Company rate proceedings because higher low income discounts mean higher rates to customers that do not participate in the low income programs. In these proceedings, however, the low income discounts were not contentious as they were calculated in accordance with parameters the Commission established in the Low Income Order issued in the generic low income proceeding.[24] The Low Income Order increased bill discounts and expanded customer eligibility for the low income program, thereby benefiting the Company's low income customers by directly reducing their bills. The specific bill discount credits are set forth in the Company's electric and gas tariffs.[25] The Company projects that the level of funding provided for the bill discount credits, subject to symmetrical deferral, to be $9,988,428 and $5,395,378 in 2022 for electric and gas credits, respectively, based on the current number of customers in each tier (as set forth in Appendices 6 and 7).

The Proposal also benefits residential customers by maintaining, among other program provisions, the Company's reconnection fee waiver programs, and low income program quarterly reporting requirements.

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[24] Case 14-M-0565, *Proceeding on Motion of the Commission to Examine Programs to Address Energy Affordability for Low Income Utility Customers*, Order Adopting Energy Affordability Policy Modifications and Directing Utility Filings (issued August 12, 2021) ("Low Income Order").

[25] Bill discount credits may change based on the annual Low Income Plan the Company is required to file with analysis of customer bills.

J. Earnings Adjustment Mechanisms ("EAMs")

The Commission has recognized that "[T]he fundamental purpose of EAMs is to focus management attention on and reward superior outcomes."[26] Such outcomes include improving energy efficiency programs, reducing emissions, and providing energy savings to eligible LMI customers. EAMs are increasingly important as they will serve to facilitate the achievement of the CLCPA's goals.

Reflecting significant compromises among the parties, the Proposal includes eight EAM metrics for electric, two EAM metrics for gas and one cross-commodity (*i.e.*, both electric and gas) EAM metric. These EAMs will encourage the Company to achieve outcomes consistent with the Commission's policy goals. The details of the EAMs set forth in Appendix 16 to the Proposal, including the associated basis points and measurement criteria, were the result of extensive negotiation and are a critical part of the overall agreement that is acceptable to the Company.

The EAMs included in the Proposal are intended to incentivize the Company to: (1) increase electric system efficiency through peak load reduction, circuit load factor reduction, and DER utilization (solar photovoltaic and energy storage); (2) reduce carbon emissions through increased penetration of emissions-reducing technologies; (3) increase achieved electric and gas energy efficiency; (3) reduce gas peak load in its service territory; and (4) promote gas and electric energy savings for LMI customers.

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[26] 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 January 16, 2020) ("NE:NY Order") p. 106.

Incentives earned by the Company associated with Electric EAMs will be recovered through the EAM Surcharge component of the Company's ECA Mechanism. Incentives associated with the Gas EAM will be recovered through the new EAM Surcharge component of the MGA Mechanism.

The EAMs as agreed to by the Signatory Parties reasonably balance the competing interests of shareholders and customers, as well as environmental concerns, to establish new incentives that will increase the Company's existing efforts to promote energy efficiency, the integration of new clean energy technologies, and the achievement of the CLCPA's goals.

K. Capital Expenditures and Net Plant Reconciliation

The Proposal includes authorization for capital expenditures that enable the Company to continue providing safe and reliable service and further state policy goals. The Proposal supports planned electric capital spending of $139.0 million in RY1, $153.4 million in RY2, and $157.4 million in RY3. For gas capital expenditures, the Proposal anticipates that the Company will spend $74.1 million in RY1, $72.5 million in RY2, and $73.3 million in RY3. The Company shall have the flexibility over the term of the Rate Plans to modify the list, priority, nature and scope of the projects to be undertaken. The most significant planned projects are addressed below.

1. Electric

The Company's Blooming Grove projects replace the existing single bank Blooming Grove Substation with a new two-bank station. The Blooming Grove area has experienced consistent load growth, and additional growth is expected related to a large, proposed subdivision. The existing 69kV Blooming Grove Substation is a single bank substation with a 25 MVA, 69/13.2 kV transformer. In the event of a loss of that bank, distribution ties would not be able to pick up enough of the load and prevent enough customer hours of interruption to meet design standards. As a result, the projects are necessary for continued service reliability. In addition, the Company has received a number of DER interconnection applications for proposed projects to be located in the area. These projects will increase DER hosting capacity in an area, helping the Company support the CLCPA's goals.

The new Lovett 345kV Substation is being built adjacent to the existing Lovett 138kV Substation to enhance reliability. The New York State Independent System Operator ("NYISO") has identified this project as a required system reinforcement need as a result of the latest Reliability Needs Assessment. The new Lovett 345 kV Substation prevents a security violation on the Orange and Rockland transmission system at system peak in certain conditions. The completion of the Lovett 345 kV Substation will greatly improve the capacity and reliability of the Orange and Rockland transmission system by providing an additional source into the transmission system in the North Rockland area. The Lovett project will also mitigate voltage problems on various Eastern Division busses during various single contingency conditions during system peak.

2. Gas

The Main Replacement Program is focused on eliminating the riskiest gas mains with plastic and/or protected steel that is proven to be more resilient. Removal and replacement provides safety and reliability benefits as it improves pipeline integrity. In addition, the replacement of bare steel mains provides environmental benefits as it contributes to a reduction in methane emissions. The Company may consider NPAs for some of these projects instead of replacement with traditional gas infrastructure. These factors also demonstrate that this program is consistent with the CLCPA.

As discussed in Section III.G.4 above, to enhance customer safety, the Company is also deploying AMI NGDs, which is a new leading technology. NDAs are safety devices typically installed in customers' indoor gas meter rooms near the head of service. They are designed to provide continuous monitoring of methane and transmit a signal through the AMI network to the Company's Gas Emergency Response Center if methane reaches 10% of the Lower Explosive Limit. These detectors will help reduce risk and prevent natural gas incidents. In addition to enhancing safety, these devices will help to reduce fugitive emissions of methane.

3. Common

The Company and its affiliate, Con Edison, are in the midst of a significant joint information technology system investment to replace three existing individual Customer Service Systems ("CSS") into one enterprise CSS known as the Con Edison and Orange and Rockland Engagement ("CORE") Project. The Proposal authorizes continued funding of the Company's portion of the CORE Project. Con Edison's current CSS is a legacy system that is over 45 years old and Orange and Rockland's current CSS is over 22 years old. The legacy CSS applications are based on outdated technology and are not expected to meet the future needs of the business and its customers without significant capital and maintenance expenses. The CORE Project is a modern and scalable off-the-shelf platform that minimizes custom coding with built in functionality to support today's energy customers. Investment in the CORE Project will help the Company meet future needs of its customers and its business while mitigating the risks associated with a legacy system

4. Net Plant Reconciliation

A major component of the Proposal is the continuation of an asymmetrical downward-only net plant reconciliation mechanism for each of the Rate Plans that is intended to encourage the Company not to spend more than the proposed Rate Plan amount on plant investment. The mechanism establishes net plant targets and requires the Company to refund to customers the carrying charges included in the revenue requirements associated with net plant investment that is not made (*i.e.*, the delta between the target and a lower actual net plant level). This calculation is performed on a cumulative basis for RY1, RY2 and RY3. This cumulative approach, combined with the flexibility afforded the Company to modify the list, priority, nature and scope of its capital programs and projects, facilitate the Company's efficient operation of its electric and gas businesses. In addition, the Company will absorb, during the terms of the Rate Plans, the carrying costs associated with capital expenditures that result in net plant levels that exceed the stated targets. The net plant reconciliation mechanism is accompanied by substantial and detailed capital expenditure reporting requirements.

L. Miscellaneous Provisions

The Proposal contains a section comprised of various provisions that are customarily included in multi-year rate plans. These include, for example, provisions that explain the extent to which provisions of the Proposal should continue until base delivery rates are changed by Commission order, except for a handful of provisions that continue unless and until changed by Commission order; the circumstances under which it may be necessary or appropriate to change the Company's rates during the term of the Rate Plans; and that the Company should defer on its books of account the full change in expense or revenue, up or down, resulting from changes in tax laws and/or other laws, rules and regulations that either increase or decrease the Company's annual electric or gas costs in an amount equal to or more than ten basis points ("new laws provision").

With respect to the new laws provision, the Company accepted the current threshold notwithstanding numerous ongoing regulatory initiatives that have the potential to impose increased costs on the Company not contemplated by the rates established in these proceedings, and which may not individually, but may in the aggregate, exceed the ten basis point threshold. Accordingly, the Company is, in part, relying on the Commission to act in such proceedings in a manner that recognizes that current rates do not contemplate incremental costs associated with the implementation of new Commission initiatives and therefore to provide, as appropriate, for recovery of such costs in the orders issued in those proceedings.

IV. Conclusion

The Proposal sets forth a comprehensive, extensively negotiated and carefully integrated multi-year rate plan. It reflects not only the tradeoffs among the Signatory Parties, but also a substantial effort to address the concerns voiced by all the parties during the settlement process. All participants were given the opportunity to voice their concerns and a sincere effort was made to address them. Given the balancing required to effectuate the Proposal, parties primarily interested in only one or a few discrete elements of the Proposal may have difficulty in accepting the results of the balancing process. Nevertheless, the resulting agreement represents a good-faith effort to address all interests. Should one or more parties criticize individual elements of the Proposal and/or urge its rejection, such arguments must be measured against the numerous compromises that were negotiated in order to reach an agreement.

In the final analysis, the Commission should adopt the Proposal in all aspects because it resolves the various issues presented in a manner fully consistent with the public interest and, as detailed in this Statement, within a range of results that could be expected in a litigated proceeding; reflects agreement among normally adverse parties; and will serve to facilitate the achievement of numerous Commission policy goals, including those of the CLCPA.

For all the reasons set forth above, the Company respectfully requests that the Commission adopt the Proposal in all respects and without modification.

Respectfully submitted,

/s/ John L. Carley

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S&P Capital IQ PRO

Rate Cases

List: None
Company List: All
States: All
Years: 2021, 2020
Service Type: All

State	Company	Rate Case Service Type	Increase Authorized		
			Date	Return on Equity (%)	Common Equity to Total Capital (%)
Iowa	Interstate Power & Light Co.	Electric	01/08/20	10.02	51.00
Wyoming	MDU Resources Group	Natural Gas	01/15/20	9.35	51.25
New Jersey	Rockland Electric Company	Electric	01/22/20	9.50	48.32
Michigan	Indiana Michigan Power Co.	Electric	01/23/20	9.86	46.56
Virginia	Roanoke Gas Co.	Natural Gas	01/24/20	9.44	59.64
Virginia	Virginia Electric & Power Co.	Electric	02/03/20	9.20	51.17
Virginia	Virginia Electric & Power Co.	Electric	02/03/20	9.20	51.17
Virginia	Virginia Electric & Power Co.	Electric	02/03/20	10.20	51.17
Virginia	Virginia Electric & Power Co.	Electric	02/03/20	10.20	51.17
Washington	Cascade Natural Gas Corp.	Natural Gas	02/03/20	9.40	49.10
California	PacifiCorp	Electric	02/06/20	10.00	51.96
Colorado	Public Service Co. of CO	Electric	02/11/20	9.30	55.61
Texas	CenterPoint Energy Houston	Electric	02/14/20	9.40	42.50
Virginia	Virginia Electric & Power Co.	Electric	02/18/20	10.20	51.17
Maine	Central Maine Power Co.	Electric	02/19/20	8.25	50.00
Kansas	Atmos Energy Corp.	Natural Gas	02/24/20	9.10	56.32
North Carolina	Virginia Electric & Power Co.	Electric	02/24/20	9.75	52.00
Utah	Questar Gas Co.	Natural Gas	02/25/20	9.50	55.00
Virginia	Appalachian Power Co.	Electric	02/25/20	10.42	50.78
Texas	AEP Texas Inc.	Electric	02/27/20	9.40	42.50
Massachusetts	Fitchburg Gas & Electric Light	Natural Gas	02/28/20	9.70	52.45
Indiana	Indiana Michigan Power Co.	Electric	03/11/20	9.70	37.55
Virginia	Virginia Electric & Power Co.	Electric	03/20/20	9.20	51.17
Washington	Avista Corp.	Electric	03/25/20	9.40	48.50
Washington	Avista Corp.	Natural Gas	03/25/20	9.40	48.50
Maine	Northern Utilities Inc.	Natural Gas	03/26/20	9.48	50.00

Virginia	Virginia Electric & Power Co.	Electric	04/13/20	9.20	51.17
Massachusetts	Fitchburg Gas & Electric Light	Electric	04/17/20	9.70	52.45
Texas	Atmos Energy Corp.	Natural Gas	04/21/20	9.80	60.12
Kentucky	Duke Energy Kentucky Inc.	Electric	04/27/20	9.25	48.23
Michigan	DTE Electric Co.	Electric	05/08/20	9.90	38.32
Colorado	Black Hills Colorado Gas Inc.	Natural Gas	05/19/20	9.20	50.15
New Mexico	Southwestern Public Service Co	Electric	05/20/20	9.45	54.77
Virginia	Appalachian Power Co.	Electric	05/21/20	9.42	NA
Texas	CenterPoint Energy Resources	Natural Gas	06/16/20	9.65	56.95
Virginia	Virginia Electric & Power Co.	Electric	06/23/20	10.20	51.17
Indiana	Duke Energy Indiana, LLC	Electric	06/29/20	9.70	40.98
New Hampshire	Liberty Utilities Granite St	Electric	06/30/20	9.10	52.00
Missouri	Empire District Electric Co.	Electric	07/01/20	9.25	46.00
Virginia	Virginia Electric & Power Co.	Electric	07/01/20	9.20	51.17
Washington	Puget Sound Energy Inc.	Electric	07/08/20	9.40	48.50
Washington	Puget Sound Energy Inc.	Natural Gas	07/08/20	9.40	48.50
Maryland	Delmarva Power & Light Co.	Electric	07/14/20	9.60	50.53
Hawaii	Hawaii Electric Light Co	Electric	07/28/20	9.50	56.83
Virginia	Virginia Electric & Power Co.	Electric	07/30/20	9.20	51.17
Texas	Texas Gas Service Co.	Natural Gas	08/04/20	9.50	59.00
Michigan	DTE Gas Co.	Natural Gas	08/20/20	9.90	NA
Wyoming	Questar Gas Co.	Natural Gas	08/21/20	9.35	55.00
California	Liberty Utilities (CalPeco Ele	Electric	08/27/20	10.00	52.50
Texas	Southwestern Public Service Co	Electric	08/27/20	9.45	54.62
Vermont	Green Mountain Power Corp.	Electric	08/27/20	8.20	49.87
Virginia	Virginia Electric & Power Co.	Electric	09/04/20	9.20	52.07
Michigan	Consumers Energy Co.	Natural Gas	09/10/20	9.90	NA
New Jersey	South Jersey Gas Co.	Natural Gas	09/23/20	9.60	54.00
Nevada	Southwest Gas Corp.	Natural Gas	09/25/20	9.25	49.26
Nevada	Southwest Gas Corp.	Natural Gas	09/25/20	9.25	49.26
Massachusetts	Eversource Gas Company of MA	Natural Gas	10/07/20	9.70	53.25
Colorado	Public Service Co. of CO	Natural Gas	10/12/20	9.20	55.62
Oregon	Northwest Natural Gas Co.	Natural Gas	10/16/20	9.40	50.00
Hawaii	Hawaiian Electric Co.	Electric	10/22/20	9.50	56.83
New Jersey	Jersey Cntrl Power & Light Co.	Electric	10/28/20	9.60	51.44
Massachusetts	NSTAR Gas Co.	Natural Gas	10/30/20	9.90	54.77
Maryland	Columbia Gas of Maryland Inc	Natural Gas	11/07/20	9.60	52.63
Florida	Peoples Gas System	Natural Gas	11/19/20	9.90	54.70
Virginia	Appalachian Power Co.	Electric	11/24/20	9.20	NA
Wisconsin	Madison Gas and Electric Co.	Electric	11/24/20	9.80	55.00
Wisconsin	Madison Gas and Electric Co.	Natural Gas	11/24/20	9.80	55.00

Arizona	Southwest Gas Corp.	Natural Gas	12/09/20	9.10	51.10
Illinois	Ameren Illinois	Electric	12/09/20	8.38	50.00
Illinois	Commonwealth Edison Co.	Electric	12/09/20	8.38	48.16
Nevada	Nevada Power Co.	Electric	12/10/20	9.40	NA
Oregon	Avista Corp.	Natural Gas	12/10/20	9.40	50.00
Washington	PacifiCorp	Electric	12/14/20	9.50	49.10
New Hampshire	Public Service Co. of NH	Electric	12/15/20	9.30	54.40
Maryland	Baltimore Gas and Electric Co.	Electric	12/16/20	9.50	52.00
Maryland	Baltimore Gas and Electric Co.	Natural Gas	12/16/20	9.65	52.00
New Mexico	New Mexico Gas Co.	Natural Gas	12/16/20	9.38	52.00
Michigan	Consumers Energy Co.	Electric	12/17/20	9.90	NA
Oregon	PacifiCorp	Electric	12/18/20	9.50	50.00
Arizona	Tucson Electric Power Co.	Electric	12/22/20	9.15	53.08
Wisconsin	Wisconsin Power and Light Co	Electric	12/23/20	10.00	52.53
Wisconsin	Wisconsin Power and Light Co	Natural Gas	12/23/20	10.00	52.53
Utah	PacifiCorp	Electric	12/30/20	9.65	52.50
Delaware	Delmarva Power & Light Co.	Natural Gas	01/06/21	9.60	50.37
Oregon	Cascade Natural Gas Corp.	Natural Gas	01/06/21	9.40	50.00
Illinois	Ameren Illinois	Natural Gas	01/13/21	9.67	52.00
Kentucky	Kentucky Power Co.	Electric	01/13/21	9.30	43.25
Nebraska	Black Hills/NE Gas Utility Co	Natural Gas	01/26/21	9.50	50.00
Tennessee	Piedmont Natural Gas Co.	Natural Gas	02/16/21	9.80	50.50
Pennsylvania	Columbia Gas of Pennsylvania	Natural Gas	02/19/21	9.86	54.19
District of Columbia	Washington Gas Light Co.	Natural Gas	02/24/21	9.25	52.10
Virginia	Virginia Electric & Power Co.	Electric	02/24/21	9.20	52.07
Virginia	Virginia Electric & Power Co.	Electric	02/24/21	9.20	52.07
Virginia	Virginia Electric & Power Co.	Electric	02/24/21	9.34	52.07
Virginia	Virginia Electric & Power Co.	Electric	02/24/21	10.20	52.07
Virginia	Virginia Electric & Power Co.	Electric	02/24/21	10.20	52.07
Virginia	Virginia Electric & Power Co.	Electric	02/26/21	9.20	52.07
California	Southwest Gas Corp.	Natural Gas	03/25/21	10.00	52.00
California	Southwest Gas Corp.	Natural Gas	03/25/21	10.00	52.00
California	Southwest Gas Corp.	Natural Gas	03/25/21	10.00	52.00
North Carolina	Duke Energy Carolinas LLC	Electric	03/31/21	9.60	52.00
Virginia	Virginia Electric & Power Co.	Electric	03/31/21	9.20	52.07
Virginia	Virginia Electric & Power Co.	Electric	03/31/21	9.20	52.07
Maryland	Washington Gas Light Co.	Natural Gas	04/09/21	9.70	52.03
North Carolina	Duke Energy Progress LLC	Electric	04/16/21	9.60	52.00
Virginia	Virginia Electric & Power Co.	Electric	04/30/21	9.20	52.07
Florida	Duke Energy Florida LLC	Electric	05/04/21	9.85	44.84
North Dakota	MDU Resources Group	Natural Gas	05/05/21	9.30	50.31

Washington	Cascade Natural Gas Corp.	Natural Gas	05/18/21	9.40	49.10
Wyoming	PacifiCorp	Electric	05/18/21	9.50	51.00
District of Columbia	Potomac Electric Power Co.	Electric	06/04/21	9.28	50.68
Virginia	Virginia Electric & Power Co.	Electric	06/09/21	9.20	52.07
Pennsylvania	PECO Energy Co.	Natural Gas	06/17/21	10.24	53.38
New Mexico	El Paso Electric Co.	Electric	06/23/21	9.00	49.21
Maryland	Potomac Electric Power Co.	Electric	06/28/21	9.55	50.50
Kentucky	Kentucky Utilities Co.	Electric	06/30/21	9.43	NA
Kentucky	Louisville Gas & Electric Co.	Electric	06/30/21	9.43	NA
Kentucky	Louisville Gas & Electric Co.	Natural Gas	06/30/21	9.43	NA
Idaho	Avista Corp.	Natural Gas	07/01/21	9.40	50.00
Virginia	Virginia Electric & Power Co.	Electric	07/01/21	9.20	52.07
Virginia	Virginia Electric & Power Co.	Electric	07/01/21	10.20	52.07
New Jersey	Atlantic City Electric Co.	Electric	07/14/21	9.60	50.21
Texas	Sharyland Utilities L.L.C.	Electric	07/15/21	9.38	40.00
South Carolina	Dominion Energy South Carolina	Electric	07/21/21	9.50	51.62
West Virginia	Hope Gas Inc.	Natural Gas	07/27/21	9.54	46.26
Virginia	Appalachian Power Co.	Electric	07/29/21	9.20	NA
New Hampshire	Liberty Utilities EnergyNorth	Natural Gas	07/30/21	9.30	52.00
Virginia	Virginia Electric & Power Co.	Electric	08/04/21	9.20	52.07
Delaware	Delmarva Power & Light Co.	Electric	08/05/21	9.60	NA
North Dakota	Northern States Power Co.	Electric	08/18/21	9.50	52.50
Idaho	Avista Corp.	Electric	09/01/21	9.40	50.00
Virginia	Virginia Electric & Power Co.	Electric	09/03/21	9.20	52.07
Illinois	North Shore Gas Co.	Natural Gas	09/08/21	9.67	51.58
			Average	**9.50**	**51.1**