STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 23-G-0225

PROCEEDING ON MOTION OF THE COMMISSION AS TO THE RATES, CHARGES, RULES AND REGULATIONS OF THE BROOKLYN UNION GAS COMPANY D/B/A NATIONAL GRID NY FOR GAS SERVICE

CASE 23-G-0226

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

CASE 23-G-0200

PETITION OF THE BROOKLYN UNION GAS COMPANY D/B/A NATIONAL GRID NY FOR A NEW YORK STATE SALES TAX REFUND UNDER 16 NYCRR SECTION 89.3 AND REQUEST FOR AN EXTENSION

JOINT PROPOSAL

By and Among:

The Brooklyn Union Gas Company d/b/a National Grid NY
KeySpan Gas East Corporation d/b/a National Grid
Department of Public Service Staff
Environmental Defense Fund
NRG Energy, Inc.
City of New York

Dated: April 9, 2024

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JOINT PROPOSAL

This Joint Proposal ("Joint Proposal") is made this 9th day of April, 2024, by and among The Brooklyn Union Gas Company d/b/a National Grid NY ("KEDNY"), KeySpan Gas East Corporation d/b/a National Grid ("KEDLI") (KEDNY and KEDLI are collectively referred to as the "Companies"), New York State Department of Public Service Staff ("Staff"), Environmental Defense Fund, NRG Energy, Inc., and the City of New York (collectively, the "Signatory Parties").[1]

This Joint Proposal establishes a three-year rate plan for each of the Companies and either resolves or establishes a framework for resolving all issues raised in Cases 23-G-0225 and 23-G-0226 ("Rate Cases"), including provisions supportive of, and in furtherance of, the objectives of the Climate Leadership and Community Protection Act ("CLCPA"). In addition, this Joint

[1] In addition, the Utility Intervention Unit of the New York State Department of State's Division of Consumer Protection, while not signing this Joint Proposal, has stated it will not oppose it.

Proposal resolves all issues in Case 23-G-0200, a proceeding involving a New York State sales and use tax refund obtained by KEDNY.

I. Background

1. Notable Aspects of the Joint Proposal

The Joint Proposal funds infrastructure upgrades that will enable the Companies to safely and reliably meet customers' energy needs.

The Joint Proposal also contains provisions that attempt to mitigate costs and prioritize affordability. Specific examples include: removing discretionary spending and non-essential programs from the Companies' original rate filings and deferring capital investments without compromising safety and reliability; reflecting more than $70 million in efficiency savings over the term of the rate plan; phasing-in depreciation expense and deferring the amortization of the reserve deficiency until Rate Year Two; utilizing rate mechanisms (*e.g.*, levelization) to smooth the impact of bill increases over several years; a shareholder-funded weatherization program; incorporating downward tracking mechanisms for investments in utility plant and information technology to ensure that customers will not be harmed if the Companies underspend their capital programs; additional resources to support the Companies' energy affordability programs; and enhanced customer protections for financially vulnerable customers.

2. Procedural Background

2.1 Rate Cases

On April 28, 2023, KEDNY and KEDLI filed tariff leaves and supporting testimony and exhibits for new rates and charges for gas service to be effective April 1, 2024. The new tariffs were designed to increase annual gas delivery revenues for KEDNY and KEDLI by approximately $414 million and $228 million, respectively. The twelve months ended December 31, 2022 was the Historic Test Year. The initial filing included cost projections for three additional years beyond

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

Administrative Law Judges ("ALJs") James A. Costello and Maureen F. Leary were appointed to conduct the proceedings. On June 14, 2023, the ALJs held a procedural conference that was immediately followed by a technical presentation by the Companies discussing the rate filings.

On June 21, 2023, the ALJs issued a "Ruling on Schedule" that provided dates for certain activities in the cases, including the filing of parties' initial and rebuttal testimony and hearings. The active parties engaged in extensive discovery throughout the proceedings, with the Companies responding to more than 1,600 information requests.

KEDNY and KEDLI filed corrections and updates testimony and exhibits on June 30, 2023, increasing the Companies' proposed revenue requirements to approximately $450 million for KEDNY and $272 million for KEDLI.

On September 1, 2023, twelve parties, including Staff, filed direct testimony and exhibits addressing the Companies' filings. The Companies, Staff, and five other parties filed rebuttal testimony and exhibits on September 22, 2023.

2.2 Case 23-G-0200

By a Petition dated March 14, 2023, KEDNY sought approval necessary for the disposition of a New York State sales and use tax refund in the amount of $4,358,295.04, inclusive of interest, covering the period of June 1, 2015 through May 31, 2019 pursuant to Section 113(2) of the New York Public Service Law. In the petition, KEDNY proposed to recover from the refund the

[2] The terms "parties" or "active parties" refer to the entities granted party status in Cases 23-G-0225 and/or 23-G-0226 and listed in the Commission's Document and Matter Management system as being parties.

incremental expenses incurred by the Company for a consulting firm engaged by KEDNY to review refund opportunities, to retain 10 percent of the balance of the refund, in the amount of $348,296.09, and to defer the remaining 90 percent of the balance, in the amount of $3,134,664.84, for the benefit of customers.

2.3 Public Statement Hearings

On June 30, 2023, the Commission issued a "Notice of Public Statement Hearings," inviting members of the public to attend four virtual public statement hearings on August 1 and 2. In advance of the hearings, the Companies published notices of the virtual public statement hearings in newspapers of general circulation throughout their respective service territories. On July 25, 2023, the Commission issued a press release regarding the virtual public statement hearings. On October 10, 2023, the Commission filed transcripts from the August 1 and 2 public statement hearings in the rate case dockets.

On October 16, 2023, the Commission issued a "Notice Soliciting Comment and Announcing Public Statement Hearings," inviting members of the public to attend in-person public statement sessions on November 14 and 15. The notice was issued in both English and Spanish. As directed by the ALJs, the Companies also published short-form notices of the public statement hearings in English and Spanish newspapers of general circulation throughout their respective service territories. In addition, the Companies notified each municipality in their service territory of the public statement hearings via email and U.S. mail. On November 7, 2023, the Commission also issued press releases in English and Spanish further notifying the public of the sessions. The November 14 public statement hearings included two sessions at the Brooklyn Central Library and one session at the Oneness Pentecostal Tabernacle in Jamaica, Queens. The November 15 public statement hearings consisted of a session at the Jewish Community Center of Staten Island and a session at the Theodore Roosevelt Executive and Legislative Building in Mineola, New York. The

Commission published transcripts of the public statement hearings in the rate case dockets on December 12, 2023.

2.4 The Settlement Process

On September 26, 2023, the Companies notified the active parties of the commencement of settlement negotiations in Cases 23-G-0225 and 23-G-0226, as required by the Commission's settlement procedures set forth in 16 NYCRR § 3.9, and filed a formal notice of impending settlement negotiations with the Secretary.[3]

Settlement conferences were held on October 11, November 1, 3, 8, 9, 13, 17, 20, and 28, December 6, 11, 14, and 20, 2023, and January 3, 10, 17, 24, 26, and 31, February 7, 14, 21 and 28, and March 6, 2024. All settlement conferences were duly noticed to the active parties and held in either a virtual or hybrid setting, including options to participate via in-person meeting, video conference, and telephone.

To facilitate settlement discussions and allow time to finalize this Joint Proposal, on September 27, 2023, December 7, 2023, January 18, 2024, and February 16, 2024 the Companies filed requests to extend the suspension period (most recently through August 31, 2024) subject to a make whole provision that would restore the Companies and their customers to the same financial position they would have been in had there been no extension and new rates went into effect on April 1, 2024.

This Joint Proposal is the product of the active parties' settlement negotiations and was developed pursuant to, and in accordance with, the Commission's settlement procedures. The Signatory Parties believe that this Joint Proposal represents a fair and reasonable resolution of the

[3] A notice of settlement negotiations in Case 23-G-0200 was filed on October 4, 2023.

issues presented in these proceedings and satisfies the requirements of Public Service Law § 65(1) that the Companies provide safe and adequate service at just and reasonable rates.

II. Overall Framework

The Signatory Parties have developed a comprehensive set of terms and conditions for three-year rate plans for KEDNY and KEDLI. Specifically, this Joint Proposal addresses the following topics:

1. Effective Date and Term;
2. Revenue Requirements;
3. Revenue Allocation and Rate Design;
4. Computation and Disposition of Excess Earnings;
5. Capital Investment Levels and Operations and Maintenance ("O&M") Programs;
6. Information and Digital Technology;
7. Future of Heat;
8 Reconciliations, Deferrals, and True-Ups;
9. Customer Service Performance Indicators;
10. Gas Safety Performance Metrics;
11. Customer Initiatives;
12. Energy Services Company Issues;
13. Miscellaneous Provisions; and
14. Other Provisions.

III. Definitions

1. "Effective Date" means April 1, 2024, or such other date as the Commission may determine.
2. "Rate Year One" means April 1, 2024, through March 31, 2025.

3. “Rate Year Two” means April 1, 2025, through March 31, 2026.

4. “Rate Year Three” means April 1, 2026, through March 31, 2027.

5. “Fiscal Year” means the twelve-month period ending March 31 of a given year. When a specific year is stated, it is the year in which the Fiscal Year ends, *e.g.*, Fiscal Year 2024 is the twelve-month period ending March 31, 2024.

6. The three Rate Years are collectively referred to herein as “Rate Years” and individually as a “Rate Year.”

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

1. <u>Effective Date and Term</u>

The terms of the rate plans for KEDNY and KEDLI are the three years beginning April 1, 2024, and continuing through March 31, 2027. For administrative reasons, certain targets are measured based on different 12-month periods (*e.g.*, calendar year periods), as set forth herein. In addition, generally the provisions in this Joint Proposal continue until changed by the Commission; however, certain provisions terminate as explicitly stated herein.

2. <u>Revenue Requirements</u>

2.1 Rate Plan Revenue Requirements

This Joint Proposal provides for Rate Year One, Rate Year Two, and Rate Year Three, revenue requirement increases as follows:

KEDNY w/ Gross Receipts Taxes ($M)			
	Revenue Requirement Increase	Delivery Revenue Percent Increase	Total Revenue Percent Increase
RY1	$444.0M	30.7%	15.9%
RY2	$172.1M	8.9%	6.9%
RY3	$132.0M	6.2%	5.3%

KEDLI w/ Gross Receipts Taxes ($M)			
	Revenue Requirement Increase	Delivery Revenue Percent Increase	Total Revenue Percent Increase
RY1	$246.5M	26.8%	13.4%
RY2	$116.5M	9.8%	7.3%
RY3	$75.7M	5.7%	4.7%

The components of KEDNY and KEDLI's revenue requirements are set forth in Appendices 1 and 2, Schedule 1 respectively. The revenue requirements are based on the following parameters:

(a) A return on equity ("ROE") of 9.35 percent[4] for the term of the rate plan.

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

<u>KEDNY Rate Year One</u>

	% of Capital	Annual Cost	Weighted Cost After Tax	Weighted Cost Pre-Tax[5]
Long Term Debt	51.82%	4.71%	2.44%	2.44%
Customer Deposits	0.18%	3.45%	0.01%	0.01%
Common Equity	48.00%	9.35%	4.49%	6.27%
Total	**100.00%**		6.94%	8.72%

<u>KEDNY Rate Year Two</u>

	% of Capital	Annual Cost	Weighted Cost After Tax	Weighted Cost Pre-Tax[5]
Long Term Debt	51.84%	4.88%	2.53%	2.53%
Customer Deposits	0.16%	3.45%	0.01%	0.01%
Common Equity	48.00%	9.35%	4.49%	6.27%
Total	**100.00%**		7.03%	8.81%

[4] One pre-tax basis point is equivalent to approximately: (i) $0.491 million and $0.316 million in gas revenues for KEDNY and KEDLI, respectively, in Rate Year One; (ii) $0.531 million and $0.343 million in gas revenues for KEDNY and KEDLI, respectively, in Rate Year Two and (iii) $0.580 million and $0.375 million in gas revenues for KEDNY and KEDLI, respectively, in Rate Year Three. These basis point values are illustrative and will be updated based on actual data in each Rate Year for purposes of calculating negative or positive revenue adjustments.

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

KEDNY Rate Year Three

	% of Capital	Annual Cost	Weighted Cost After Tax	Weighted Cost Pre-Tax[5]
Long Term Debt	51.85%	5.26%	2.73%	2.73%
Customer Deposits	0.15%	3.45%	0.01%	0.01%
Common Equity	48.00%	9.35%	4.49%	6.27%
Total	**100.00%**		7.23%	9.01%

KEDLI Rate Year One

	% of Capital	Annual Cost	Weighted Cost After Tax	Weighted Cost Pre-Tax[5]
Long Term Debt	51.70%	4.57%	2.36%	2.36%
Customer Deposits	0.30%	3.45%	0.01%	0.01%
Common Equity	48.00%	9.35%	4.49%	6.27%
Total	**100.00%**		6.86%	8.64%

KEDLI Rate Year Two

	% of Capital	Annual Cost	Weighted Cost After Tax	Weighted Cost Pre-Tax[5]
Long Term Debt	51.75%	4.91%	2.54%	2.54%
Customer Deposits	0.25%	3.45%	0.01%	0.01%
Common Equity	48.00%	9.35%	4.49%	6.27%
Total	**100.00%**		7.04%	8.82%

KEDLI Rate Year Three

	% of Capital	Annual Cost	Weighted Cost After Tax	Weighted Cost Pre-Tax[5]
Long Term Debt	51.77%	5.55%	2.87%	2.87%
Customer Deposits	0.23%	3.45%	0.01%	0.01%
Common Equity	48.00%	9.35%	4.49%	6.27%
Total	**100.00%**		7.37%	9.15%

(c) A Rate Year One rate base for KEDNY of $7.312 billion and for KEDLI of $4.714 billion, a Rate Year Two rate base for KEDNY of $7.921 billion and for KEDLI of $5.112 billion, and a Rate Year Three rate base for KEDNY of $8.641 billion and for KEDLI of $5.584 billion.

(d) Revised depreciation rates as set forth in Appendix 1, Schedule 2 for KEDNY and Appendix 2, Schedule 2 for KEDLI. These revised depreciation rates reflect (i) the commencement of the amortization of leak prone pipe ("LPP") for KEDNY and the continuation of the amortization of LPP as authorized in KEDLI's previous base rate case, (ii) the phase-in of revised depreciation rates over four years for KEDNY[6] and two years for KEDLI, and (iii) the amortization of depreciation reserve deficiencies of $131.246 million for KEDNY and $337.881 million for KEDLI over 20 years beginning in Rate Year Two.

(e) The annual amortization of KEDNY's net regulatory asset balance as of December 31, 2022, totaling $195.520 million, over 10 years.

(f) The annual amortization of KEDLI's net regulatory liability balance as of December 31, 2022, totaling $41.072 million, over five years.

2.2 Levelization of Rate Increase

The Signatory Parties propose that the base rate increases be implemented on a levelized percentage basis to reduce rate volatility to customers over the term of the rate plan. The annual revenue changes, with and without levelization, are set forth in Appendix 1, Schedule 3 for KEDNY and Appendix 2, Schedule 3 for KEDLI.

2.3 Make Whole Provision

The Signatory Parties recognize that Commission approval of this Joint Proposal may occur after April 1, 2024. If this is the case, the Signatory Parties propose that the Companies will recover the revenue shortfall resulting from the extension of the suspension period through a make whole provision. The make whole provision is designed to ensure the Companies are restored to the same financial position they would have been in had rates gone into effect on April 1, 2024.

[6] Because the term of the rate plan is three years, KEDNY's revenue requirement reflects three years of a four-year phase-in of revised depreciation rates. This was done to mitigate potential bill impacts in this Joint Proposal.

The Companies will calculate any revenue adjustments as the difference between revenues the Companies would have received during the extension of the suspension period and the actual revenues received. The revenue adjustments will include all applicable surcharges and carrying charges and be subject to reconciliation in accordance with all applicable adjustment mechanisms (including revenue decoupling, where applicable). Financial true-up targets established in this Joint Proposal, as well as depreciation and amortization expense, will be applied to the extension of the suspension period. All accounting/ratemaking will be in accordance with this Joint Proposal and be effective as of April 1, 2024. A summary of the methodology for calculating the make whole provision and illustrative examples of the make whole calculation are set forth in Appendix 3, Schedule 14 for KEDNY and Appendix 4, Schedule 14 for KEDLI.[7]

If the Commission does not issue an order adopting the Joint Proposal prior to April 1, 2024, the Joint Proposal proposes recovery of the Rate Year One base delivery net increases and the billing service fees over the compressed period of June 1, 2024 to March 31, 2025. All other revenue (excluding non-decoupled revenue and all miscellaneous revenue items other than billing service fees for RDM classes) will be reconciled through updated Rate Year One targets established in this Joint Proposal for existing and proposed reconciliation mechanisms, including RDM, Non-Firm Demand Response Reconciliation, Electric Generator Reconciliation, and MFC. To the extent that rates do not become effective by June 1, 2024, the Companies will recalculate the compressed rates for Rate Year One to reflect the commensurate recovery period.

[7] If a Commission order adopting the terms of this Joint Proposal is not issued prior to April 1, 2024, and thus new rates are not effective on April 1, 2024, the Make Whole provision and any other calculation in the Joint Proposal that assumes new rates become effective April 1, 2024 will be recalculated based on the actual date new rates go into effect.

3. Revenue Allocation and Rate Design

3.1 Revenue Forecast

KEDNY's revenue forecast at current rates is set forth in Appendix 3, Schedule 1. KEDLI's revenue forecast at current rates is set forth in Appendix 4, Schedule 1. The delivery rate revenue forecasts used to develop base rates and the reconciliation to total gas Operating Revenues for the Rate Years are set forth in Appendix 3, Schedule 2 for KEDNY and Appendix 4, Schedule 2 for KEDLI.

3.2 Revenue Allocation

Revenue increases for KEDNY have been allocated as set forth on Appendix 3, Schedule 2. Revenue increases for KEDLI have been allocated as set forth on Appendix 4, Schedule 2.

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

3.3 Rate Design – Firm Service Classifications

The rates for each firm service classification are set forth in Appendix 3, Schedule 3 for KEDNY and in Appendix 4, Schedule 3 for KEDLI. Bill impacts resulting from this rate design are set forth in Appendix 3, Schedule 4 for KEDNY and in Appendix 4, Schedule 4 for KEDLI. The rates included in these schedules include levelization adjustments over the term of the rate plan. If the Companies do not have new rates in effect at the end of the rate plan, the rates that would be in effect on April 1, 2027 are shown in Appendix 3, Schedule 3 for KEDNY and Appendix 4, Schedule 3 for KEDLI, which are based on the unlevelized Rate Year Three revenue requirement. The Companies would file an additional tariff filing 30 days before the effective date of April 1, 2027 under such circumstances.

The bill impacts presented in Appendix 3, Schedule 4 and Appendix 4, Schedule 4 include the estimated surcharge for the Rate Adjustment Mechanism as further described in Section 3.15.

The firm rate designs adopted in this Joint Proposal, as well as the methodologies used to derive those firm rate designs, are not intended to establish precedent in support of any firm rate design methodology in any future rate proceeding.

3.4 Rate Design – Non-Firm Demand Response

The non-firm demand response ("NFDR") service classifications will continue to consist of Tier 1 and Tier 2 service. Tier 1 and Tier 2 service interruption temperatures are set annually as indicated in each Company's Gas Transportation Operating Procedure Manual, with Tier 2 customers interrupted at a higher designated temperature than Tier 1. Tier 1 service will have volumetric delivery rates set at approximately 55 percent below the tail block volumetric rate of the otherwise applicable firm service class. Tier 2 service will have volumetric delivery rates set at approximately 65 percent below the tail block volumetric rate of the otherwise applicable firm service class. The customer charges applicable to NFDR customers will remain the same. The non-firm rate designs adopted in this Joint Proposal, as well as the methodologies used to derive those non-firm rate designs, are not intended to establish precedent in support of any non-firm rate design methodology in any future rate proceeding. KEDNY and KEDLI's NFDR targets are set forth in Appendix 3, Schedule 5 and Appendix 4, Schedule 5, respectively.

3.4.1 Non-Firm Demand Response Gas Cost Reconciliation

Effective September 1, 2024, the Companies will implement the NFDR Gas Cost Reconciliation as set forth in Appendix 3, Schedule 5 for KEDNY and Appendix 4, Schedule 5 for KEDLI. The Companies will include NFDR commodity revenues - discontinuing the current process of removing the NFDR commodity revenues from the actual purchase gas expense - in their annual Gas Adjustment Clause ("GAC") reconciliation filing. NFDR penalties will continue to be refunded to firm sales customers through a separate reconciliation as part of the Companies' annual GAC reconciliation filing. The NFDR penalty refund volumetric rate will be included in the adjustment section of the GAC statement. The annual GAC imbalance will be refunded or surcharged to firm and NFDR customers through a volumetric rate included on the GAC statement for firm customers and the NFDR Statement for NFDR customers. In addition, the Companies will also surcharge or refund the System Performance Adjustment ("SPA") to all firm and NFDR sales and transportation customers. The SPA rate will be included in the adjustment section of the NFDR statement for sales customers and in the delivery rate adjustment section of the NFDR statement for transportation customers.

3.5 Lost and Unaccounted For Gas

The Lost and Unaccounted For Gas ("LAUF") targets and deadbands that will apply during the term of the Companies' rate plans are as follows:

Targets	KEDNY	KEDLI
LAUF Target	1.919%	2.029%
Upper Band	2.919%	2.613%
Lower Band	0.919%	1.444%

The new LAUF targets and deadbands will become effective at the beginning of the new GAC cycle on September 1, 2024. The LAUF targets and deadbands included in the table above will be reconciled on a GAC year basis with the GAC year ending August 31. The LAUF factor of adjustment calculation will be modified to gross up gas costs for LAUF Gas. The loss percentage will be calculated by dividing losses by system receipts including any necessary adjustments. The Factor of Adjustment ("FOA") will be calculated as follows: FOA = 1/(1-loss percentage). The calculation of LAUF targets and deadbands are set forth in Appendix 3, Schedule 8 for KEDNY and Appendix 4, Schedule 8 for KEDLI.

3.5.1 Computation of LAUF

The Companies will revise their tariffs (KEDNY Leaf 69; KEDLI Leaf 69.1) to include the corrected sentence: "Actual LAUF is computed by subtracting total metered system deliveries from total metered system receipts and dividing that difference by total metered system receipts."

3.6 Revenue Decoupling Mechanisms

KEDNY's RDM targets are set forth on Appendix 3, Schedule 7 and KEDLI's RDM targets are set forth on Appendix 4, Schedule 7.

3.7 Paperless Billing Credit

KEDNY's paperless billing credit will be updated from the current rate of $0.43 per bill to $0.48 per bill. KEDLI's paperless billing credit will be updated from the current rate of $0.41 per bill to $0.52 per bill.

3.8 Merchant Function Charge

The Merchant Function Charges ("MFC") will continue with the modifications set forth in Appendix 3, Schedule 6 for KEDNY and Appendix 4, Schedule 6 for KEDLI.

3.9 Consolidated Billing Fees

KEDNY and KEDLI's consolidated billing fee will be updated from the current rate of $1.31 and $1.32 per bill, respectively, to $1.18 per bill, except for Rate Year One. For Rate Year One, KEDNY and KEDLI's consolidated billing fee will be $1.15 per bill, which reflects (i) the reduction in the billing fee and (ii) a compressed period over which the total Rate Year One consolidated billing fee revenue will be collected (the ten-month period from June 2024 through March 2025).

3.10 Miscellaneous KEDNY Fees

As of the Effective Date, KEDNY's fees for (i) unproductive field visits shall be $36.44, (ii) reconnection at the main shall be $750.00, and (iii) reconnection at the meter shall be $64.97.

3.11 Miscellaneous KEDLI Fees

As of the Effective Date, KEDLI's fees for (i) unproductive field visits shall be $19.45 and (ii) re-establishment charge shall be $81.69.

3.12 Economic Development Discount Program Rates

The term of the Area Development Rate and the Business Incentive Rate will be extended through the end of the term of the rate plans.

3.13 Tariff Provisions Applicable to Electric Generators

Issues related to existing tariffs for electric generators are being considered in a statewide proceeding, Case 17-G-0011, *In the Matter of a Review of Tariff Provisions Regarding Natural Gas Service to Electric Generators*. The Companies' delivery rates for electric generators will remain in place until a determination is made by the Commission in Case 17-G-0011.

The Companies will revise Leaf 64 of KEDNY's Tariff and Leaf 66 of KEDLI's Tariff to exclude electric generators from the $25.00 per Dekatherm ("Dth") penalty, in addition to the incremental cost of gas, for excess usage during a curtailment period. Electric generators will continue to be assessed the $100 per Dth penalty for unauthorized use as stated under KEDNY's Tariff for SC 20 (Leaf 427.10) and KEDLI's Tariff for SC 14 (Leaf 192).

3.14 Miscellaneous Tariff Changes

3.14.1 Demand Capacity Surcharge Mechanism

The Demand Capacity Surcharge Mechanism ("DCSM") will be eliminated effective July 1, 2024. Following the elimination of the DCSM, the Companies will continue to accrue carrying costs on any remaining DCSM balances as of June 30, 2024 at the pre-tax WACC. The fiscal year

2024 true up portion of demand response costs will be recovered through the Non-Labor Demand Response Operation and Maintenance Cost ("DROM") surcharge beginning July 1, 2024. Beginning April 1, 2024, demand response-related program costs will be recovered annually through the DROM surcharge.

If the Commission does not issue an order adopting the Joint Proposal with an effective date prior to June 15, 2024, the Companies will file the annual DCSM statement in accordance with their current tariff provisions which would only include the true-up portion of the fiscal year 2024 demand response costs. The collection period would be effective July 1, 2024 through June 30, 2025. The Companies would then eliminate the DCSM surcharge mechanism effective July 1, 2025.

3.14.2 Gas Safety and Reliability Surcharge

The Gas Safety and Reliability Surcharge will be terminated July 1, 2025. The final collection period will be July 1, 2024 through June 30, 2025 and the surcharge will recover costs related to the stayout period April 1, 2023 through March 31, 2024. The Companies will continue to accrue carrying charges on any remaining deferral balance as of June 30, 2025 at the pre-tax WACC.

3.14.3 Late Payment Charges and Other Waived Fees Surcharge

The Late Payment Charges and Other Waived Fees Surcharge will be eliminated effective July 1, 2025. The Companies will continue to accrue carrying charges on any remaining deferral balance as of June 30, 2025 at the pre-tax WACC

3.14.4 Missed Appointment Fees

The language in Leaf 35 of KEDNY's Tariff and Leaf 50.1 of KEDLI's Tariff regarding Missed Appointment fees will be revised to read as follows:

> This fee will be imposed when a customer makes a future appointment for non-safety related service and (1) the Company's personnel arrive at the agreed upon location, date, and time, (2) the Company contacts the customer at least twice, before and/or at the appointment time, and (3) the Company's personnel are unable to provide the service requested because of the customer's culpability.

3.14.5 Revenue Tax Surcharge

The Companies will update the language in their tariffs to provide that the Revenue Tax Surcharge will be filed on not less than 15 days' notice prior to the effective date of the surcharge.

3.14.6 Normal Heating Degree Days

The Companies will update the definition of Normal Heating Degree Days on Tariff Leaf 81 (KEDNY) and Tariff Leaf 78 (KEDLI) to reflect a change in the average of degree days from a 30-year period to a ten-year period ending December 31, 2023.

3.14.7 System-wide Tests of Dual-Fuel Equipment

Within 60 days of approval of the Joint Proposal, the Companies will schedule a meeting with Staff and interested customers, including the City of New York, to address safety concerns that arise from the unannounced system-wide test mandated under the Tariff, including whether reasonable notice of the test can be provided to avoid such problems.

3.15 The Rate Adjustment Mechanism

KEDNY and KEDLI will implement a Rate Adjustment Mechanism ("RAM") that consolidates certain deferral balances into a single surcharge/credit for recovery from or refund to customers. The RAM will include the following deferrals:

(i) Property Taxes (Section IV.8.1.5);

(ii) Energy Affordability Program (Section IV.8.1.2); and

(iii) Exogenous Clause (Section IV.8.1.3), excluding costs related to pending Pipeline and Hazardous Materials Safety Administration ("PHMSA") rulemakings, discussed in subsection (i) of the Exogenous Cost Deferral, as such costs are subject to a separate recovery mechanism discussed in that section.

(Collectively, the "Eligible Deferral Accounts").

Any costs recovered or pending recovery through the RAM will be subject to Staff audit. In the event that Staff determines an adjustment to a deferral account is needed following such audit, the Company will make such an adjustment to the related deferral account.

In Rate Year One, the RAM will be limited to the deferral balances for the Eligible Deferral Accounts as of March 31, 2024 (the end of the linking period) and be recovered from July 1, 2024 through June 30, 2025.

The RAM is subject to an annual cap of 2.00 percent of the Company's actual operating revenues for the prior year (excluding ESCO commodity revenues) and be recovered from July 1 through June 30 of the respective Rate Years. Amounts subject to recovery through the RAM will be limited to the annual cap of 2.00 percent (*i.e.,* no compounding). An illustrative calculation of the RAM Surcharge for Rate Years One through Three is presented in Appendices 3 and 4, Schedule 12.1, which also includes the processes and procedures for the RAM.

The Companies will include the calculation of the RAM surcharge by service class and a supporting schedule showing the deferral balances to be recovered/refunded to customers with its statement filing 30 days before the RAM surcharge effective date.

If the Commission does not issue an order adopting the Joint Proposal with an effective date prior to May 16, 2024, the Companies will file the annual RAM statement in the month following the issuance of the order.[8]

[8] The revenue requirement appendices show amounts exclusive of the impacts of costs passed through the Rate Adjustment Mechanism.

3.16 Newtown Creek Revenue Reconciliation

Effective April 1, 2024, KEDNY will eliminate its existing Newtown Creek Revenue Reconciliation surcharge mechanism contained in PSC No. 12, Leaf 138.55.3. The Company will continue to accrue carrying charges on any remaining deferral balances as of March 31, 2024 at the pre-tax WACC.

Effective April 1, 2024, KEDNY's rates will reflect the following amount of revenues from the Newtown Creek Project:

Newtown Creek Project Revenues (KEDNY)		
Rate Year One	**Rate Year Two**	**Rate Year Three**
$4.657 million	$5.295 million	$5.705 million

In each Rate Year, if actual revenues from the Newtown Creek Project are above the amount of revenues reflected in KEDNY's rates, KEDNY will defer the difference for future refund to customers. If actual revenues from the Newtown Creek Project are below the amount of revenues reflected in KEDNY's rates, KEDNY will defer, for future recovery, 100 percent of the difference up to $1 million, and 90 percent of any difference thereafter.

An example of this reconciliation can be found in Appendix 6, Schedule 15. KEDNY will accrue carrying charges on any deferral balances at the pre-tax WACC in the respective Rate Year.

3.17 Next Base Rate Filing

In their next base rate filings, each of the Companies will submit various historic and pro-forma ECOS studies for informational purposes including: (i) an ECOS study that classifies distribution main costs as 100 percent demand-related and (ii) one or more ECOS studies that classifies distribution main costs as customer-related and demand-related by using a minimum system study. The Companies will perform minimum system studies that utilize the most recent year and multi-year data to calculate the portion of the system that is customer-related. None of the results are intended to establish precedent in support of the use of any given methodology or study in any future rate proceedings. In addition, the Companies are free to propose their own recommended ECOS and minimum system study approaches as part of its next base rate filings. These ECOS studies will feature updated minimum system studies as part of their next base rate filings.

3.18 Rate Adjustment Clause

The Signatory Parties agree to discontinue collection of revenues through the Rate Adjustment Clause during this rate plan. The Signatory Parties also agree that the amounts collected during the term of Companies' rate plan, established by Commission Order in Cases 19-G-0309 and 19-G-0310 remain subject to disposition by the Commission in Case 21-M-0351.

The Signatory Parties acknowledge that any funds owed to customers over and above the amounts collected through the Rate Adjustment Clause in the Companies' current rate plan in Cases 19-G-0309 and 19-G-0310 will be borne by the Companies' shareholders and not considered retroactive ratemaking.

The Signatory Parties acknowledge that the revenues, funds, costs, or penalties, addressed in Case 21-M-0351 are still subject to audit and customer refund.

4. <u>Computation and Disposition of Excess Earnings</u>

4.1 Earnings Report

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

The earnings reports will calculate the Companies' ROEs for the preceding Rate Year using capital structures with equity components equal to the lesser of the actual or 48 percent and incorporating the adjustments set forth below. In the event new base rates do not become effective immediately after the end of the rate plan, or there is a partial or "stub" period, the earnings sharing threshold of greater than 9.85 percent will be prorated to develop a stub period earnings sharing threshold. The stub period will be calculated by adjusting the actual average rate base for that period by an operating income ratio factor. The operating income ratio factor will be calculated as the ratio of operating income during the same partial period in the previous Rate Year to the total operating income for that Rate Year. An example of the calculation for the stub period is shown in Appendix 5.

4.2 Discrete Incentive and Revenue Adjustments

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

4.3 Earnings Sharing Mechanism

If the Companies' actual individual ROEs in any Rate Year, excluding discrete incentives, amounts previously in excess of earnings thresholds, and negative and positive revenue adjustments, exceeds 9.85 percent, the amount in excess of 9.85 percent will be deemed "shared earnings" for the purposes of this Joint Proposal and be treated as follows:

4.3.1 Sharing > 9.85% and ≤ 10.35%

If the level of earned ROEs for the individual Companies exceeds 9.85 percent but is less than or equal to 10.35 percent, 50 percent of the revenue equivalent of earnings will be deferred for the benefit of customers and 50 percent will be retained by the affected Company.

4.3.2 Sharing > 10.35% and ≤ 10.85%

If the level of earned ROEs for the individual Companies exceeds 10.35 percent but is less than or equal to 10.85 percent, 75 percent of the revenue equivalent of earnings will be deferred for the benefit of customers and 25 percent will be retained by the affected Company. The Companies will use 50 percent of their retained earnings under this Section IV.4.3.2, if any, to reduce regulatory asset balances associated with Site Investigation and Remediation ("SIR") activities.

4.3.3 Sharing > 10.85%

If the level of earned ROEs for the individual Companies exceeds 10.85 percent, 90 percent of the revenue equivalent of earnings will be deferred for the benefit of customers and ten percent will be retained by the affected Company. The Companies will use 50 percent of their retained earnings under this Section IV.4.3.3, if any, to reduce regulatory asset balances associated with SIR activities.

5. <u>Capital Investment Levels and Operations & Maintenance</u>

5.1 Capital Investment Levels

The Companies' forecast levels of capital investment underlying the rates in this Joint Proposal are set forth on Appendix 1, Schedule 4 for KEDNY and Appendix 2, Schedule 4 for KEDLI. Notwithstanding the specified-segment level spending amounts set forth on those Appendices, nothing in this Joint Proposal is intended to limit KEDNY or KEDLI's flexibility to substitute, change, or modify its capital projects under the terms of the Companies' respective rate plans. The capital investment levels are subject to the following reconciliations:

5.1.1 Net Utility Plant and Depreciation Expense Reconciliation Mechanism

The Companies will continue to implement a downward-only Net Utility Plant and Depreciation Expense Reconciliation Mechanism. Each Rate Year, the Companies will reconcile their actual average net utility plant and depreciation expense revenue requirement to the target average net utility plant and depreciation expense revenue requirement (for KEDNY - $920.106 million for Rate Year One, $1,019.614 million for Rate Year Two, and $1,143.142 million for

Rate Year Three; and for KEDLI - $610.994 million for Rate Year One, $706.136 million for Rate Year Two, and $784.263 million for Rate Year Three).

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

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

The reconciliation mechanism will not continue beyond Rate Year Three except that if the Companies are below their respective targets at the end of Rate Year Three, the mechanisms will continue until the targets have been met. The reconciliation mechanism will apply to each of the Companies' aggregate total average net plant and depreciation expense amounts combined, and not to individual components. The net plant target balances and reconciliation will not consider the impact of Accumulated Deferred Income Taxes ("ADIT"). The operation of this reconciliation mechanism is intended to operate in conjunction with, and not override, other individual reconciliation mechanisms contained herein.

5.1.2 City/State Construction

The projected levels of the Companies' City/State Construction ("CSC") capital expenditures, net of reimbursements,[9] for Rate Years One, Two, and Three are set forth below:

Rate Year	CSC Forecast KEDNY	CSC Forecast KEDLI
Rate Year One	$310.790 million	$10.631 million
Rate Year Two	$331.133 million	$11.829 million
Rate Year Three	$342.118 million	$12.400 million

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

5.1.3 Customer Connections

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

[9] While the forecast level of CSC reflects a level of assumed reimbursements of the Companies, the reflection of this level of reimbursements in rates does not constitute an acknowledgement or any admission whatsoever by New York City that it has an obligation to reimburse the Companies for such reimbursement amounts.

Rate Year	Customer Connections Forecast KEDNY	Customer Connections Forecast KEDLI
Rate Year One	$27.761 million	$34.412 million
Rate Year Two	$27.811 million	$35.186 million
Rate Year Three	$22.658 million	$35.963 million

To the extent that the Companies' actual capital spending for Customer Connections differs from the forecast amount in a Rate Year (including any Stayout Period), the Companies will defer the revenue requirement impact for future recovery from, or return to, customers. However, the Companies' deferral will be capped at 90 percent of the revenue requirement differences to the extent that the Companies' actual capital expenditures for customer connections exceed the following amounts:

	Rate Year One	Rate Year Two	Rate Year Three
KEDNY	$58,538,753	$58,638,397	$51,681,351
KEDLI	$66,246,650	$67,796,654	$69,210,972

Examples of this reconciliation are set forth in Appendices 6 and 7, Schedule 14. As illustrated in Appendices 6 and 7, Schedule 14, the Customer Connections reconciliation will work in conjunction with the Net Utility Plant and Depreciation Expense Reconciliation Mechanism.

5.1.4 Inside Meter Relocations

As set forth in Section 5.4 below, the Companies will attempt to relocate meters located inside customers' premises to outside locations. The projected levels of the Companies' capital expenditures for inside meter relocations for Rate Years One, Two, and Three are set forth below:

Rate Year	Inside Meter Relocation Forecast KEDNY	Inside Meter Relocation Forecast KEDLI
Rate Year One	$2.775 million	$5.250 million
Rate Year Two	$5.717 million	$10.815 million
Rate Year Three	$11.776 million	$18.566 million

In recent years a variety of issues have prevented the Companies from completing meter relocations in many cases. The Signatory Parties recognize that Consolidated Edison filed a petition for a declaratory ruling in Case 22-G-0065 (dated October 20, 2023) concerning, *inter alia*, the Commission's jurisdiction over gas service lines when indoor gas meters are being relocated outdoors. Because the Commission's ruling on that petition could impact the Companies' inside meter relocation programs, the Companies will implement a downward-only reconciliation during the term of the rate plan. To the extent the Companies' actual capital spending is lower than the forecast amount in a Rate Year, the affected Company will defer the revenue requirement effect (excluding O&M expenses) for future return to customers. Examples of this reconciliation are set forth in Appendices 6 and 7, Schedule 9. As illustrated in Appendices 6 and 7, Schedule 9, this reconciliation will work in conjunction with the Net Utility Plant and Depreciation Expense Reconciliation Mechanism.

5.2 Review of the Operation of KEDNY's Greenpoint Energy Center

The Signatory Parties acknowledge that the Companies are required to file a Long-Term Plan covering a 20-year period through 2044 on May 31, 2024, pursuant to the Commission's May 2022 Order Adopting Gas System Planning Process in Case 20-G-0131.

The Signatory Parties acknowledge that the long-term plan necessarily must consider the role, if any, for the Greenpoint LNG plant through 2044, including how long it must be or is expected to be operated to support gas system reliability.

To facilitate that consideration, the Companies commit to including a specific chapter in their initial Long-Term Plan filing on May 31, 2024, addressing the Greenpoint LNG plant, including, but not limited to, providing the following information:

a. Demand and supply forecasts justifying the need for the Greenpoint LNG plant.

b. Identification and analysis of the gas supply benefits and costs associated with the continued use of the Greenpoint LNG plant, including identification of projects and associated costs.

c. To facilitate the benefit-cost analysis ("BCA"), using the Commission's formula for total resource costs, the Companies will provide a specific Non-Pipe Alternative ("NPA"), or portfolio of NPAs, that could serve as alternatives, as compared to the costs of continued operation of the Greenpoint LNG plant.

d. Estimated reduction in customers that could be served on a design day by the distribution system in general if the Greenpoint LNG plant were taken out of service.

e. Additional quantitative and qualitative analysis of continued operation of the Greenpoint LNG facility and viable alternatives found that includes health impacts, economic impacts, land use impacts, and environmental impacts.

f. Safety and reliability analyses that would consider:

i. Reasonable expected life of the existing LNG infrastructure, maintenance costs, and potential failures compared to expected life, maintenance costs, and potential failures of alternatives.

ii. The benefits and costs of the Companies' access to a self-controlled source of gas supply from the Greenpoint LNG facility as compared to relying on pipelines, customer participation in demand response programs, or the specific NPA or portfolio of NPAs that could serve as viable alternatives to the Greenpoint LNG facility.

iii. Risks associated with replacing existing equipment at the Greenpoint LNG plant as compared to alternatives that could reliably meet demand on a Design Day.

iv. Risk of needing a moratorium if the Greenpoint LNG plant were not operational, including how soon a moratorium would need to be implemented.

v. The risk of curtailment of firm natural gas services if the Greenpoint LNG facility were not operational.

g. Comparison of the Greenpoint LNG plant to potential alternatives that would include:

i. Quantitative and qualitative analysis evaluating potential alternatives in comparison with the Greenpoint LNG Plant and an examination of whether and how such alternatives could substitute for the Greenpoint LNG Plant.

ii. Evaluation and comparison of estimated bill impacts of decommissioning the Greenpoint LNG Plant and implementing alternatives between 2024 and 2044.

iii. Evaluation and comparison of greenhouse gas and air pollutant emissions impacts (based on the data reported in National Grid's Annual Title V Emissions Statement submitted to the DEC) of decommissioning the Greenpoint LNG Plant and implementing alternatives between 2024 and 2044.

iv. Evaluation and comparison of impacts on disadvantaged communities of decommissioning Greenpoint LNG Plant and implementing alternatives between 2024 and 2044.

v. Other information reasonably necessary to enable the consultant to assess and compare the safety, reliability, and supply benefits and costs of the Greenpoint Energy Center to any viable infrastructure and non-infrastructure alternatives.

The Signatory Parties expect that the consultant selected to assist Staff in its review of National Grid's Long-Term Plan will include a specific chapter regarding the Greenpoint LNG plant in each of the consultant's reports provided in response to the Companies' Long-Term Plan that will include, but not be limited to, an evaluation of the Companies' analysis concerning the Greenpoint LNG Plant as described above.

The Signatory Parties acknowledge that the Commission, in its order addressing the Companies' Long-Term Plan may consider the record in that case and take appropriate action(s) including but not limited to requiring the Companies to defer the revenue requirement associated with any unspent capital investment, including return on and return of the investment as well as related O&M expenses, that the Companies can reasonably avoid if the Commission determines that the investment is not needed.

5.3 Capitalization Changes

From and after the Effective Date, the Companies will capitalize the cost of joint repairs on pipe facilities that are 16 inches in diameter or larger.

5.4 Relocation of Inside Gas Meters

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

In instances where one or more of the above exceptions apply, the Companies will track and document each customer meter they do not relocate outside, as well as the reason(s) the relocation was not performed. The Companies will file with the Commission as part of the annual Gas Safety Report required by Public Service Law §66-u by April 30 of the following calendar year that includes: (1) the number of meters relocated outside; (2) the number of meters left inside; and (3) of the meters left inside, the specific reason that the meters were not moved and the number that involved service replacements by installation of a new service line in premises for one and two family homes. This reporting shall also be filed in Case 23-G-0225 for KEDNY and Case 23-G-0226 for KEDLI by April 30 of the following calendar year.

5.5 Supplemental Leak Surveys

The Companies will survey 50 percent of the LPP mains (unprotected steel, cast iron, wrought iron, etc.) using advanced leak detection technology (vehicle-mounted cavity ring down spectroscopy with GPS and wind measurement technology) or other new Commission-approved leak detection device or methodology not previously approved by the Commission or Staff that is capable of measuring or determining leak flow rate to find high emitting leaks (leaks emitting 10 standard cubic feet per hour or more or equivalent) on LPP segments in Rate Year One and 100 percent annually thereafter. Any findings of leaks emitting 10 standard cubic feet per hour or more or equivalent shall be repaired within 180 days. The Companies will file a report annually with the results of the program. The report will identify: (i) the number of miles of LPP surveyed and number of miles of LPP still in service; (ii) the number of high emitting leaks and other leaks identified by the survey; (iii) pipe material, the vintage of pipe, leak flow rate (in standard cubic feet per hour), identification date of leak, and date repaired for each leak; (iv) the estimated methane emission reductions achieved by repairing the high emissions leaks; (v) the number of high emitting leaks repaired and the date of the repair; and (vi) the number, if any, of high emitting leaks that were identified but not repaired.

The report shall be filed annually by April 30 of each year as part of Gas Safety Report filing pursuant to Public Service Law §66-u and in Case 23-G-0225 for KEDNY and Case 23-G-0226 for KEDLI.

5.6 Gas Safety Public Awareness Program

Within 60 days of Commission approval of this Joint Proposal, the Companies' will file with the Commission an enhanced Gas Safety Outreach Program that will include a plan for enhanced outreach to landlords to ensure that they have sufficient gas safety outreach materials to provide to their tenants as required by New York City Local Law 153. KEDNY and the City of New York agree to collaborate on implementing solution(s) to increase KEDNY's reach rate by leveraging New York City Department of Housing Preservation and Development's ("HPD") existing outreach to landlords. HPD is the agency responsible for enforcing Local Law 153 of 2016, (N.Y.C. Admin. Code § 27-2005(f)). Future updates to this program including evaluation results of this enhanced outreach plan will be filed with the Commission as part of the Companies' Annual Outreach and Education Plans in Case 17-M-0475.

5.7 Gas Capital Reporting Requirements

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

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

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

5.8 Connected Remote Methane Detection Pilot Program

The Companies will implement a Connected Remote Methane Detection ("RMD") Pilot Program to install RMD devices that use cellular technology to provide data. The Companies will use any respective Negative Revenue Adjustments ("NRAs") related to the Gas Safety Metrics to reduce expenditures for this program.[10] The Companies will file a report annually with the results of the program. The report will identify: (i) the number of RMD devices deployed, (ii) the cost associated with the deployment of RMD devices, broken down by NRA funds used versus funds used from the $0.500 million regulatory liability approved by the Commission in Case 22-G-0644, and (iii) the number of RMDs deployed in disadvantaged communities.

5.9 Voluntary Integrity Management Program

The Companies will implement a Voluntary Integrity Management Program for pipeline facilities operating at greater than 125 pounds per square inch gauge ("psig") but below specified minimum yield strength ("SMYS") of 20 percent. Under this program, each Company will inspect five miles of pipeline meeting these criteria in each calendar year of the rate plans. The Companies will use the following criteria to prioritize pipeline for inspection under this program: (i) operating stress of the pipeline (with priority given to those pipelines with the highest stress); (ii) installation date; (iii) maximum allowable operating pressure ("MAOP") (with priority given to those pipelines with the highest MAOP); and (iv) the population concentration around the pipeline.

[10] KEDNY will also utilize a portion of the $0.500 million regulatory liability approved by the Commission in Case 22-G-0644 to deploy RMD devices to interested customers located in the area of East 72nd Street between Avenue K/Avenue M and on Avenue M between East 72nd Street and Bergen Avenue, in Bergen Beach, Brooklyn, NY.

6. Information Technology and Digital

6.1 Information Technology and Digital Capital Investments Level

Both KEDNY and KEDLI's rates include costs associated with Information Technology and Digital ("IT&D") capital investments that are owned by National Grid USA Service Company, Inc. ("Service Company") and allocated to the Companies in the form of rent expense. Rent expense includes the return on, and the amortization or depreciation of, current IT&D capital investments along with incremental IT&D capital investments that are forecast for the Rate Years. Appendix 1, Schedule 5 and Appendix 2, Schedule 5 set forth the IT&D capital investment plan by category for KEDNY and KEDLI, respectively. The schedules reflect forecast IT&D capital spending through March 31, 2024 and the incremental IT&D capital investment forecast through each Rate Year.

6.2 Service Company Rent: IT&D Net Utility Plant and Depreciation Expense Reconciliation Mechanism

The Companies will implement a downward only IT&D Net Utility Plant and Depreciation Expense Reconciliation Mechanism. Each Rate Year, the Companies will reconcile their respective actual IT&D average net utility plan and depreciation expense revenue requirements to the forecast revenue requirements set forth below and on Appendix 6, Schedule 13 for KEDNY and Appendix 7, Schedule 13 for KEDLI.

	Rate Year One	Rate Year Two	Rate Year Three	Cumulative Target
KEDNY	$60.776m	$68.350m	$72.084m	$201.209m
KEDLI	$29.556m	$32.412m	$34.338m	$96.306m

The IT&D average net utility plant and depreciation expense revenue requirement will be calculated by applying the Companies' respective pre-tax weighted average costs of capital in the respective Rate Years to the IT&D average net utility plant balances and adding the depreciation expense to the product. The net plant target balances and reconciliation will not consider the impact of ADIT.

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

This mechanism will not continue beyond Rate Year Three except if the Companies are below their respective targets at the end of Rate Year Three. If the Companies remain below their targets at the end of Rate Year Three, the mechanism will continue until the targets have been met.

The reconciliation mechanism will apply to each of the Companies' aggregate total IT&D average net plant and depreciation expense revenue requirement combined, and not to individual components. Notwithstanding the specified program-level spending amounts and investments shown in Appendix 6, Schedule 13 and Appendix 7, Schedule 13, nothing in this Joint Proposal is intended to limit the Companies' flexibility during the term of the rate plan to substitute, change, or modify IT&D capital investments except as set forth in Section 6.3 below.

6.3 Core IT and Backoffice Refresh Reconciliation Mechanism

In conjunction with the IT&D Net Utility Plant and Depreciation Expense Reconciliation Mechanism, the Companies will implement downward-only net utility plant and depreciation expense reconciliations for each of the Core IT and Backoffice Refresh categories of IT&D capital investments. Each Rate Year, the Companies will reconcile their respective capital IT average net utility plant and depreciation expense revenue requirements for the Core IT and Backoffice Refresh categories to the forecast revenue requirements as shown on Appendix 6, Schedule 13 for KEDNY and Appendix 7, Schedule 13 for KEDLI.

The difference between the actual average net utility plant and depreciation expense revenue requirements and the target average net utility plant and depreciation expense revenue requirements for the Core IT and Backoffice Refresh categories will carry forward for each Rate Year and be summed at the end of Rate Year Three for KEDNY and KEDLI, respectively. As illustrated in Appendix 6, Schedule 13 for KEDNY and Appendix 7, Schedule 13 for KEDLI, if, at the end of Rate Year Three, the cumulative actual average net utility plant and depreciation expense revenue requirements for the Core IT or Backoffice Refresh categories are negative, the Companies will defer the revenue requirement impact for the categories with negative balances for the benefit of customers.

Examples of this reconciliation are set forth in Appendices 6 and 7, Schedule 13. The mechanism is intended to operate similar to the overall IT&D Net Utility Plant and Depreciation Expense Reconciliation Mechanism and in conjunction with that mechanism. Thus, to the extent that a negative balance in the Core IT and/or Backoffice Refresh categories also creates a negative balance in the IT&D Net Utility Plant and Depreciation Expense Reconciliation Mechanism balance, the Companies will only defer the revenue requirement impact one time to avoid a double count. Notwithstanding the specified program-level spending amounts and investments shown in Appendix 6, Schedule 13 and Appendix 7, Schedule 13, nothing in this Joint Proposal is intended to limit the Companies' flexibility during the term of the rate plan to substitute, change, or modify IT&D capital investments within the Core IT or Backoffice Refresh categories.

6.4 IT&D Reporting

The IT&D reporting requirements require further development on a going forward basis. Within 60 days of the issuance of a Commission order adopting the terms of this Joint Proposal, the Companies and Staff will begin a collaborative to develop modified and improved IT annual and quarterly reporting requirements. The goal of the collaborative will be to implement improved IT reporting formats during Rate Year One. Pending the conclusion of the collaborative, the Companies will continue to file IT quarterly and annual reports in their current formats. The Companies will file a report with the Commission describing the reporting requirements agreed to through the collaborative process no later than 60 days prior to the end of Rate Year One.

The goal of the revised reporting process will be to enable the Companies to provide reports to Staff and parties that contain strategic, actionable, executive-level information concerning the status of major IT projects and initiatives. Both quarterly and annual reports should provide information concerning the status and explanation of any variances for the following IT project elements: (i) schedule, (ii) scope, (iii) budget, (iv) delivery of benefits, and (v) reductions in costs and/or realization of savings. All reports should also include project mapping and/or project interdependencies, fully explain any project interdependencies, and provide information on the status of project staffing, including contractors. For quarterly IT reporting, the goal of the collaborative is to develop a quarterly reporting framework for an appropriate subset of the Companies' IT projects that make up at least 50 percent of the New York IT spending which includes: (i) a risk register showing any changes since the previous report, (ii) a issues log, (iii) a change log, (iv) a lessons learned register, (v) identification of project milestones since the previous report, (vi) details on project governance, including any changes, and (vii) any updates to the previous project management plan. With respect to annual reporting, the goal of the collaborative will be to develop annual reports that provide a more detailed and actionable description of the status of the projects including the elements addressed in the quarterly reports as well as information concerning (i) the lead project staff, (ii) the percentage of projects completed and expected project completion dates for projects in progress, (iii) actual project expenditures for the year, and categorization of project performance compared to budget, (iv) an explanation of how issues with respect to projects were addressed and the steps taken to ensure that issues do not recur, and (v) lessons learned.

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

7.1 Commitment to Non-Pipe Alternatives

Where possible, and as described more fully below, the Companies will make evaluations of possible NPAs a standard item before proceeding with the construction of new or replacement gas infrastructure. Notwithstanding this commitment, the Companies will not be restricted from proceeding with investments in facilities that are necessary to comply with any and all laws, rules, regulations, or orders of the Commission or other regulatory body having jurisdiction. Nothing in this section shall prevent the Companies from responding to an immediate threat to health and safety or to an emergency as determined by the Companies, including but not limited to repairing or replacing leaking infrastructure. The Companies will defer the revenue requirement impact associated with any projects that are replaced by an NPA, and the Companies' will be permitted to defer the costs of all NPAs that are completed. The Signatory Parties anticipate that the Commission will issue an order that establishes an NPA Framework in Case 20-G-0131, the Gas Planning Proceeding. The Companies will implement any necessary future modifications that may be required as a result of the Gas Planning Proceeding.

At the time the Companies submit their first filing for approval of an NPA, they will propose a mechanism to retain a percentage of the difference between the cost of a traditional investment in facilities and the proposed cost of the NPA adjusted for other net benefits. The costs incurred by the Companies for implementation of new NPAs during the term of the rate plan, including the overall pre-tax return on such costs, will be recovered as a regulatory asset in the manner determined by the Commission in response to the Companies' NPA implementation plan filing.

The Companies will retain an implementation contractor with the necessary planning, engineering, and marketing expertise needed to execute the Companies' commitments to NPAs as described below. The Companies are authorized to defer for future recovery the costs of the implementation contractor.

7.1.1 NPAs In Connection With LPP Replacements

The Companies will continue to identify instances where planned LPP replacement projects could be avoided by deploying thermal energy networks or individual ground or air-source heat pumps to serve affected customers. The Companies will use experience and lessons learned from pilots by other utilities in New York and elsewhere to identify and address operational, billing, and customer service hurdles for purposes of informing the Companies' long-term strategy for main replacement and geothermal deployment. The Companies will annually identify at least five segments of LPP in each of the Companies' service territories that could be abandoned if all customers' natural gas loads were met with NPAs that would allow the section of LPP to be abandoned.

The Companies will initially identify areas of their gas distribution systems that are slated for LPP replacement where non-gas NPAs could be used to address customers' energy needs. The Companies will then conduct outreach to affected customers to determine customer interest in the NPAs. The Companies will issue requests for proposals ("RFPs") for contractors and vendors to support the potential NPA projects, including developing customer initiatives, marketing and the provision of energy services.

The Companies will, in accordance with the mandates of the CLCPA, prioritize potential projects to transition LPP to NPAs in disadvantaged communities.

The Companies will enhance their existing LPP NPA program as follows:

(i) LPPs that are lowest priority based on the Companies' risk ranking algorithm will be prioritized for retirement and/or replacement with NPAs where feasible. The Companies will also target the greatest concentration of LPP miles that can be addressed through an NPA. These approaches will not be mutually exclusive;

(ii) The Companies will attempt to replicate successful methodologies to target customers willing to participate in NPAs;

(iii) The Companies will undertake efforts to engage with the New York City Housing Authority for a potential large-scale NPA;

(iv) The Companies will endeavor to operate the NPA program under a corresponding timeline or duration of the LPP removal program; and

(v) Potential LPP NPAs will be assessed in five-year cycles for the duration of the program. During each of the five-year cycles the Companies will:

1. Year 1: Identify a pre-determined number of LPP clusters that may be pursued as NPAs.

2. Year 2: The Companies will initiate contact with those customer groups connected to identified gas main earmarked for NPA conversion in that cycle. Information will be provided to customers during this period and will include:

a. an expected date of conversion (to start in year 4 or 5).

b. information concerning incentives to convert.

c. a list of developers and vendors that will install electric equipment.

The Companies will file an LPP NPA implementation plan within 120 days of an order approving the Joint Proposal, which will be subject to a 60-day stakeholder review and comment period, after which the Companies will file a revised implementation plan that incorporates stakeholder feedback. The Companies will begin work on item (v)(1) above at the beginning of Rate Year Two. The Companies will, no later than the end of Rate Year Two, convene a stakeholder engagement meeting to discuss progress related to the Companies' efforts to implement the LPP NPA, including (to the extent applicable) a description of which strategies have been successful, which strategies have not, and what the Companies plan to modify going forward. The Companies will use compensation and incentive mechanisms as outlined in the NPA Framework in place at the time of project implementation. The Companies will report on these efforts and the success of this program within their annual NPA Opportunities and Programmatic Success reports (as described more fully below).

7.1.2 NPAs In Connection With System Reinforcements

The Companies will pursue NPAs designed to reduce gas system firm demand and avoid future gas system reinforcements, including through targeted incentives for energy efficiency, demand response, and electrification. The Companies will focus and prioritize these efforts on the most constrained portions of its service areas and include a prioritization list as part of their annual NPA Opportunities and Programmatic Success reports (as described more fully below). These efforts shall include issuing periodic RFPs for projects and programs that could potentially avoid future system reinforcement projects.

7.1.3 NPAs In Connection With Main Extensions

For gas service requests that involve a main extension of more than 100 feet (which shall include footage from smaller main extensions that reasonably can be grouped together), the Companies will perform a preliminary analysis of the potential to meet the needs of the prospective customers with a non-gas NPA. If this analysis shows that it is feasible and beneficial for customers from a cost perspective and would lead to reduced greenhouse gas (“GHG”) emissions, the Companies will contact those customers to present alternatives. If the customers are willing to consider an alternative to natural gas, the Companies will issue RFPs for contractors and vendors for installing the non-gas NPA. If the analysis shows that a non-gas NPA is not feasible or beneficial for customers from a cost perspective, the Companies will provide justification for this finding in their annual NPA Opportunities and Programmatic Success reports (as described more fully below). The results reported will also include a list of all alternatives provided to customers. Alternatives provided to customers must include presently available electrification measures and not only traditional supply solutions. The Companies will ensure the list of presently available electrification measures alternatives provided to customers throughout their service territories are available on the Companies’ website and in provided materials.

7.1.4 Service Line NPAs

The Companies will develop an NPA proposal focused on new gas service line installation and replacements or relocations under the NPA Framework in place at the time of project implementation. The proposal will include a plan to conduct outreach and educate customers on the benefits of non-fossil alternatives. The Companies will also consider delays in associated main replacement on facilities that are not considered high-risk as long as there are no adverse safety, operational, or financial impacts to doing so. The Companies will, no later than the end of Rate Year One, convene a stakeholder engagement meeting to discuss progress related to the Companies’ efforts to develop NPAs focused on gas service line replacement, including (to the extent applicable) a description of which strategies have been successful, which strategies have not, and what the Companies plan to modify going forward. The Companies will report on those efforts and the success of the programs in their annual NPA Opportunities and Programmatic Success reports (as described more fully below).

7.1.5 NPA Customer Outreach

During the term of the rate plans, the Companies will increase their efforts to inform customers of NPA project opportunities and increase customer education and outreach. The Companies will ensure that upcoming NPA project opportunities throughout the service territory are available on the Companies' website and in promotional materials in a timely fashion.

The Companies will use internal resources and implementation contractors, to inform customers that could utilize an NPA:

a. by email;

b. by phone;

c. by bill insert or other marketing material;

d. at local/public events; and

e. through in-person engagement by knocking on doors.

For each NPA opportunity, the Companies will make note of the effectiveness of customer outreach efforts, customer feedback and disposition of gas alternatives as part of participation in an NPA project (*e.g.*, what incentives are persuasive or not persuasive, why customers are willing or unwilling to eliminate their gas service, etc.). The Companies will report on these efforts and the success of the program in their annual NPA Opportunities and Programmatic Success reports (as described more fully below), and the Companies will identify the types of stakeholders (*e.g.,* governmental entities, developers, community groups, etc.) included in the Companies' outreach and marketing as part of its reporting.

7.1.6 NPA Reporting

Beginning in Rate Year Two, the Companies will file an annual report with the Commission no later than July 31 setting forth in detail NPA Opportunities and Programmatic Success. The Companies will report on their efforts to pursue NPAs in connection with LPP replacement, system reinforcements, service line installations and replacements, and customer connections. The Companies will report on their retention of an implementation contractor, describing how the contractor has impacted the Companies' efforts, and the costs associated with retaining the contractor, which shall be deferred as discussed in Section 7.1 above.

In their annual reports, the Companies will identify and provide justification, including but not limited to supporting documentation, for all instances in which the Companies provided analyses that concluded that an NPA was not feasible or beneficial for customers from a cost perspective or would not lead to reduced GHG emissions. The Companies will also identify prioritized portions of its service areas due to system constraints. The results will also include a list of all alternative recommended to customers and will include all available electrification measures and other non-fossil alternatives. The reports will also contain example marketing materials. To the extent a similar report is required by the Commission in the Gas Planning Proceeding, the Companies' obligation to provide information in the NPA Opportunities and Programmatic Success report will be limited to information that is not required by the Gas Planning Proceeding reporting requirements.

7.1.7 NPA Request For Proposals

The Companies will each annually issue at least one Request for Proposal seeking non-pipeline, cost-effective alternatives to meet energy demand. At least 60 days prior to issuance of the first RFP each year, the Companies agree to provide the RFP to Staff for its review and comment. The Companies agree to consult with Staff prior to making a decision to abandon or reject a potential NPA.

7.2 CLCPA and DAC Report

KEDNY and KEDLI will file an annual report (the "CLCPA and DAC Report") with the Commission on the data set forth in Section 7.2.2 within 120 days of the end of each Rate Year. Each CLCPA and DAC Report will include a narrative description of the data reported on, including how the Companies tracked and collected the data, any assumptions relied on in the report and, for energy efficiency programs marketed by the Companies, descriptions of the Companies' efforts to reach DACs and low-income customers, including program implementation and outreach strategies targeted toward such populations. For purposes of the annual CLCPA and DAC Report, the Companies will use the Department of Environmental Conservation disadvantaged community maps in effect for the Rate Year that is the subject of the report.

To the extent possible, the CLCPA and DAC Report will incorporate performance data and other information in the Companies' existing reporting on energy efficiency, demand response, capital investments, and other relevant areas, with the understanding that the timing for already established reporting requirements may not coincide with the timing of the CLCPA and DAC Report. Performance data will be tracked and reported in a manner generally consistent with the Companies' current practices in each area (*e.g.*, fiscal year vs. calendar year reporting, units in which energy savings are reported). This report is to be incremental to other reporting requirements established by the Commission in other proceedings and/or Staff Guidance documents. To the extent the report identifies instances where the Companies are not achieving targets, or instances where a program is not meeting goals regarding the level of benefits targeted for DACs, the Companies will include an action plan for improving performance in those areas.

7.2.1 Stakeholder Meeting

Within 60 days of filing the CLCPA and DAC Report, the Companies will convene a meeting with interested stakeholders to discuss and provide feedback on the report and the Companies' activities as discussed therein.

7.2.2 Data Covered in CLCPA and DAC Report

The Report will include the following data with respect to CLCPA programs and DACs:

(i) **<u>Energy Efficiency Spending</u>**. For each of their energy efficiency programs, including any new programs instituted during the Rate Years, the Companies will report the following information:

i. Total number of incentive dollars spent;

ii. Total number of incentive dollars spent in DACs;

iii. Total energy efficiency savings achieved (in the same units reported for NE:NY reporting purposes, *e.g.,* MMBtu);

iv. Total energy efficiency savings achieved in DACs (in same units reported for NE:NY reporting purposes, *e.g.,* MMBtu);

v. Total number of program participants;

vi. Total number of program participants in DACs;

vii. Average savings and incentives by participants;

viii. Average savings and incentives by participant in DACs;

ix. Total installations by measure category (*i.e.,* System Energy Efficiency Plan ("SEEP") and Clean Heat Annual Report categories); and

x. Total installations by measure category in DACs.

If KEDNY or KEDLI launches a new energy efficiency program that is not available to customers in DACs, the Companies will explain in the report covering the year in which the program was launched the reason(s) the program is not available to customers in DACs.

(ii) **Demand Response**. For each of the Companies' demand response programs, KEDNY and KEDLI will report:

i. Total program participants;

ii. Total program participants in DACs;

iii. Total Dth savings committed and delivered by program;

iv. Total Dth committed and delivered by customers in DACs and customers participating in the Companies' Energy Affordability Program.

(iii) **Main Replacement Program**. The Companies will report:

i. Total footage of LPP retired system-wide, on a borough or county basis;

ii. Total footage of LPP retired in DACs, on a borough or county basis;

iii. Total footage of LPP replaced system-wide, on a borough or county basis;

iv. Total emissions reductions system-wide due to LPP replacement and retirement (calculated using the EPA Methane Challenge methodology);

v. Total emissions reductions in DACs due to LPP replacement and retirement (calculated using the EPA Methane Challenge methodology).

vi. For items (i) and (ii), replacement and retirement will be tracked separately.

(iv) **Leak Repairs**. The Companies will report:

i. Total leaks repaired system-wide, on a borough or county basis; and

ii. Total leaks repaired in DACs, on a borough or county basis.

(v) **<u>Customer Operations Data</u>.** The Companies will report:

i. Direct to customer promotion, education, and outreach of the Energy Affordability Program ("EAP") in DACs and non-disadvantaged communities;

ii. Total amount of residential gas usage in DACs and non-disadvantaged communities;

iii. Average gas usage per residential customer in DACs and non-disadvantaged communities;

iv. Number of unpaid residential accounts that are 60 to 90 days overdue in DACs and non-disadvantaged communities;

v. Dollar value of unpaid residential accounts 60 to 90 days overdue in DACs and non-disadvantaged communities;

vi. Number of unpaid residential accounts that are 90 or more days overdue in DACs and non-disadvantaged communities;

vii. Dollar value of unpaid residential accounts that are 90 or more days overdue in DACs and non-disadvantaged communities;

viii. Number of residential service disconnections for non-payment in DACs and non-disadvantaged communities;

ix. Number of residential service restorations due to payment in DACs and non-disadvantaged communities;

x. Number of residential customers with active Deferred Payment Agreements ("DPAs") in DACs and non-disadvantaged communities;

xi. Dollar value of residential DPAs in DACs and non-disadvantaged communities;

xii. Number of customers enrolled in the EAP in DACs and non-disadvantaged communities;

xiii. Amount expended for gas EAP discounts in DACs and non-disadvantaged communities;

xiv. Total number of active residential accounts in DACs and non-disadvantaged communities;

xv. Reporting on item (i) will include a narrative description of outreach activities to promote the EAP, sample materials, and campaign statistics (*e.g.,* number of customers touched in DACs). For items (ii)-(xiv), the Companies will apply disadvantaged community criteria to customer account data.

(vi) **Clean Energy Jobs**. The Companies will track and include information in the CLCPA and DAC Report on their efforts to train residents of DACs for clean energy jobs at National Grid, or, if available, for other workforce development programs that the Companies may work on with other organizations. Specifically, the Companies will report:

i. Growing NY's Green Business and Jobs Program and Grid Collective Program;

ii. Number of programs the Companies offer or participate in if other than Growing NY's Green Business and Jobs Program and Grid Collective Program and details on the program;

iii. Location of the programs;

iv. Number of students enrolled in each program;

v. Number of students that graduate from each program;

vi. Number of jobs placed as a result of the program;

vii. Number of graduate students from each program the Companies have hired, and the type of jobs at National Grid for which they were hired;

viii. Whether the National Grid jobs and the hires from the program are in the clean energy industry or field; and

ix. Total number of hires at National Grid from the program who resided in a DACs at the time.

7.3 DAC Analysis for Next Rate Case

For any capital project with estimated costs of $1 million or greater, the Companies will determine whether some or all of the project is located in a DAC or could reasonably be expected to impact a DAC, and if so, provide the information listed below for the project. The information can be listed on the forms that the Companies file regarding each capital investment as attachments to their GIOP testimony. If in this or a different proceeding the Commission orders the Companies to include information related to DAC impacts in their next rate filings, the form and content of that requirement will supersede the DAC Analysis requirement in this Joint Proposal.

(a) an identification of GHG and co-pollutant emissions increased or reduced from the investment that would affect the impacted DAC.

(b) the potential or projected contribution of the investment to existing pollution burdens in the community from GHG and co-pollutants; and

(c) Proposed project design considerations including a description of actions to be taken to eliminate disproportionate burdens associated with GHG or co-pollutant emissions.

7.4 Capacity Demand Metrics

The Companies will continue reporting for informational purposes on the following five Capacity Demand Metrics established in Cases 19-G-0309 and 19-G-0310 and will provide quarterly updates on progress on program implementation and success. The Companies will include the Capacity Demand Metrics in the annual CLCPA and DAC Report as follows:

(a) **Energy Efficiency.** The Companies will report on their efforts to meet the targets established by the Commission in the NE:NY Proceeding for energy efficiency.

(b) **Demand Response.** The Companies will endeavor to meet or exceed peak demand reduction targets from customers enrolled in the Companies' Demand Response programs. The targets will measure aggregate performance across both Companies' service territories (*i.e.,* there is not a separate target for each Company). The Companies will track three sub metrics for the following programs in the Gas Demand Response portfolio.

i. For the Load Shedding program, there will be a target that increases by 2.5% annually over a baseline of 26,316 Dth/Day (the Design Day volume enrolled in the Load Shedding program for winter 2023-24). The targets will be set at 26,974 Dth/Day for 2024-25, 27,648 Dth/Day for 2025-26, and 28,339 Dth/Day for 2026-27.

ii. For the Load Shifting program, there will be a target that increases by 5% annually over the baseline of 260 Dth/Hr (The design day volume enrolled in the Load Shifting program for winter 2023-24). The targets will be set at 273 Dth/Hr for 2024-25, 287 Dth/Hr for 2025-26, and 301 Dth/Hr for 2026-27.

iii. For the Bring Your Own Thermostat program, there will be a target that will increase 15% annually over a baseline of 22,779 devices (the devices enrolled as of November 1, 2023). The targets will be set at 26,196 devices for 2024-25, 30,125 devices for 2025-26, and 34,644 devices for 2026-27 to be achieved by November 1 of each winter season.

(c) **Non-Pipe/Third-Party Solutions.** The Companies will report on their efforts to each annually issue at least one RFP seeking non-traditional, cost-effective peak supply alternatives.

(d) **Electrification.** The Companies will continue to collaborate with Con Edison and PSEG Long Island ("PSEG LI") and the Long Island Power Authority ("LIPA") regarding prospective customers who are potential candidates for electrification. The Companies will report the number of customers referred to Con Edison and PSEG LI/LIPA and describe the process to refer customers who contact their call centers to request a new or upgraded gas connection to Con Edison and PSEG LI/LIPA's heat pump programs and include call center scripts. The Companies will undertake reasonable efforts to determine whether Con Edison or PSEG LI/LIPA have connected with the referred customers and, to the extent that information is available, include the data in the annual report.

(e) **LPP – NPAs.** As further discussed in Section 7.1.1, the Companies will annually identify at least five segments of LPP in each of the Companies' service territories that could be abandoned if all customers' natural gas loads are met with cost-effective NPAs that would allow the section of LPP to be abandoned. For each such section of LPP, the Companies will consider NPAs allowing the section of LPP to be abandoned, or otherwise demonstrate that abandonment of such section of LPP is not possible. The LPP projects identified pursuant to this section will count toward the minimum amounts of LPP required to be replaced regardless of whether the pipe segments are replaced or abandoned.

7.5 Gas Marketing

During the term of the rate plans, the Companies and their affiliates will not market new gas connections and conversions with the Companies, including any customer rebates for heating oil-to-gas conversions or new gas customers. The Companies will encourage applicants requesting new or expanded service to consider electrification options. The Companies will modify their procedures to add that new gas customers will be required to acknowledge in writing that they have been provided information on non-fossil alternatives.

Nothing contained herein will prevent the Companies from marketing their approved energy efficiency plans; nor will anything herein prevent the Companies from providing information to current or prospective customers concerning their rights to purchase gas service from the Companies. In their marketing of gas energy efficiency programs to customers, the Companies will encourage customers to explore electrification options where possible given the nature of the program.

7.6 Utility Thermal Energy Network Providers

The Companies will continue their active participation in the Commission's Utility Thermal Energy Network proceeding, and will implement, as authorized, geothermal energy systems.

7.7 Gas Transition Changes

In the absence of enacted legislation or further Commission action in the Gas Planning proceeding (Case 20-G-0131), the Companies may file a petition as described below within 12 months of the Commission's Order adopting this Joint Proposal. Among other things, the petition would request a waiver of the Commission's regulations in 16 NYCRR §§230.2 and 230.3 to eliminate the following customer incentives currently included in the Companies' gas tariffs to connect to the Companies' gas distribution system:

- Providing 100 feet of main and 100 feet of service piping at no cost for residential heating customer seeking to connect to the Companies' gas distribution system. Instead, the Companies will propose to provide all customers (regardless of customer type or usage) with a combined total of 100 feet of main and/or service, plus the length of service line necessary to reach the edge of the public right-of-way.
- Allowing customers to apply a "revenue test" to avoid paying for piping in excess of the 100-foot allotment. Instead, customers would be required to pay in full for every foot beyond the 100-foot allotment prior to the commencement of the work.

7.8 Biomethane Supply Interconnections

At least 90 days prior to proceeding with the construction of an interconnection between the KEDNY or KEDLI distribution systems and a biomethane production facility, the interconnecting Company will file a report with the Commission containing the following information:

(i) a cost estimate for the interconnection project;

(ii) a summary of the benefits to the reliability of the gas system in the vicinity of the interconnection project and in the Company's service territory in general;

(iii) a detailed description of the source materials that will be used at the interconnected facility to produce the biomethane; and

(iv) a detailed accounting of the upstream GHG emissions avoided by the biomethane that the Companies' will procure as a result of the interconnection.

During the term of the rate plans, the Companies are authorized to defer for future recovery from customers, the revenue requirement impacts (pre-tax return on investment and depreciation expense) associated with the projected capital costs (up to $13.195 million for KEDNY and $9.868 million for KEDLI) for new interconnections with biomethane production facilities.

To the extent that the Companies purchase biomethane from interconnected biomethane facilities, the prices paid for such supplies should be consistent with the market price of natural gas supplies purchased at similar locations and consistent with the Companies' existing gas supply portfolio. The prices paid should be no greater than prices of other gas supplies purchased at the Companies' city gates.

Regarding any environmental attribute credits produced in association with the biomethane entering the Companies' distribution systems via the interconnections, the Companies will engage with the project developers to discuss options for the developers to monetize and sell credits for the environmental attributes associated with the biomethane projects that are (1) voluntary (*e.g.,* not credits that are registered for regulatory compliance with U.S. EPA Renewable Fuel Standard or California LCFS), and (2) sold to an entity located in New York State.

7.9 Newtown Creek Reporting Requirements And Other Provisions

Beginning in Rate Year One, no later than 120 days from the end of the prior rate year, KEDNY will file an annual report concerning its Newtown Creek project that contains the following information:

(i) revenues from sale of gas and the sale of environmental attributes;

(ii) the quantity of biomethane produced during the reporting period;

(iii) the number of days the project was offline;

(iv) the number of hours the project was offline on the days it was offline;

(v) the number of environmental attribute credits sold each month, value of credits sold, and associated revenues;

(vi) the estimated GHG emissions reductions to KEDNY's gas system associated with the Newtown Creek project, using gross accounting and an emissions factor of 5.34E-02 metric ton CO_2e/MMBtu pursuant to NYSERDA guidance or such other emissions factors as the DEC may adopt; and

(vii) the number and nature of formal complaints received by National Grid about the Newtown Creek project. Formal complaints include PSC complaints, Better Business Bureau complaints, complaints received via the complaint form on National Grid's website, and other customer complaints managed by the Companies' Office of the President group.

No later than 90 days after a final order approving the Joint Proposal, senior staff at KEDNY will engage with senior staff at Con Edison and difficult-to-electrify gas customers (to be mutually agreed by KEDNY and the City) to discuss the potential purchase and sale of the biomethane and the associated environmental attributes produced by the Newtown Creek project. The Signatory Parties acknowledge that KEDNY's ability to enter such arrangement will depend on, among other considerations, the end-user's ability to utilize biomethane/credits, the purchase price, and any necessary regulatory approvals. KEDNY will continue to pursue these discussions in good faith throughout the term of the rate plan. KEDNY will file semi-annual reports describing the progress of those discussions.

No later than 30 days after a final order adopting the terms of the Joint Proposal, KEDNY and the NYC Department of Environmental Protection ("DEP") will negotiate a mutually-agreeable Service Level Agreement ("SLA") that addresses notifications of outages at the Newtown Creek project. The SLA will require automated notifications of system outages to the DEP within one hour of the outage occurring. Additionally, the SLA will provide that qualified KEDNY personnel will respond to assess the outage: (i) within three hours of a system shutdown during normal business hours and (ii) within 4.5 hours of a system shutdown during off-hours, weekends, and holidays. Response times may be delayed to the extent qualified personnel are not available because they are otherwise needed to respond to an emergency event elsewhere on the gas system that National Grid reasonably believes will have an immediate adverse impact on health and safety, provided that in such event National Grid will respond to the system shutdown within 4.5 hours after the emergency is abated. Additionally, if the system is reasonably anticipated to be offline for more than 24 hours continuously or 48 hours in a given month, National Grid's program manager will provide the DEP Commissioner's Office and Community Board No.1 with information on remedial action and the anticipated restoration time.

7.10 Hydrogen Pilot

The Companies will not proceed with any project that injects hydrogen into its distribution system or serves any customer with hydrogen until it has (i) filed a proposal with the Commission, and (ii) received authorization from the Commission to proceed with hydrogen injection and service. The Companies shall file a copy of any such proposal in these dockets during the term of the rate plan.

7.11 System Efficiency Earnings Adjustment Mechanism – Gas Demand Response

During the term of the rate plans, the Companies will be permitted to implement an earnings adjustment mechanism for gas demand response that is described in Appendix 8.

8. Additional Reconciliations, Deferrals, and True-Ups

8.1 Existing Reconciliations, Deferrals, and True-Ups

Appendix 6, Schedule 1 sets forth KEDNY's deferral accounts and other regulatory assets and liabilities balances as of December 31, 2022. Appendix 7, Schedule 1 sets forth KEDLI's deferral accounts and other regulatory assets and liabilities balances as of December 31, 2022. With the exception of the deferral accounts and other regulatory assets and liabilities identified as "Discontinued" on Schedule 1, the Companies are authorized to continue the use of reconciliation mechanisms and/or deferral accounting (with certain modifications) with respect to the expenses set forth in Schedule 1 of Appendix 6 and Appendix 7.[11]

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

8.1.1 Pension and Other Post-Employment Expenses

The Companies revenue requirements do not include any allowance for the recovery of Pension and Other Post-Employment Benefits ("OPEBs") costs. The Companies will continue to defer and reconcile their respective actual pension and OPEB expenses to the levels allowed in rates in accordance with the Commission's Pension & OPEB Statement of Policy.[12] Carrying

[11] The deferral accounts and other regulatory assets and liabilities identified as "Discontinued" on Schedule 1 of Appendices 6 and 7 will be discontinued as of the Effective Date. These accounts contain balances as of December 31, 2022, which are set forth in the Schedules. The discontinuance of these accounts is not intended to preclude the Companies from returning to or recovering from customers the balances as of December 31, 2022 plus any applicable carrying charges.

[12] Case 91-M-0890, *In the Matter of the Accounting and Ratemaking Treatment for Pensions and Post-Retirement Benefits Other than Pensions*, "Statement of Policy and Order Concerning the Accounting and Ratemaking Treatment for Pensions and Post-Retirement Benefits Other than Pensions" (issued and effective September 7, 1993) ("Pension & OPEB Statement of Policy").

charges will not be calculated on pension or OPEB deferred balances. An example of the reconciliation is set forth in Appendices 6 and 7, Schedule 2.

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

8.1.2 Energy Affordability Program

The Companies will continue their EAP as set forth in Section 11.2 of this Joint Proposal. EAP costs consist of two components: (i) an annual amount reflected in the revenue requirements of $46.895 million for KEDNY and $8.849 million for KEDLI; and (ii) an incremental amount reflecting the change in the EAP discount amount from the rate increase for each Rate Year (collectively, the "Total Rate Allowance"). The latter component is reflected through the revenue allocation and rate design process. Each Rate Year, the Companies will fully reconcile EAP costs to the Total Rate Allowance. Amounts that differ from the Companies' Total Rate Allowance will be deferred for recovery from, or return to, customers. In the 2023-2024 Enacted Budget, an appropriation of $200 million was made for consumer relief. In the Appropriations to Enhance Energy Affordability Programs proceeding, Case 23-M-0298, which resulted from that appropriation, KEDNY reported an error in its EAP expenditures which will require an adjustment to the EAP deferral balance. KEDNY filed corrected expenditures within the EAP proceeding on February 12, 2024, in Cases 23-M-0298 and 14-M-0565. Any issues with the adjusted amounts will be addressed in the Company's next rate case filing.

An example of the reconciliation is set forth in Appendix 6, Schedule 3 for KEDNY and Appendix 7, Schedule 3 for KEDLI. The Companies will continue the current file match process with New York City's Human Resource Administration, which occurs four times per year. During each Rate Year, KEDNY and KEDLI will each reimburse the City up to $50,000 for the City's mailing and associated costs for performing the file matches, and this cost reimbursement will continue to be included in the Companies' EAP deferral mechanism. The Companies will not be responsible for reimbursing more than the $50,000 per Company. As discussed in Section 3.15, the EAP deferral will be included in the RAM.

8.1.3 Exogenous Costs

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

(a) any externally imposed accounting change;

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

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

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

In addition, the Signatory Parties recognize that:

(i) there are pending PHMSA rulemakings regarding pipeline integrity management, integrity verification, leak detection and repair, and related issues associated with the Pipeline Safety Act of 2011 and the Protecting our Infrastructure of Pipelines and Enhancing Safety Act of 2020;

(ii) there is a potential for regulatory rulemaking from the Environmental Protection Agency and the Department of Environmental Conservation regarding GHG emissions and related issues (*e.g.,* New York Cap and Invest Program);

(iii) there is a potential for an increase in costs related to the Roadway Excavation Quality Assurance Act; and

(iv) there is a potential during the term of the rate plans for the Commission to issue orders concerning statewide policy issues impacting the gas utilities that could cause KEDNY and KEDLI to incur incremental costs (*e.g.,* the Gas Planning proceeding (Case 20-G-0131), the UTEN proceeding (Case 22-M-0429)).

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

Specific to subsection (i), in addition to deferral authority, if either KEDNY or KEDLI incurs incremental costs that exceed the Exogenous Cost Threshold, the affected Company is authorized to implement a surcharge limited to annual recovery of 2.0 percent of its prior year's actual operating revenues (excluding ESCO commodity revenues) to recover incremental costs. Such costs will be subject to audit by Staff. All other exogeneous costs will be included in the RAM.

In the event that Exogenous Costs are incurred, the affected Company will file a letter with the Secretary to the Commission setting forth the rationale for the deferral and its calculation. If the surcharge is triggered, the letter will be filed 60 days before its effective date. Any disagreement associated with the filing will be referred to the Commission for a decision.

8.1.4 Site Investigation and Remediation Expense

(a) *SIR Expense and Deferral*

The Companies' rate allowance for SIR expense for each Rate Year are as follows:

Company	Rate Year 1	Rate Year 2	Rate Year 3
KEDNY	$78.959 million	$78.959 million	$78.959 million
KEDLI	$4.813 million	$4.813 million	$4.813 million

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

(b) *SIR Recovery Surcharge (KEDNY)*

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

(c) Other Provisions

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

ii. The Companies will continue to charge SIR accounting the costs to pursue recovery (*e.g.,* attorney, expert, and consultant fees) as they are incurred and credit 100 percent of recoveries from insurance carriers and/or other potentially responsible parties as they are received.

iii. To enable the continued recovery of historic SIR expenditures, base rates include the current amortization of $18.521 million and $14.168 million for KEDNY and KEDLI, respectively, through December 31, 2026. The amortization represents one-tenth of the historic SIR deferral balances at December 31, 2016. The Companies will reconcile the historic SIR deferral balances at December 31, 2026 for future disposition.

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

v. The Companies will continue to provide DPS Staff with information regarding the final disposition of pending insurance litigations consistent with past practice regarding the confidential treatment of SIR-related litigation.

8.1.5 Property and Special Franchise Taxes

Each Rate Year, the Companies will reconcile actual property and special franchise taxes expense to the rate allowance. The difference between actual property and special franchise taxes expense, excluding the effects of tax refunds, and the rate allowances (for KEDNY, $287.105 million in Rate Year One, $316.562 million in Rate Year Two, and $349.483 million in Rate Year Three and, for KEDLI, $271.708 million in Rate Year One, $287.249 million in Rate Year Two, and $302.797 million in Rate Year Three) will be deferred for future refund to or recovery from customers. In each Rate Year differences will be shared 90 percent/10 percent between customers and the Companies, respectively. The Companies' ten percent share above or below the level in rates will be capped at an annual amount equal to 7.5 basis points of return on common equity in Rate Year One, 5.0 basis points in Rate Year Two, and 2.5 basis points in Rate Year Three. Examples of this reconciliation are set forth in Appendices 6 and 7, Schedule 5.

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

8.1.6 Negative or Positive Revenue Adjustments

The Companies will defer any negative or positive revenue adjustments associated with the Customer Service Performance Indicators (Section IV.9) or the Gas Safety Performance Metrics (Section IV.10).

8.1.7 Variable Pay

Each Rate Year, the Companies will defer for refund to customers any variable pay compensation amounts reflected in rates that are not paid to employees. The rate allowance for

KEDNY variable pay is $11.972 million for Rate Year One, $12.438 million for Rate Year Two, and $12.921 million for Rate Year Three. The rate allowance for KEDLI variable pay is $7.200 million for Rate Year One, $7.484 million for Rate Year Two, and $7.775 million for Rate Year Three. Examples of this reconciliation are set forth in Appendices 6 and 7, Schedule 8.

8.1.8 Electric Generator Revenues

The Companies will continue to reconcile the difference between the electric generator revenues imputed in their revenue requirements and the actual revenues they recovery from electric generators in each Rate Year. Any difference will be credited or surcharged to firm sales and firm transportation customers through the Delivery Rate Adjustment ("DRA") for the 12-month period starting July 1 of each Rate Year.

8.2 New Reconciliations, Deferrals, and True-Ups

8.2.1 Management Audit

The Signatory Parties recognize that both the Companies and Staff provided testimony regarding the Companies' compliance with the recommendations resulting from its management and operations audits. In that testimony, the Companies and Staff noted that the Companies were subject to a comprehensive management and operations audit in 2018 that resulted in 24 recommendations. As acknowledged in a letter filed in Case 18-M-0195, dated March 20, 2023, from the DPS Director for the Office of Accounting, Audits and Finance, the Companies completed implementation of those recommendations.

The Signatory Parties recognize that future management and operations audit costs have not been included in any of the Rate Years of the Rate Plan because the timing of the next comprehensive management and operations audit is unknown. If the Commission were to initiate a future comprehensive management or operations audit, the KEDNY and/or KEDLI will defer the costs related to such audit(s) for future recovery, as is currently required by the Commission.

8.2.2 Uncollectible Expense

In Rate Year 1 and Rate Year 2, the Companies will reconcile the actual uncollectible expense (*i.e.*, net write-offs) to the amounts recovered in base rates. The difference between actual uncollectible expense and the rate allowance will be deferred for future refund to or recovery from customers. The reconciliation will include the commodity portion of uncollectible expense that is recovered through the MFC and the amounts recovered from ESCOs through the Purchase of Receivable discount in addition to other uncollectible expenses recovered in base rates. Examples of this reconciliation are set forth in Appendix 6, Schedule 12 for KEDNY and Appendix 7, Schedule 12.

The Companies will continue suspension of their Uncollectibles Incentive Mechanism through the term of the rate plan. The Companies may propose reinstating their Uncollectibles Incentive Mechanism in their next rate plan when sufficient historical data is available to set meaningful targets.

The Companies' deferral request in Case 14-M-0565 related to uncollectible expense for the period prior to the Rate Plan (March 2020 through March 2024) is not addressed by this Joint Proposal and the request is expected to be addressed in that proceeding.

8.2.3 Gas Planning Proceeding

During the term of the rate plan, the Companies will comply with any directives from the Commission relating to their Long-Term Plans in the Gas Planning Proceeding (Case 20-G-0131) to ensure the Companies reflect and adopt any policy direction from the Commission.

8.3 Additional Reconciliations, Deferrals, and True-Ups

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

9. <u>Customer Service Performance Indicators</u>

The Companies will maintain their existing Customer Service Performance Indicators subject to the changes discussed in this Section 9. To standardize with other investor-owned utilities how these measures are referred to and tracked, the Companies' will use Customer Service Performance Indicators or CSPIs to refer to all of their Customer Service Quality Program Measures and any CSQMs therein. The Companies' customer service performance will be measured for each calendar year against the following CSPIs, which are more fully described below:

(a) PSC Complaint Rate;

(b) Customer Satisfaction Survey;

(c) Percent of Adjusted Bills; and

(d) Call Answer Rate.

The calculation and level of NRAs will be converted from fixed dollars to basis points based on performance tiers. Each Company will be subject to total pre-tax potential negative revenue adjustment ("NRA") equal to forty (40) basis points ("bp") in Rate Year One, forty-eight (48) bp in Rate Year Two, and sixty (60) bp in Rate Year Three. In the event the Companies incur an NRA, the balance will earn interest at the pre-tax return rate, until the Commission rules on the disposition of the balance. All revenue adjustments related to the Customer Service Performance Indicators will be deferred for future disposition by the Commission per Section 8.1.6 above.

9.1 PSC Complaint Rate

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

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

ESCO complaints on behalf of customers over which the Companies have no control, such as slamming or ESCO charges, will not be included in the metric. For an ESCO to represent a customer with a complaint, the ESCO must follow the Commission's procedures and obtain a specific agency agreement with the represented customer. Questions or complaints related to the Companies' Retail Access programs will not be handled through the Companies' call center or submitted by the ESCOs to the Commission's call center. Complaints per 100,000 customers will be measured monthly, and the metric will be based on the average of the 12 monthly scores. Beginning in CY2024 and continuing until modified by the Commission, the metrics and targets for KEDNY and KEDLI will be as follows:

KEDNY

RY1		RY2		RY3	
Target	**NRA (bp)**	**Target**	**NRA**	**Target**	**NRA**
< 1.00	0	< 1.00	0 bp	< 1.00	0 bp
≥ 1.00	5	≥ 1.00	5 bp	≥ 1.00	5 bp
≥ 1.60	8	≥ 1.60	10 bp	≥ 1.40	10 bp
≥ 2.20	10	≥ 2.20	12 bp	≥ 1.80	15 bp

KEDLI

RY1		RY2		RY3	
Target	**NRA**	**Target**	**NRA**	**Target**	**NRA**
< 1.00	0 bp	< 1.00	0 bp	< 1.00	0 bp
≥ 1.00	5 bp	≥ 1.00	5 bp	≥ 1.00	5 bp
≥ 1.60	8 bp	≥ 1.60	10 bp	≥ 1.40	10 bp
≥ 2.20	10 bp	≥ 2.20	12 bp	≥ 1.80	15 bp

9.2 Customer Satisfaction Survey

Customer satisfaction will be measured monthly based on the satisfaction ratings resulting from a random survey of residential customers who have contacted either KEDNY or KEDLI. The satisfaction level will be measured based on the number of customers rating the Companies between “6” and “10” on a ten-point satisfaction scale. The Companies will each seek to receive a minimum of 100 completed surveys per month.

Satisfaction levels will be measured monthly, and the metric will be based on the average of the 12 monthly scores. Beginning in CY2024 and continuing until modified by the Commission, the metrics and targets for KEDNY and KEDLI will be as follows:

KEDNY

RY1		RY2		RY3	
Target	**NRA**	**Target**	**NRA**	**Target**	**NRA**
> 86.7%	0 bp	> 86.7%	0 bp	> 87.5%	0 bp
≤ 86.7%	5 bp	≤ 86.7%	5 bp	≤ 87.5%	5 bp
≤ 83.1%	8 bp	≤ 83.1%	10 bp	≤ 85.7%	10 bp
≤ 79.7%	10 bp	≤ 79.7%	12 bp	≤ 84.0%	15 bp

KEDLI

RY1		RY2		RY3	
Target	**NRA**	**Target**	**NRA**	**Target**	**NRA**
> 85.1%	0 bp	> 85.1%	0 bp	> 86.5%	0 bp
≤ 85.1%	5 bp	≤ 85.1%	5 bp	≤ 86.5%	5 bp
≤ 81.7%	8 bp	≤ 81.7%	10 bp	≤ 84.8%	10 bp
≤ 78.3%	10 bp	≤ 78.3%	12 bp	≤ 83.1%	15 bp

9.3 Call Answer Rate

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

The metric will be measured monthly and be based on the average of the 12 monthly scores. Beginning in CY2024 and continuing until modified by the Commission, the metrics and targets for KEDNY and KEDLI will be as follows:

KEDNY

RY1		RY2		RY3	
Target	**NRA**	**Target**	**NRA**	**Target**	**NRA**
> 60.6%	0 bp	> 60.6%	0 bp	> 60.6%	0 bp
≤ 60.6%	5 bp	≤ 60.6%	5 bp	≤ 60.6%	5 bp
≤ 57.6%	8 bp	≤ 57.6%	10 bp	≤ 57.6%	10 bp
≤ 54.6%	10 bp	≤ 54.6%	12 bp	≤ 54.6%	15 bp

KEDLI

RY1		RY2		RY3	
Target	**NRA**	**Target**	**NRA**	**Target**	**NRA**
> 62.2%	0 bp	> 62.2%	0 bp	> 62.2%	0 bp
≤ 62.2%	5 bp	≤ 62.2%	5 bp	≤ 62.2%	5 bp
≤ 59.2%	8 bp	≤ 59.2%	10 bp	≤ 59.2%	10 bp
≤ 56.2%	10 bp	≤ 56.2%	12 bp	≤ 56.2%	15 bp

9.4 Percent of Adjusted Bills

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

The metric will be measured monthly, be based on the average of the 12 monthly scores for the applicable calendar year, and rounded to the hundredth decimal place. Beginning in CY2024 and continuing until modified by the Commission, the metrics and targets for KEDNY and KEDLI will be as follows:

KEDNY

RY1		RY2		RY3	
Target	**NRA**	**Target**	**NRA**	**Target**	**NRA**
< 0.62%	0 bp	< 0.62%	0 bp	< 0.62%	0 bp
≥ 0.62%	5 bp	≥ 0.62%	5 bp	≥ 0.62%	5 bp
≥ 0.82%	8 bp	≥ 0.82%	10 bp	≥ 0.72%	10 bp
≥ 1.02%	10 bp	≥ 1.02%	12 bp	≥ 0.82%	15 bp

KEDLI

RY1		RY2		RY3	
Target	**NRA**	**Target**	**NRA**	**Target**	**NRA**
< 0.62%	0 bp	< 0.62%	0 bp	< 0.62%	0 bp
≥ 0.62%	5 bp	≥ 0.62%	5 bp	≥ 0.62%	5 bp
≥ 0.82%	8 bp	≥ 0.82%	10 bp	≥ 0.72%	10 bp
≥ 1.02%	10 bp	≥ 1.02%	12 bp	≥ 0.82%	15 bp

9.5 Reporting

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

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

9.6 Estimated Bill Reporting

The Companies' annual performance reports will include monthly data regarding average duration customers receive consecutive estimated bills or the average length of time residential and non-residential meters have gone unread, illustrating the number of meters that have gone unread for (a) 30 to 59 days; (b) 60 to 89 days; (c) 90 to 120 days; and (d) 121 days or more.

9.7 Call Answer Rate Reporting

The Companies will provide, on an ongoing basis within the monthly CSPI report filed under Case 15-M-0566, the following information: (a) the duration of time that customers are on hold waiting to speak with a representative after 30 seconds have lapsed; and (b) the number of calls rejected by the Companies' IVR systems due to large call volume.

10. Gas Safety Performance Metrics

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

Performance Measure	Basis Points at Risk CY 2024 – CY 2026
LPP Removal	15
Leak Management	15
Damage Prevention	20
Emergency Response Time	25
Gas Regulations Performance Measure	75
Total at Risk	**150**

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

Additional information on the implementation of Gas Safety Performance Metrics is found in Appendix 9, Compliance Measure Procedure.

10.1 Leak Prone Pipe Removal

10.1.1 Minimum LPP Removal Targets

The Companies will each incur a negative revenue adjustment of 15 basis points should they fail to remove from service a minimum number of miles of LPP in CY2024, CY2025, or CY2026, or the cumulative three-year totals of miles of LPP as set forth below by the end of CY2026. The Companies will remove or retire leak prone services in conjunction with LPP main removal efforts. KEDNY and KEDLI's respective targets are as follows:

KEDNY	Calendar Year 2024	Calendar Year 2025	Calendar Year 2026	Cumulative (CY24-CY26)
Minimum Removal Targets	40	46	51	152
Budgeted Removal Targets	45	51	56	152

KEDLI	Calendar Year 2024	Calendar Year 2025	Calendar Year 2026	Cumulative (CY24-CY26)
Minimum Removal Targets	114	121	129	379
Budgeted Removal Targets	119	126	134	379

10.1.2 High Risk Mileage Target

If KEDNY or KEDLI achieves the minimum removal target in a Calendar Year, the Company will also be subject to the High Risk Mileage Target in that Calendar Year. Pursuant to this metric, KEDNY will complete 80 percent and KEDLI will complete 70 percent of Proactive LPP removals from the high risk (Tier 1 and Tier 2) inventory. Failure to meet the High Risk Mileage Target in an applicable Calendar Year will result in a five basis point negative revenue adjustment.

10.1.3 KEDNY Cast Iron Target

If KEDNY achieves the minimum removal target in a Calendar Year, the Company will also be subject to the KEDNY Cast Iron Target in that Calendar Year. Pursuant to this metric, a minimum of 80 percent of the Proactive LPP removed in each calendar year must be Cast Iron. Failure to meet the KEDNY Cast Iron Target in an applicable Calendar Year will result in a five basis point negative revenue adjustment.

10.2 Leak Management

10.2.1 Leak Backlog Metrics and Revenue Adjustments

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

KEDNY Leak Metric	Target		Negative Revenue Adjustment
Workable Leaks (Type 1, 2, 2A)	Each CY	≤ 10	10 basis points
Total Leaks (Type 1, 2, 2A, 3)	CY2024	1,200	5 basis points
	CY2025	1,000	
	CY2026	800	

KEDLI Leak Metric	Target		Negative Revenue Adjustment
Workable Leaks (Type 1, 2, 2A)	Each CY	≤ 10	10 basis points
Total Leaks (Type 1, 2, 2A, 3)	CY2024	3,150	5 basis points
	CY2025	2,250	
	CY2026	1,250	

At the end of Rate Year Three, if not modified by the Commission, the following shall apply to the Leak Management metric. The workable leak backlog shall continue at less than ten leaks with a 10 basis point negative revenue adjustment liability. The total leak backlog targets shall continue to decrease at an annual rate of 200 leaks for KEDNY and 750 leaks for KEDLI until the total leak backlog is reduced to less than 100 leaks. The total leak backlog shall continue to carry a five basis point negative revenue adjustment liability. This shall remain in effect until modified by the Commission.

The Companies will be considered to have met their annual backlog targets if the target is achieved any time between December 21 and December 31 of the respective calendar year.[13]

10.3 Damage Prevention

All damages will be tracked, measured and counted following the guidelines for the data reported for the Annual Pipeline Safety Performance Measures Report, excluding homeowners and hand damages that did not provide a one-call ticket. The Companies will incur negative revenue adjustments of up to 20 basis points or positive revenue adjustments of up to 10 basis points for damage prevention performance (per 1,000 one-call tickets) within the following targets:

[13] Only "successful elimination" of a leak will be considered a valid leak repair. The successful elimination of a leak is defined as both: a leak repaired which does not require a recheck inspection, and a leak requiring recheck inspection that successfully completes the recheck inspection. Recheck inspections are as required by the pipeline safety regulations. Leaks that fail recheck inspections must be added back into the backlog.

KEDNY

CY2024	CY2025	CY2026	NRA BPs	PRA BPs
>2.95	>2.85	>2.75	20	-
2.76 to <2.95	2.64 to <2.85	2.51 to <2.75	10	-
2.51 to <2.76	2.39 to <2.64	2.26 to <2.51	5	-
1.76 to <2.51	1.64 to <2.39	1.51 to <2.26	-	-
1.35 to <1.76	1.23 to <1.64	1.10 to <1.51	-	5
<1.35	<1.23	<1.10	-	10

KEDLI

CY2024	CY2025	CY2026	NRA BPs	PRA BPs
2.95	2.85	2.75	20	-
2.76 to <2.95	2.64 to <2.85	2.51 to <2.75	10	-
2.51 to <2.76	2.39 to <2.64	2.26 to <2.51	5	-
1.76 to <2.51	1.64 to <2.39	1.51 to <2.26	-	-
1.35 to <1.76	1.23 to <1.64	1.10 to <1.51	-	5
<1.35	<1.23	<1.10	-	10

The Companies will continue to collect damage data and compute damage performance in accordance with the criteria for the Gas Safety Performance Measures Report.

10.4 Emergency Response Time

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

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

The Companies can earn a positive revenue adjustment of up to six basis points as shown in the table below:

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

Instances of 20 or more odor calls in a two-hour period resulting from a mass area odor issue that is not caused by the Company can be excluded in accordance with procedure discussed in Appendix 9.

10.5 Gas Regulations Performance Measure

(a) The Companies will incur negative revenue adjustments for instances of noncompliance (occurrences of violations) of certain gas safety regulations identified during Staff's field and records audits that pertain to the Rate Years in this rate plan. See Appendix 9 for a list of the high risk and other risk gas safety regulations pertaining to this metric.

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

Audit	Type	Occurrence	Basis Points
Records	High Risk	1 to 5	0
		6-10	0.5
		11+	1
	Other Risk	1-10	0
		11+	0.25
Field	High Risk	1 to 10	0.5
		11+	1
	Other Risk	All	0.25

(c) The number of occurrences of noncompliance with each high risk and other risk regulation listed in Appendix 9 subject to a negative revenue adjustment is capped at 10 per audit type (Field or Record) per calendar year. If either of the Companies are individually cited for more than 10 occurrences of noncompliance with a particular high risk or other risk regulation in a calendar year, the affected Company will provide Staff, within 90 days of Staff's audit letter, a compliance improvement plan that contains: (i) a root cause analysis of its compliance deficiency; and (ii) a proposed mitigation plan to address future performance. The affected Company and Staff will meet to develop a mutually agreeable mitigation plan that will include provisions for tracking and regular reporting on the Company's efforts to address the compliance deficiency. Should either Company fail to comply with their improvement plan, those violations of a given code section in excess of 10 shall count towards this metric.

(d) At the conclusion of each audit, Staff and each Company will have a compliance meeting where Staff will present its findings. The Company will have 10 business days from the date the audit findings are presented to cure any identified document deficiency. Only official Company records, as defined in its Operating and Maintenance plan, will be considered by Staff as a cure to a document deficiency. Staff will submit its final audit report to the Secretary to the

Commission under Case 23-G-0225 and/or 23-G-0226, as applicable. If the Company disputes any of Staff's final audit results, the Company may appeal Staff's findings to the Commission. The Company will not incur a negative revenue adjustment on the contested findings until such time as the Commission has issued a final decision on the contested findings. The Company does not waive its rights to seek an appeal of any Commission determination regarding a violation or penalty under applicable law.

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

(f) If the Companies are found to be in violation of their respective work procedures, but the work procedures exceed the prescriptive requirements in Code Sections 255 or 261, and the Companies are not in violation of the Code requirements, the violation will not be subject to a negative revenue adjustment under this Safety Violation metric.

(g) For Field Audits, only actions performed or required to be performed in the year that the Field Audit is conducted may constitute an occurrence under this metric (*e.g.,* violations arising from 2024 Field Audit findings would count towards any applicable Rate Year One (2024) negative revenue adjustments).

(h) For Record Audits, only documentation required to be performed or produced during the calendar year prior to the year in which the Record Audit is conducted may constitute an occurrence under this metric (*e.g.,* violations arising from 2025 Record Audit findings for activities performed or not performed in 2024 would count towards any applicable Rate Year One

(2024) negative revenue adjustments) unless it is a continuing violation from prior years, in which case it may constitute a non-compliance under this measure.

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

10.6 Gas Safety Reporting and Exceptions

The Companies will each report their annual performance in each of the areas set forth in Sections IV.10.1 to IV.10.5 to the Secretary to the Commission no later than March 15 of the following calendar year.

11. <u>Customer Initiatives</u>

11.1 Economic Development

For each Rate Year, economic development funding will be set at $1.382 million for KEDNY and $1.160 million for KEDLI. During each Rate Year, the Companies will each amortize prior economic development deferral credits so that the net revenue requirement for each Company is $0. During the term of the rate plans, both firm and non-firm non-residential customers will be eligible for the respective Company's economic development programs. During the term of the rate plans, the Companies will offer the following economic development programs:

(a) Economic Development and the Future of Heat;

(b) Cooperative Business Recruitment Program;

(c) Natural Gas Manufacturing Productivity Program;

(d) Brownfield Redevelopment Assistance Program;

(e) Clean Tech Incubation;

(f) Cinderella Program; and

(g) Sustainable Gas and Economic Development Program.

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

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

11.2 Energy Affordability Program

The components of KEDNY and KEDLI's EAP costs are shown in Appendix 6, Schedule 3 for KEDNY and Appendix 7, Schedule 3 for KEDLI.

In accordance with the Commission's "Order Adopting Low Income Program Modifications and Directing Utility Filings" issued and effective May 20, 2016 in Case 14-M-

0565 ("Low Income Order") the Companies will adjust the energy burden and benefit levels for each calendar year to align the annual rate allowance to the two percent budget cap, if necessary. The Companies' EAP costs are subject to reconciliation, as set forth in Section IV.8.1.2.

11.3 Weather-Related Protection

During the term of the rate plans, the Companies will implement the following cold weather protections during the "Cold Weather Period" as defined in 16 NYCRR § 11.5I(2).

(a) The Companies will (i) accept all Home Energy Assistance Programs ("HEAP") payments; and (ii) restore service and suspend full collections for residential customers that receive a HEAP payment regardless of the amount due from the customers and/or the customer's payment status.

(b) The Companies will offer DPAs to residential customers where a regular or emergency HEAP payment is received regardless of whether the customer has previously defaulted on a DPA or emergency DPA.

(c) The Companies will suspend terminations of residential gas heating customers on days when either the local weather forecast (National Weather Service) predicts temperatures below 32 degrees Fahrenheit, or the forecast high temperature, factoring in the local wind chill, does not exceed 32 degrees Fahrenheit for two or more consecutive days in the geographic operating region.

(d) The Companies will not terminate service to residential service accounts identified as elderly, blind or disabled.

11.4 Domestic Violence Policy and Procedures

Within six months of the effective date of the Joint Proposal, the Companies will develop and establish policies, procedures and employee training for identifying and addressing situations involving domestic violence involving customers.

11.5 DPAs

The Companies will continue to offer non-standard payment terms to customers based on need. The Companies will also implement the following changes to their process for enrolling DPAs:

(a) Within 120 days of the Effective Date of the Joint Proposal, KEDNY will implement a procedure to allow call center representatives to take financial statements over the phone to determine eligibility for a non-standard DPA.

(b) Customers will continue to sign/e-sign and return a DPA, as required by HEFPA Title 16 NYCRR § 11.10. Within 120 days of the Effective Date of the Joint Proposal, to assist customers with the DPA process, the Companies will (i) allow customers with the ability to execute an e-DPA to verbally agree to the terms of a DPA over the telephone, (ii) mail/email a written copy of the DPA to the customer requesting that it be signed/e-signed and returned, (iii) instruct customers that a signed/e-signed copy is required to activate the DPA. Prior e-DPAs that have received a verbal agreement over the phone will not be subject to review unless a customer asserts that there was no intent to sign the DPA;

(c) Within 120 days of the Effective Date of the Joint Proposal, the Companies will implement (i) text messaging to customers that default on DPAs in a manner that will permit the customer to make missing payment and re-establish the payment agreement; and (ii) enhance the Companies' existing Customer Rights and Protections outreach program to increase awareness about the DPA process; and

(d) On or before December 31, 2024, the Companies will implement web enhancements to permit customer to provide digital signatures.

11.6 Outreach and Education Reporting

During the term of the rate plans, the Companies will continue to file their annual outreach and education reports in Case 17-M-0475 by April 1 of the following year. In preparing such reports, the Companies will use the modified budget template which is attached hereto as Appendix 11 and include separate budgets for each Company by program with dollar amounts for each activity line item including labor. Where the Companies identify the portion of their outreach and education budgets that are reflected in other sections of the reports, they will identify the page numbers on the document, the name of program budget and the amount allocated to the relevant outreach program.

11.7 Language Access

During the term of the rate plan, the Companies will expand the availability of translated customer assistance materials at in-person events and on the Companies' websites within the Companies' existing outreach and education budgets. The translated materials will, at a minimum, include communications regarding customer rights and responsibilities, safety, and bill assistance and will be translated into Spanish, Russian, Chinese, Polish, Haitian Creole, Bengali, Yiddish, Urdu and/or Arabic based on Company and external data such as census data regarding language preferences in a given community. Language data will be assessed annually and language offerings adjusted, if necessary, but in no event will the Companies reduce the number of languages that it translates materials into. In addition, the Companies will translate key energy efficiency materials in accordance with the Energy Efficiency and Building Electrification Language Access filing in Case 18-M-0084.

11.8 Special Protection Marketing

The Companies will increase promotion of their special protection programs by making information about the programs more visible on the Companies' website and expanding the availability of program information at in-person events. The Companies will also enhance the training of their call center service representatives who have direct contact with customers who may be eligible for the program.

11.8.1 LMI Marketing and Outreach

The Companies' revenue requirements reflect funds for LMI Marketing and Outreach in the amounts of $0.175 million for KEDNY and $0.325 million for KEDLI. Within 60 days of a Commission order approving the Joint Proposal, the Companies will file an LMI Marketing and Outreach program plan with the Commission. The plan shall define specific marketing and outreach activities as described in the Companies' Exhibit (CP-1), Schedule 5: LMI Marketing and Outreach. The plan shall also describe the outreach methods and channels, expected timeline, and target areas and customers. The Companies will implement tactics and strategies informed by lessons learned from Niagara Mohawk Power Corporation d/b/a National Grid's outreach activities. In addition, the Companies will implement the following measures to track and measure the success of the program:

Awareness

- Conducting pre-program customer survey/research to establish a baseline of LMI program awareness;
- Conducting follow-up survey/research at a future point to track improvements in awareness;
- Including a question within the EAP application process to identify how the customer learned of the program;

Engagement and Reach

- Tracking the number of impressions, sends, and click-through-rates, of relevant marketing communications and channels;
- Including QR or campaign codes in marketing efforts to enable tracking of the path a customer takes to get to the relevant program information;

- Tracking the number of customer assistance events and/or webinars, including the number of attendees;

- Tracking the number of moderate-income customers the Companies encounter, through the EAP self-certification process or interactions with Consumer Advocates, who are above the income limits for the EAP or do not receive one of the qualifying programs.

- Tracking customer participation in moderate income programs such as Hearts Fighting Hunger and Hope & Warmth Energy Fund programs.

- Tracking the number of EAP enrollments pre- and post-program implementation; and

- Tracking the number of EAP enrollments through contact with a Consumer Advocate.

Any future updates to this program including evaluation results shall be filed as part of the Companies' Annual Outreach and Education Plan in Case 17-M-0475.

11.8.2 Stakeholder Meetings

To foster transparency and collaboration, the Companies will hold annual stakeholder meetings for the term of the rate plan to present their low-to-moderate income ("LMI") Marketing Plan and, subsequently, the results of the measures used to track LMI marketing and outreach, described above in Section 11.8.1, to enable stakeholders to make recommendations to improve the Companies' marketing strategies and increase their LMI customer reach rate. The Companies will convene their first stakeholder meeting to introduce the LMI Marketing Plan within 90 days of the Commission's issuance of an order adopting the terms of the Joint Proposal, (*i.e.,* 30 days after the Companies' file their LMI Marketing and Outreach Plan with the Commission). This stakeholder meeting will provide a platform for stakeholders to discuss and provide feedback to the Companies regarding their planned marketing efforts and interactions with LMI customers. The Companies agree to modify their LMI Marketing and Outreach Plan to address stakeholder recommendations, within 60 days of each annual stakeholder meeting(s).

11.9 Customer Service Full Time Equivalents ("FTEs")

The revenue requirements established pursuant to this Joint Proposal provide funding for the following customer service-related FTE positions:

Consumer Advocates

	Incremental FTEs RY1	Incremental FTEs RY2	Incremental FTEs RY3
KEDNY	2.0	-	-

Collection Residential Account Managers

	Incremental FTEs RY1	Incremental FTEs RY2	Incremental FTEs RY3
KEDNY	2.0	-	-
KEDLI	1.0	-	-

Residential Energy Equity Analyst

	Incremental FTEs RY1	Incremental FTEs RY2	Incremental FTEs RY3
KEDNY	0.5	-	-
KEDLI	0.5	-	-

Data Analyst

	Incremental FTEs RY1	Incremental FTEs RY2	Incremental FTEs RY3
KEDNY	0.7	-	-
KEDLI	0.3	-	-

EAP Administrators

	Incremental FTEs RY1	Incremental FTEs RY2	Incremental FTEs RY3
KEDNY	1.5	-	-
KEDLI	1.5	-	-

KEDNY Field Collection Representatives

	Incremental FTEs RY1	Incremental FTEs RY2	Incremental FTEs RY3
KEDNY	25.0	-	-

11.10 Energy Efficiency

11.10.1 Rate Year Energy Efficiency Costs

The revenue requirements established in this proceeding include the following:

- Rate Year One - $34.719 million of energy efficiency costs for KEDNY and $27.816 million of such costs for KEDLI.
- Rate Year Two - $42.257 million of non- LMI and $9.081 million of LMI energy efficiency costs for KEDNY and $30.463 million of non-LMI and $7.286 million of LMI energy efficiency costs for KEDLI.
- Rate Year Three - $31.489 million of non-LMI and $11.518 million of LMI energy efficiency costs for KEDNY and $23.071 million of non-LMI and $9.824 million of LMI energy efficiency costs for KEDLI.

If the Commission issues a final order establishing energy efficiency costs for the post-2025 period prior to the issuance of a final order establishing rates in this proceeding, then the Rate Year Two and Three revenue requirements will be revised to reflect the budget amounts approved by the Commission.

11.10.2 Incremental Energy Efficiency Surcharge Mechanism

The Companies will establish a separate Incremental Energy Efficiency Surcharge mechanism ("IEE") to permit the Companies to recover (i) any difference between the amount of energy efficiency costs reflected in rates and the energy efficiency budgets approved by the Commission, and (ii) any incremental energy efficiency costs approved by the Commission in the future. An illustration of the IEE is set forth in Appendices 6 and 7, Schedule 11 for KEDNY and KEDLI, respectively.

11.10.3 Energy Efficiency Cost Reconciliation Mechanism

The Companies will implement a downward-only energy efficiency cost reconciliation mechanism. Each Rate Year, the Companies will reconcile the energy efficiency costs recovered in both base rates and the IEE surcharge and their actual energy efficiency expenditures. Following the conclusion of Rate Year Three, the Companies will defer any cumulative unspent energy efficiency funds. The reconciliation applies to each of the Companies' aggregate total energy efficiency spending over the rate period, not to individual program components. The Companies will continue to be afforded the flexibility to shift funds within their respective energy efficiency portfolios, in accordance with the rules and requirements established in Case 18-M-0084.

11.10.4 Energy Efficiency, Demand Response, Non-Pipe Alternatives and Strategic Account Management FTEs

The revenue requirements established pursuant to this Joint Proposal provide funding for the following energy efficiency-related FTE positions:

Energy Efficiency

	Total HTY FTEs 12/31/22	Incremental FTEs RY1	Incremental FTEs RY2	Incremental FTEs RY3
KEDNY	22.8	4.25	-	-
KEDLI	17.6	4.25	-	-

Demand Response

	Total HTY FTEs 12/31/22	Incremental FTEs RY1	Incremental FTEs RY2	Incremental FTEs RY3
KEDNY	2.3	1.0	-	-
KEDLI	1.1	1.0	-	-

Non-Pipe Alternative

	Total HTY FTEs 12/31/22	Incremental FTEs RY1	Incremental FTEs RY2	Incremental FTEs RY3
KEDNY	0.4	0.5	-	-
KEDLI	0.8	1.0	-	-

Strategic Account Management

	Total HTY FTEs 12/31/22	Incremental FTEs RY1	Incremental FTEs RY2	Incremental FTEs RY3
KEDNY	0.7	0.75	-	-
KEDLI	2.1	0.75	-	-

11.10.5 KEDLI HEAT Program

KEDLI's revenue requirements provide funding in an annual amount of $2.5 million per year for the KEDLI HEAT program through the end of calendar year 2025. KEDLI will use reasonable efforts to complete all HEAT projects by the end of calendar year 2025. No later than January 1, 2025 KEDLI will, in consultation with NYSERDA and Staff, develop and file with the Commission a transition plan addressing customer outreach to inform affected customers of the transfer of responsibility for programs equivalent to the HEAT program to NYSERDA, planned periods reporting, processes to limit or avoid gaps in program offerings and a timeframe for completing HEAT projects beyond 2025, if applicable. In addition, KEDLI will establish an annual KEDLI HEAT Program target of 7,737 MMBtus.

11.10.6 Weatherization Health and Safety Program

During each Rate Year, the Companies will provide a 100 percent shareholder-funded, with no contribution(s) from customers, weatherization health and safety ("WH&S") program capped at \$2.000 million annually (*i.e.,* capped at \$6.000 million over the three-year term of the rate plan). The Companies will allocate any unspent funding in any given Rate Year to the following year, over and above the annual program cap as described above. Following the term of the Rate Plan the Companies agree to perform a reconciliation of program expenditures. The program will enable the Companies to provide non-energy related services to address health and safety barriers to energy efficiency from LMI and Disadvantaged Community households, including remediation of carbon monoxide hazards, molds, pests, insufficient airing or ventilation, plumbing problems, blocked access to spaces in the home and unsafe appliances. The Companies will permit customers participating in the program to self-attest their income for purposes of program qualification. This shareholder commitment will not extend beyond the end of Rate Year Three.

No later than June 30 of each Rate Year commencing in Rate Year One, the Companies will file an annual implementation plan for the WH&S plan similar to plans that are submitted from the Companies' energy efficiency programs. At a minimum, the implementation plan will address the following:

(i) the program implementation model, including:

(a) the process by which deferred applicants to the KEDLI Heat or Empower programs are referred to the WH&S program;

(b) the process by which eligible customers are enrolled in the program;

(c) the process by which eligible customers are selected or prioritized for participation in the program;

(d) the roles and interests of the Companies' employees, NYSERDA resources and Company contractors in the program; and

(e) collaborative and coordination efforts with other energy efficiency/building electrification program administrators to develop a statewide WH&S program.

Beginning in Rate Year Two, no later than 90 days after the end of the prior rate year, the Companies will file an annual WH&S performance report to provide:

● spending by category (internal administration, implementation and incentives);

● the description of the measure implemented;

● the spending for each measure category as part of program spending;

● the number of customers served;

● the number of customers that applied to the KEDLI Heat or Empower program but were deferred due to WH&S issues;

● the cost per measure;

● the number of projects in DACs compared to the number of project in non-DACs;

● the total number of LMI customers in the same territory;

●lessons learned;

● a comparison of the program's performance in each of the Companies' service territories; and

● a summary of completed and ongoing collaborative efforts.

Following the submission of the report, the Companies will notice and commence an annual conference to discuss program performance and any planned changes to the programs.

12. Energy Services Company Issues

12.1 Demand Response Notification

No later than 90 days following the Commission's approval of the Joint Proposal, the Companies will amend their Demand Response ("DR") procedures to provide energy services companies ("ESCOs") with information related to an ESCO customer's participation in the DR program, provided the customer has authorized the ESCO to receive such information. The Companies will also develop a way for ESCOs and other interested parties to request to receive notifications of DR events and provide notification to the requesting parties – within 24 hours after the fact – of the occurrence of DR events.

13. Filing for New Rates

13.1 During the Term of the Rate Plan

KEDNY and KEDLI agree not to file for new base delivery rates to be effective prior to April 1, 2027. The following exceptions will apply:

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

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

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

(d) KEDNY and KEDLI may petition the Commission for minor changes in base rates, provided the effect is *de minimis* or is essentially offset by associated changes in other base rates, statements, terms or conditions of service; and

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

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

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

14. <u>Miscellaneous Provisions</u>

14.1 Corporate Structure and Affiliate Rules

The corporate structure and affiliate rules that apply to the Companies, which reflect a modification to Section 8.1.2 to clarify that all regulated company management employees shall receive annual training on the Standards of Competitive Conduct, are set forth in Appendix 10.

14.2 KEDNY Sales Tax Refund Case (Case 23-G-0200)

KEDNY will retain 10 percent of the sales tax refund sales and use tax refund, including consulting fees and interest, and will defer the remaining 90 percent of the refund balance in the amount of $3.135 million for the benefit of customers.

V. Other Provisions

1. Submission to the Commission

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

2. Conditioned on Commission Adoption/No Severability

The Signatory Parties intend this Joint Proposal to be a complete resolution of all issues in these proceedings. It is understood that each provision of this Joint Proposal is in consideration and support of all the other provisions, and expressly conditioned upon acceptance by the Commission. Except as set forth herein, none of the Signatory Parties is deemed to have approved, agreed to, or consented to any principle, methodology, or interpretation of law underlying or supposed to underlie any provision herein. If the Commission does not adopt this Joint Proposal according to its terms, then the Signatory Parties to the Joint Proposal will be free to pursue their respective positions in this proceeding without prejudice.

3. Application of Agreement/No Precedent

The provisions of this Joint Proposal apply solely to and are binding only in the context of this Joint Proposal and this proceeding. None of the terms of this Joint Proposal and none of the positions taken by any Signatory Party with respect to this Joint Proposal may be referred to, cited by or relied upon by anyone in any manner as precedent or otherwise in any other proceeding before the Commission or any other regulatory body or before any court of law for any purpose other than the adoption, implementation, furtherance, or extension of this Joint Proposal. Concessions made by any Signatory Party on any issue do not preclude that party from addressing such issues in future rate proceedings or in other proceedings.

4. Future Action/Dispute Resolution

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

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

5. Continuation

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

6. Extension

Nothing in this Joint Proposal will be construed as precluding the active parties from convening additional conferences and from reaching agreement to extend the term of the rate plan set forth in this Joint Proposal on mutually acceptable terms and from presenting an agreement concerning such extension to the Commission for its approval.

7. Entire Agreement

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

8. Counterparts

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

Signature Pages Follow

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

By:

Philip A. DeCicco
New York General Counsel

Date: March 15, 2024

Cases: 23-G-0225 & 23-G-0226

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

By: ____________________________
Nicholas Forst, Esq.
Staff Counsel

Date: April 9, 2024

THE CITY OF NEW YORK

Dated: March 25 2024 By: ____________________

The City of New York is a Signatory Party to the Joint Proposal because of the multiple benefits included in the Joint Proposal for New Yorkers, which will offset, in part, the substantial rate increases; lay a foundation for aligning natural gas rates with the mandates of the Climate Leadership and Community Protection Act (CLCPA); and otherwise improve National Grid's provision of gas service to its customers. The City remains very concerned about the impact that these major rate increases will have on New York families and businesses, particularly in the first rate year, and expects to work with parties to fully integrate the State and City's climate mandates into forthcoming long term planning proceedings before the Public Service Commission. However, this settlement achieves a number of measures that will increase protections and opportunities for members of frontline communities and low-income customers, and begin to reflect CLCPA requirements. These include:

- Increased focus on non-pipe alternatives, including implementation of a new and innovative non-pipe alternative program that will target leak prone pipe in clusters while replacing gas infrastructure
- Innovative cap on cost recovery related to capital spending on new customer connections, slowing the growth of the gas system
- Heightened attention to repairing gas leaks expeditiously and enhanced leak detection for high-emitting leaks
- Requirements for National Grid to improve notifications and response times following outages at the Newtown Creek biogas-to-grid facility
- Continued prohibitions on residential service terminations during extreme cold temperatures
- Continued low-income discount programs that seek to limit energy cost burdens to 6%, with targeted energy efficiency marketing and outreach to low- to moderate-income customers and disadvantaged communities
- Increased outreach in more languages, including Spanish, Russian, Chinese, Polish, Haitian Creole, Yiddish, Urdu and Arabic

While the rate levels in the Joint Proposal constitute a reduction from National Grid's initial requests, and the City and other stakeholders secured significant additional commitments from National Grid, customers will still be burdened by ever-rising utility expenses. National Grid needs to continue to provide safe, reliable, and resilient service to its customers, and it must take actions to decarbonize and achieve concurrent City and State policy goals to ensure the prosperity of the City in the years to come. National Grid must also further scrutinize its spending and make efforts to minimize its expenditures and reduce customer impacts. Additionally, the Public Service Commission and the State should consider additional resources for low-income customers, identify alternate forms of funding for certain energy initiatives, and take other actions to minimize costs and ensure that utility bills remain affordable for all customers.

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

Rothfelder Stern, L.L.C.
Attorneys for Environmental Defense Fund

By: ______________________________
Martin C. Rothfelder, Esq.

Date: March 15, 2024

NRG Energy, Inc. has this day signed and executed this Joint Proposal.

By: ______________________
George M. Pond, Esq.
Attorney for NRG Energy, Inc.

Date: March 15, 2024