ANNUAL REPORT
FISCAL YEAR 2016-2017

April 1, 2016 - March 31, 2017

Taughannock Falls State Park

John B. Rhodes, Chair
Andrew M. Cuomo, Governor

NEW YORK STATE OF OPPORTUNITY. | Department of Public Service

Table of Contents

Mission Statement 4

Message from the Interim CEO 6

Introduction 8

Major Department Initiatives 8

I. Reforming the Energy Industry 8

- REV in Motion 9
- Demand Response 10
- Advanced Metering Infrastructure 11

II. Ensuring Affordability and Access to Services 12

- Consumer Protections 12
- Safeguarding Consumer Interests 14
- Energy Affordability and Low-Income Consumer Support 15
- Telecommunications Improvements 17
  - Cable Mergers and Expansion of Service 17
  - Water Rates and Service 19

III. Strengthening Reliability and Public Safety 19

- Customer Service 21
- Gas Safety 21

IV. Protecting the Environment 22

- Clean Energy Fund 22
- Clean Energy Standard 23
- Increasing Renewable Resources 22
  - James A. FitzPatrick Nuclear Power Plant 24
  - Indian Point 24

V. Modernizing Infrastructure 25

- Energy Efficient Street Lighting 25

Major Rate Case Decisions (graph) 26

APPENDIX:

Budget Highlights 27

Mission Statement

The primary mission of the New York State Department of Public Service is to ensure affordable, safe, secure, and reliable access to electric, gas, steam, telecommunications, and water services for New York State's residential and business consumers, while protecting the natural environment. The Department, the staff arm of the Public Service Commission, also seeks to stimulate effective competitive markets that benefit New York consumers through strategic investments, as well as product and service innovations.

This page intentionally left blank

Message from the Chief Executive Officer …

The Department of Public Service continued to work on the ambitious long-term agenda that had been laid out over the past few years, including Fiscal Year (FY) 2016-17, that reflects the importance of the industries it regulates to ensure the State’s economic and environmental health. I am very proud to report that we continued to accomplish more in the last few years than any time in recent memory.

At the top of the agenda for FY16-17 was the continued work on Governor Andrew M. Cuomo’s efforts to modernize New York’s utility systems. That essence of the Governor’s ‘Reforming the Energy Vision’ Initiative, or REV, involves using demand reduction and clean-energy solutions as a core strategy to meet energy needs. Past approaches resulted in an inefficient system. REV has helped to introduce cutting-edge, modern technology to our utility system, which will result in more customer choice, a cleaner and more resilient grid, and a more cost- effective means to achieve our reliability and climate change objectives. REV principles have been and will continue to be folded into utility rate cases as a means to stabilize rates. In 2016, there were seven major rate cases decided by the PSC. The utilities requested rate increases totaling nearly $685 million, but through the Department’s rigorous review process, the PSC reduced those requests by $241 million, a 35 percent reduction. The Department also represented New Yorkers at the Federal Communications Commission and the Federal Energy Regulatory Commission where decisions can have profound impact on consumers. In early 2017, for example, we secured a victory at FERC that reduced energy costs in New York by $160 million per year.

Over the past year, the Department continued to work on implementing the Clean Energy Standard to meet 50 percent of our electricity needs from renewable resources by 2030, and value the carbon -free benefits of the upstate nuclear fleet. Staff worked with utilities, who are investing in their networks so we can use distributed energy resources like solar and storage better to reduce consumer costs and improve resiliency. Under Staff’s direction, utilities are working with municipalities to make street lighting more efficient and support community-based distributed generation and energy supply options, thereby lowering municipal costs and setting the stage for smarter cities. As a result of Governor Cuomo’s Clean Energy Standard initiative, applications to construct renewable energy facilities have accelerated. As of January 2017, there were a record 17 wind farm proposals totaling nearly 3,000 MWs pending before the Board on Electric Generation Siting and the Environment, which I chair. This development activity will spur clean-energy jobs and provide new revenues to local governments. Our process gives local communities opportunities to be heard and our siting rules ensure negative siting impacts are addressed. We adopted the State's first-ever Energy Affordability Policy, which will provide nearly 2 million low-income New Yorkers with utility discounts, up from 1.1 million, as well as targeting clean-energy solutions to low-income households, demonstrating that clean energy and affordability go hand-in-hand.

We continued to focus on gas safety, among our most important responsibilities. We've strengthened our gas safety regulations, accelerated the replacement of older pipelines, and continued our vigorous oversight of gas utilities.

In the telecommunications sector, we will continue our oversight of substantial investment in broadband build-out, helping achieve Governor Cuomo's vision for universally available broadband. As part of our recent approval of cable mergers, we required substantial investment in broadband infrastructure, increased broadband speeds, and new low-income broadband programs throughout New York.

Next year, reforming the ESCO market will be a priority. Utility customers can sign up with energy service companies, or ESCOs, to supply them with energy. We have heard complaints from many consumers and their representatives about ESCOs grossly overcharging and using deceptive marketing practices. Our focus will be in three areas: (1) prohibiting ESCOs from serving low-income customers in New York unless clear value is shown; (2) thoroughly exploring larger ESCO market reforms to better define what services are of value to consumers, give consumers more information to make better choices, and remove opportunities for ESCO abuses; and (3) holding individual ESCOs accountable if existing rules are violated. Last year, we secured $4 million in consumer refunds from ESCOs.

We have revitalized our complaint handling process and our public outreach efforts to maximize public involvement in our proceedings. Last year, our agency answered more than 60,000 complaints, including more than 53,000 calls. We received and reviewed nearly 32,000 written public comments — more than 600 a week on average. We held 84 public statement hearings that were attended by thousands of people. Transparency and public involvement remain an integral component of our work.

The energy world is changing, and the Commission continues to reform its regulatory policies to ensure customers benefit from the creation of economically and environmentally sustainable energy markets. The Commission continued to maximize the utilization of resources and reduce the need for new infrastructure though demand management, energy efficiency, renewable energy, distributed generation and energy storage programs.

In conclusion, the continuous actions the Commission and Department have taken in FY16-17 will not only ensure affordable, safe, secure and reliable access to electric, gas, steam, telecommunications, and water services for New York State's residential and business customers, while protecting the environment, they will also stimulate economic growth and job creation.

John B. Rhodes, Chief Executive Officer
July 5, 2017

Introduction

The availability of reliable, resilient and affordable electric, natural gas, telecommunications, and water service is critical to the welfare of citizenry and is essential to New York's economy. From April 1, 2016 to March 31, 2017, the New York State Public Service Commission continued to fulfill its mission to ensure affordable, safe, secure, and reliable access to regulated utilities for New York State's residential and business consumers, while protecting the natural environment. It also continued to seek to stimulate effective competitive markets that benefit New York consumers through strategic investments, and encouraged development of new innovations.

To carry out its mission, the Commission actively and proactively pursued several significant initiatives and proceedings (e.g., REV, renewable energy, transmission upgrades, gas safety, repowering, storm hardening, low-income protections, telecommunications mergers, and much more) while addressing such questions and challenges as how to ensure continuing economic growth and prosperity in New York; eliminate barriers that block deployment of distributed energy resources and hold back development of clean energy innovations; ensure the safety of the natural gas pipeline; and ensure customers benefit from the creation of economically and environmentally sustainable energy markets.

Major Department Initiatives

I. Reforming the Energy Industry: Governor Cuomo's REV modernization initiative is fundamentally transforming the way electricity is distributed and used in New York State. Under REV, New York is spurring innovation to create a power system that uses more distributed, resilient, cleaner, sources of supply to ensure New York customers benefit from cleaner and more affordable electricity.

Under REV, electric utilities are required to integrate distributed resources to optimize the grid of the future and, in turn, create the right market and pricing environment to fairly financially reward or credit participating customers to encourage these cost-saving and environmentally beneficial activities.

In 2016, the Commission saw results of its call for the private sector to partner with utilities to submit REV demonstration proposals to advance the development of new utility and third-party service or business models and to gain experience with integration of distributed energy resources. In making this request, the private sector was asked to join with the Commission to help design and inform regulatory changes and rate design, and to provide utilities with the opportunity to learn how best to use these distributed resources in system development, planning and operations. The first of these demonstration projects will be an important step in implementing the expected REV policy changes and will influence decisions with respect to developing new transmission and distribution system functionalities, measuring customer response to programs and prices associated with REV markets, and determining the most effective implementation strategies.

The REV demonstration projects will provide insight on how businesses and innovators can work with utilities to unlock private investment in clean energy and deliver new products and services to customers. These projects, a direct response to the State's REV regulatory initiative, show how new energy business models are advancing New York's leadership in building a cleaner, more resilient and affordable energy system for all New Yorkers.

The projects will test how new business models and partnerships with third parties can harness the utility platform, expertise, and brand to reduce clean-energy costs and barriers related to marketing, financing, and operations and maintenance. They also will demonstrate how the utility platform can open access to new value streams based on the benefits local energy resources provide to the system, which improves project economics for clean-energy developers and customers.

The goal is to harness innovative ideas to plan and operate a modern grid that captures the full potential of clean, distributed energy resources to strengthen the energy system and lower costs for customers. By bringing outside parties to the table, we create an environment for new technology solutions with greater consumer choice, helping us meet our clean energy and emissions reduction goals under REV.

REV in Motion: An example of REV in action is the next iteration of major energy regulations, where by utilities must now partner and share data with private technology and energy companies to spur the development of new, clean, and affordable energy solutions throughout the State, under an order approved by the Commission. Utilities must identify sites where third parties can develop cleaner, more affordable energy solutions in place of traditional and more-costly infrastructure. An order issued by the Commission also required utilities to share data, load-planning forecasts and other information with third-party energy providers to enable greater innovation and speed the development of distributed energy resources, such as wind, solar and battery storage, and other cost-saving technologies for home-owners and businesses.

Orange & Rockland partnered with technology companies to deploy battery storage and other clean solutions to relieve peak electricity demands and delay projects that would cost more than $55 million. The O&R project is expected to save customers nearly $2 million, while also reducing greenhouse gas emissions. Utilities throughout the state are also partnering with clean tech companies in new business models to advance demonstration projects that show how they can evolve into their new role as Distributed System Platform (DSP) providers.

As part of the DSP planning process, utilities and other stakeholders will work together to develop:

- Standardized data and other systems to expand the range of potential developers, products and services that can readily exchange information and integrate new innovations;
- Sensing and control technologies that allow utilities to observe/monitor and coordinate/control a much more dynamic and two way distribution system. By sharing data, grid operators will be able to manage the grid, particularly during outages caused by storms, and to get the greatest value from control systems such as automated voltage control;
- A better understanding of the grid in each utility service territory, as well as the entire grid statewide, to identify areas where solar and other clean-power sources can be developed and produce the most value. Utilities and other market participants will develop a deeper understanding of the opportunities to benefit consumers through DER deployment and more intelligent networks as the market matures; and,

• Initiatives that will help reduce carbon emissions, including the state’s transportation system. Utilities must provide preliminary plans to support development of charging stations for electric vehicles. To ensure utilities do not gain a competitive advantage in the development of DER products and services, Commission staff developed a proposed code of conduct.

A second example is Central Hudson’s REV Project. The Commission approved new incentives by which Central Hudson Gas & Electric Corp. would be making new strategic investments to enable the utility to reduce overall demand, and potentially save its residential customers approximately $5 million while enhancing the company’s earnings.

Central Hudson's customers and shareholders will reap the financial benefits of the investments being made by the utility. Enabling consumers and shareholders to share in the benefits of innovative, non-traditional projects that are being developed is a critical component in building the momentum necessary to make these types of investments a pillar of the new utility business model.

A third example is Con Edison's Brooklyn-Queens Demand Management program, where demand is being met with non-wires alternatives in the fast-growing areas of north central and eastern Brooklyn and southwestern Queens. In 2014, the Commission issued an order in which Consolidated Edison may defer the cost of constructing a $1 billion electrical substation in Brooklyn by reducing energy demand from customers, along with investing in less-costly distributed energy resources like solar, batteries and energy efficiency. The Company achieved its annual goal for customer-side savings ahead of schedule in 2016, with even greater load relief forecast in 2017, when more than 5,000 small business and 1,400 multi-family buildings, including more than 9,300 apartments, will be served by the demand management program. Con Ed would like to extend the BQDM project beyond 2018. The company also wants to use alternative energy-saving projects to defer for two more years and possibly eliminate the need to upgrade its Glendale substation among other system improvements.

(Source: Con Edison)

Demand Response Efforts: In FY16-17, the Commission provided utilities with new goals and requirements to help them tap into the benefits of energy storage systems. As part of a Commission order advancing utility planning of Distributed System Implementation Platforms (DSIP), the Commission directed the state's investor-owned utilities to deploy at least two energy-storage projects by the end of 2018. Utilities were required to "significantly increase the scope and speed of their energy storage endeavors (and) by no later than December 31, 2018, each individual utility must have energy storage projects deployed and operating at no fewer than two separate distribution substations or feeders." Utilities must strive to have these energy-storage systems perform at least two types of grid functions, such as increasing the generating capacity of a substation ("hosting capacity") or help reduce the power needed when energy demand is at its highest ("peak load"). The energy-storage requirement was part of a broader order by the Commission to improve utility planning under REV. Under which, utilities will act as "Distributed System Platforms" (DSP) to develop smaller, cleaner energy systems as well as services to help consumers better manage their electricity usage.

The Commission also adopted a standard for sharing and protecting aggregated customer data and required utilities to propose standards for the evaluation of energy efficiency in buildings. Sharing aggregated customer usage allows for innovative approaches to energy efficiency and enables DER developers of distributed energy resources to make investment decisions. It will also help community planning and community choice aggregation proposals.

- Utilities must provide more information and take other steps to encourage the development of DER, demand-management and other energy-saving initiatives ("non-wires alternatives") rather than constructing substations or other infrastructure to meet future energy needs;

- Utilities must do more to create online portals to provide information to help DER developers and projects to interconnect with the electric grid; and,
- Utilities must improve hosting capacity maps and similar information.

With advances in energy storage technologies, utilities should be using energy storage as part of their normal course of business. Now is the time to determine the best locations, technologies, and uses for energy storage, and the action taken by the Commission will accelerate the utilities' deployment of this technology.

Advanced Metering Infrastructure: Last year, the Commission had approved Con Edison's plan to bring two-way "smart meters" to New York City and Westchester County, introducing money-saving products, technology, and incentives to help millions of residential and business customers actively manage their energy usage and take control of their monthly bills. The operational savings, new system-wide efficiencies and overall customer savings that occur as a result of this cutting-edge initiative are significant. As the first-of-its-kind system in New York State, this is a milestone in REV.

Con Edison estimates a net benefit over more than $1 billion from the Advance Metering Infrastructure (AMI) with additional savings expected as consumers take advantage of new energy-saving products and services. In addition to customer savings and new consumer choices, AMI technology will make the entire Con Edison system more responsive and reliable by using data and two-way communications to manage outages and service connections during storms. The new technology is also expected to provide substantial environmental benefits by reducing overall energy demand and a decrease in greenhouse gas emissions.

The energy demands of the modern economy, and the need for system resiliency caused by climate trends, create an increasing need for utilities to have detailed awareness of their flow of energy along their transmission and distribution systems. At the same time, customers require increased ability to manage their energy consumption and energy bills. AMI is a proven technology that addresses both of these goals.

With a solid track record of success, smart meters allow for two-way communication between customers and the local utility. Starting in 2017, Con Edison will begin to install 3.6 million electric smart meters and 1.2 million gas smart meters over the next five years. In addition, the rollout of the new system will include plans for customer engagement and protection of customer data privacy.

Con Edison is already working on the sophisticated information technology system that will drive its AMI system. Among its expected customer and system benefits are:

- Access to a personalized online portal, accessible through smart phones and smart devices, that will give customers detailed information on how they use energy, including nearly-instantaneous data for more-immediate management of their energy needs;
- Customers will be able to receive alerts about their usage throughout the month, before the billing period is complete. This feature could prove to be useful in managing energy usage and costs;
- Empower customers to manage their bills by participating in energy efficiency, demand response and other demand management opportunities presented by a modernized system; utility managers at Con Edison will see conditions on its grid, enabling operation at optimum voltage levels that will reduce energy consumption and greenhouse gas emissions. Con Edison operators will also be able to automatically detect when customers lose power, leading to faster restoration times even without notification from a cus-

tomer. In some cases, service can be restored remotely, creating a great convenience for customers, while also saving time and money and reducing emissions from company vehicles; and

- Con Edison will be able to integrate more solar power systems and other distributed energy resources, while customers will be able to use a variety of sensors and “smart appliances” such as smart thermostats, washing machines, refrigerators, air conditioners and other computerized energy management systems.

- Con Edison will begin the installation of smart meters in customer homes starting in July 2017, beginning in Staten Island. Con Edison estimates a net benefit over more than $1 billion from AMI when fully installed with additional savings expected as consumers take advantage of new energy-saving services available through AMI. In addition to customer savings and new consumer choices, AMI technology will make the entire Con Edison system more responsive and reliable by using data and two-way communications to manage outages and service connections during storms. The new technology is also expected to provide substantial environmental benefits by reducing overall energy demand and decreasing greenhouse gas emissions.

II. Ensuring Affordability and Access to Services:

Utility services are essential to the economic welfare of all customers and the State as a whole. Ensuring universal access at an affordable price is always a focus of this agency. After thoroughly scrutinizing proposed rate increases, the Commission reduced the amount sought by electric and gas utilities by 35 percent, while continuing to ensure safe, reliable service. We expect to continue those efforts thru 2017 and beyond.

Consumer Protections: In FY16-17, the Commission placed a moratorium on the ability of competitive energy service companies (ESCOs) to sell electricity and natural gas to low-income customers. The decision followed the Commissions earlier actions to improve and enhance utility programs to help low-income customers manage their energy burden, which provided nearly 2 million low-income New Yorkers with $248 million in direct savings each year.

The record is clear that low-income customers have not benefitted from electric and gas supply services from ESCOs when that’s all that’s being purchased. The Commission is taking steps to ensure energy affordability for low income customers. Unless and until these guarantees can be made, it is critical that we ensure that low-income customers are not paying any more than necessary for gas and electricity. We challenged the competitive retailers to look for ways to guarantee savings at or below the cost of utility supplied power and gas.

The Commission strengthened the process for revoking ESCO eligibility to do business in New York if it was found in violation of state regulations. It also instituted a “do not knock” rule which provides energy customers with the same freedom from unwarranted intrusion as those registered for "do not call" protections and a company's ability to do business in New York could be revoked if they ignore local solicitation rules regulating door-to-door selling at a residence or place of business.

A series of collaborative meetings with stakeholders were held to define the energy-related value-added products and services that must be provided to low-income customers, to consider available technologies and mechanisms for implementing point-of-sale confirmation of low-income customers, and to consider how best to protect existing low-income customers who are served by ESCOs. It was estimated that there were almost 300,000 low-income customers currently getting their service from an ESCO (both electric and gas). Low-income customers represent about 30 percent of all electric customers in New York State.

During these collaborative meetings, some ESCOs confirmed that they were not likely to provide a guaranteed savings to low-income customers. Stakeholders were also unable to define energy related value-added services that would provide a cost-effective benefit to low-income customers. As a result, the Commission determined that low-income customers would be best served and protected through utility commodity service. Going forward, low-income customers who participate in a utility-low-income program will get their energy services from utilities, not ESCOs.

The energy affordability policy is an important part of REV. The increase in direct financial assistance is part of more than $750 million in annual energy investments by the state on behalf of low-income New Yorkers. Utility discounts for low-income customers currently total $130 million per year.

In FY16-17, The Commission determined that the retail markets serving mass-market customers were not providing sufficient competition or innovation to properly serve consumers. Despite efforts to realign the retail market, customer abuses and overcharging persisted, and there has been little innovation, particularly in the provision of energy efficiency and energy management services. Commodity price differentiation has not worked, and the market for differentiated services is immature or non-existent. If ESCOs were truly living up to the promise of their function as innovators, it is expected that there would be much greater variety and transparency in the market for goods and services that supply real consumer energy value, insistence from serious participants on rules that govern against consumer fraud, maturity beyond door to door selling, and a consumer base with a much greater degree of satisfaction. The Commission continues to examine measures that must be taken to ensure that these customers receive valuable services and pay just and reasonable rates for commodity and other services.

The Commission established two procedural tracts to review: (a) whether ESCOs should be completely prohibited from serving their current products to mass-market customers; (b) whether the regulatory regime, rules and Uniform Business Practices (UBP) applicable to ESCOs need to be modified to implement such a prohibition, to provide sufficient additional guidance as to acceptable rates and practices of ESCOs, or to create the enforcements mechanisms to deter customer abuses and overcharging, including whether the Commission decision not to subject ESCOs to Article 4 of the Public Service Law should be revisited; and (c) whether new ESCO rules and products can be developed that would provide sufficient real value to mass-Market customers such that new products could be provided to them by ESCOs in the future in a manner that would ensure just and reasonable rates. Track I focused on “(a)” and “(b)” and included an evidentiary hearing where sworn testimony and exhibits were subject to cross-examination, followed by the filing of post-hearing briefs prior to Commission action. Track II was for the consideration of measure “(c)” and included collaborative meetings of interested parties, collaborative or party reporter or proposals, and the opportunity to comment in writing prior to Commission action. These efforts will continue in FY17-18.

In March 2017, the Commission directed the State’s major electric and gas utilities to implement measures to ensure the accuracy and effectiveness of utility self-reported data regarding electric reliability, gas safety and customer service. These recommendations stem from an independent audit that assessed the accuracy and effectiveness of this data, as well as cross-company consistency of the data. In his 2013 State of the State Address, Governor Cuomo highlighted the importance of management and operations audits of New York’s utilities, and authorized the Commission to direct utilities to comply with recommendations made as a result of management and operations audits.

When implemented, the recommendations of the audit will facilitate the Commission’s ability to compare performance of each major utility in the State. Importantly, many utility rate plans currently in effect provide that a utility's revenue could be reduced if it fails to meet targeted performance levels.

The Commission oversees the quality of utility services through, among other things, electric reliability, gas safety and customer service performance metrics, our oversight is specifically geared to improve utility operations, and the specific focus of this audit was on the accuracy and effectiveness of electric reliability, gas safety, and customer service data.

This latest audit focused on three functional areas of utility operations: electric reliability, gas safety and customer service at all the major New York energy utilities. This is the seventh major audit to be conducted since the Governor's address. Three of those audits are still underway.

The final report contained more than 425 recommendations designed to improve the accuracy and completeness of the collection and reporting of metrics in the three audit areas. Approximately 175 of those recommendations addressing customer-service metrics are expected to be addressed in the near future. Notable recommendations include:

- Utilities should conduct their own internal audits of their electric reliability, gas safety and customer service data collection and reporting policies and processes;
- Utilities should improve their documentation of process and procedures regarding the collection, calculation, and reporting of gas safety and customer service data; and
- Utilities should adopt standardized methodologies and metrics for measuring electric reliability, gas safety and customer service.

Public Service Law empowers the Commission to undertake management and operations audits of gas corporations and electric corporations, with the discretion to have such audits performed by its staff, or by independent auditors paid for by the company or corporation being audited. After the final report from such an audit is issued, each utility is required to file a report with the Commission detailing its plan to implement the recommendations made in the audit. The utilities subject to this decision were: Consolidated Edison Company of New York, Inc., National Grid (upstate), National Grid (downstate), Central Hudson Gas & Electric Corporation, National Fuel Gas Distribution Corporation, Orange and Rockland Utilities, Inc., Rochester Gas and Electric Corporation, and New York State Electric & Gas Corporation.

Safeguarding Consumer Interests: In FY16-17, The Commission adopted a settlement between the Department of Public Service and Con Edison, which provided $171 million of benefits to customers. The Commission adopted the terms of a settlement between its staff, Con Edison, and other stakeholders following a detailed investigation initiated by the Commission into employee bribery and kickback schemes initially uncovered by the U.S. Attorney. The Commission's staff investigation found that Con Edison failed to properly supervise employees who later were found to have solicited and accepted bribes from contractors and the investigation uncovered other examples of waste and abuse that led to the utility paying higher construction costs than necessary. In order to uncover these mistakes, Commission utility auditors and independent forensic auditing experts examined voluminous financial records related to billions of dollars of construction activity that occurred over nearly a decade.

Under the terms of the settlement agreement, Con Edison credited electric, gas, and steam customers a total of $171 million in future rate plans. The total amount, representing past and avoided future financial harm to customers, includes $123.8 million for electric customers, $29.3 million for natural gas customers, and $17.9 million for steam customers. The value for the typical residential electric customer is approximately $13.50, and approximately $21.77 for the typical residential gas heating customer. There are no residential steam customers.

In reaching the settlement, Con Edison admitted no wrong doing, and the Commission agreed not make any findings warranting a penalty action against the company nor did it make any finding of fact. The agreement, signed by Department of Public Service staff, the Utility Intervention Unit of the New York State Department of State, Con Edison, and the New York Energy Consumers Council, Inc., settled the investigation, but the Commission reserved its right to investigate and act upon any new or different findings of misconduct, should any be discovered.

Energy Affordability and Low-Income Consumer Support: In FY16-17, Governor Cuomo announced the state's first-ever Energy Affordability Policy, which provides nearly two million low-income New Yorkers with $248 million in direct cost relief each year. The new policy limits energy costs for low-income New Yorkers to no more than 6 percent of household income – half of what many were paying. The Commission order increased the number of low-income utility customers receiving monthly discounts from approximately 1.1 million customers to 1.65 million. The Governor also directed a collaborative effort among state agencies, acting as a low-income energy task force, to develop new strategies so that all of the state's 2.3 million households at or below 200 percent of the federal poverty level have greater access to clean energy and are better served by the state's energy efficiency and assistance programs.

> *We must address the fact that millions of New Yorkers struggle every month to pay their electric, gas or heating bills. Through a wide range of REV initiatives, New York can achieve lower energy bills for all customers, at all income levels. But direct assistance is needed for these low-income households where energy costs can account for 15 percent or more of a family's income.*

The increase in direct financial assistance is part of more than $750 million in annual energy investments by the state on behalf of low-income New Yorkers. Utility discounts for low-income customers currently total $130 million per year. The Commission order makes energy discounts more uniform statewide and provides direct savings totaling $248 million to 1.65 million households across New York. Under the new policy, depending on household income and presence of vulnerable residents, electric customers will receive monthly discounts between $11 and $44, up from between $5 and $15 in a typical service territory. Gas customers will receive discounts between $3 and $33. The budget to reach all 2.3 million of New York's low-income households will be capped at no more than 2 percent of utility revenues, a level found to be sufficient to meet the 6 percent energy burden goal for most utilities while balancing rate impacts on other classes of customers.

Reducing the energy burden of low-income households and ensuring their participation in the clean economy cannot be accomplished through rate discounts alone, and requires a more comprehensive strategy. Under REV and other initiatives, several significant Low & Moderate Income (LMI) energy reforms are already underway, including:

- Clean Energy Fund Programs: The New York State Energy Research & Development Authority's (NYSERDA) new ten-year, $5 billion Clean Energy Fund will commit a minimum of $234 million over its first three years to initiatives benefitting LMI customers, including low and no-cost energy efficiency services through NYSERDA's EmPower and Assisted Home Performance programs, and affordable access to solar PV. In addition, the CEF will also support innovative new initiatives that enlist the help of the private sector to meet the energy needs of LMI communities, particularly in affordable housing developments.
- Utility Energy Efficiency Program Reforms: Energy-efficiency programs offered by major utilities are poised to offer greater value and new cost-

saving services to consumers at all income levels under streamlined rules approved earlier this year. Utilities must establish multi-year budgets and energy-reduction targets (both gas and electric) that guarantee energy-efficiency achievements and encourage utilities to be creative and more expansive in designing these cost-saving services.

- REV Demonstration Projects: The state is also developing innovative new proposals such as “REV Demonstration Projects” to address the barriers that have historically prevented LMI customers from being served by private sector clean energy providers, including structuring various credit enhancement tools that will provide increased access to financing. · Utility Referrals: Another key element of the DPS low income assistance programs is utility referral of customers to administrators of energy efficiency programs designed for low-income customers. Referral programs are in place for all major energy utilities.

- Community Solar: Low-income communities will also benefit from Community Solar, a REV initiative that allows customers to share in the benefits of solar power even if they live in an apartment or other building that cannot support a rooftop solar system. In addition to the clean, low-cost energy, Community Solar also offers the opportunity for residents to earn dividends when power can be sold into the electric grid.

- Microgrid Development: REV is also encouraging communities to develop their own community microgrid projects – standalone energy systems that can operate independently of the main grid in the event of a power outage. State funding under the $40 million NY Prize community microgrid competition will help communities across New York invest in new energy systems which will ensure critically important institutions such as police and fire stations, hospitals and schools – all of which are facilities that all communities, but particularly LMI communities, depend upon for their safety and wellbeing – can continue operating during and in the aftermath of an extreme weather event.

Telecommunications Improvements: The Commission’s efforts did not end with energy utilities. To ensure a continuing supply of new telephone numbers across the State, a few area code overlays took place in FY16-17. In June 2016, the Commission announced that residential, business and wireless customers within the existing 631 area code in Suffolk County should prepare for the introduction of the new 934 area code, and the start of 10-digit dialing which would start in June 2016. In March 2017, it was announced that the 518 area code region, would prepare for the introduction of the new 838 area code, which starts in September 2017.

To save money and avoid waste, the Commission granted Verizon and its directory publisher permission to stop printing and delivering business telephone books to its customers. Verizon will only deliver business or residential directories to customers who request a printed copy. As most customers get their listings from the Internet, thousands of phone books are ultimately discarded. Verizon will no longer be required to print and deliver “white page” directories that include alphabetical listings of all business customers, along with government phone listings, yellow page advertisements and consumer guide pages. In 2010, New York gave Verizon permission to stop delivering phone books with residential listings. That move eliminated approximately 13,600 tons of paper per year from the waste stream, according to Verizon.

In 2015, Verizon and its partners delivered 6.3 million business directories. The Commission gave Frontier Communications similar permission in 2017. The other 37 local telephone companies in New York, such as Windstream and Taconic, will continue to provide such directories, unless they too successfully petition for a change.

Doing away with printing business directories will have a material, positive effect on the environment and will help customers who have no use for printed directories. Expansion of the opt-in program to business and government listings will eliminate significant volumes of paper waste per year. Another reason for dropping the business phone book is that today's telephone books do not include the growing number of phone numbers for wireless customers or numbers provided by Internet telephone services (VoIP).

Previously, and only upon request, Verizon and its publisher provided printed residential white page directories in 10 states, including New York, and Washington, DC. Verizon is no longer required to distribute printed residential or business listings in seven states, including New York. There are 40 states where residential white page directories are delivered only upon request. Verizon will make residential, business, and government white page directory listings, including its consumer guide, available to customers online at no charge or in printed form, also at no charge. The elimination of the business directories will not be immediate, but will occur gradually based on market conditions with advance notice to customers.

In FY16-17 the Commission, at the request of Governor Cuomo, announced that it would be investigating the disruption to landline and wireless phone service in Central New York that began mid-afternoon on Monday, August 22, and continued through August 23. Landline and wireless service was affected in portions of four Central New York counties — Madison, Chenango, Cortland and Otsego — impacting more than 1,500 customers of several telecommunication companies, including Verizon, Frontier Communications and Windstream Communications. According to the Department, the outage was caused by damage to an underground Verizon-owned fiber cable in the Town of Stockbridge, Madison County. The fiber cable is used to for local telephone service and transport services of other providers from different parts of Central New York. Repair and service restoration took additional time due to the location of the fiber optic cable along the roadway. The Department's investigation included an evaluation of the circumstances surrounding the cable damage; the company's response to the incident; company communications with emergency responders; and developed investigation conclusions with the goal of preventing or minimizing future outages.

The public relies on telephone service to connect to the world around them, which is why it is a critical service to maintain, our investigation seeks to determine the root cause of the outage and other underlying facts in an effort to understand how this occurred and help prevent future outages.

Cable Mergers and Expansion of Service: In FY16-17, the Commission actively took steps to improve the communications market in New York State. In January 2017, the Commission approved the merger of Time Warner Cable and Charter Communications, which will dramatically improve broadband availability for millions of New Yorkers and lead to more than $1 billion in direct investments and consumer benefits, including doubling broadband speeds for more than two million customers by 2018.

In FY16-17, the Commission voted to approve the sale of Cablevision Systems Corp. to Altice N.C., a multinational cable television provider, with public interest conditions that the Commission estimated would provide $243 million in benefits to New York consumers to upgrade the broadband infrastructure, create new low-income broadband programs, build out its network in unserved areas, and provide some $40 million of additional benefits associated with Cablevision's participation in a new federal broadband affordability program.

Altice will triple the speed of its network to 300 Mbps by the end of 2017, increase high-speed broadband access in rural and urban communities in its service territory, provide new low-income broadband offerings and deliver free broadband Internet access to 40 anchor institutions in unserved or underserved areas.

The company will also introduce new technology to serve its nearly 2 million customers more thoroughly and efficiently, and provide a robust storm-resiliency initiative for Long Island and the rest of its service territory. Importantly, the company will also maintain a strong customer-service workforce by committing to no layoffs for four years.

In addition to taking large, landmark steps, the Commission is also focused on smaller, localized actions, such as: in August 2016, The Commission announced the approval of 10-year cable television franchise agreements between two affiliated companies, Empire Video Services Corporation and North Penn Video, and the Town of Horseheads in Chemung County, a Southern Tier community of about 20,000 people. The Commission has taken active steps to improve and strengthen consumer access to improved telecommunication services. The confirmation of the cable franchise in Horseheads authorized construction of facilities to be used for cable television service, broadband internet service, and the provision of broadcast programming. The cable lines were generally installed on existing utility poles located in existing rights-of-way within the Town of Horseheads, a municipality also served by Time Warner.

As a result of Governor Cuomo's strengthening of our oversight of the sale of cable companies, we were able to put in place rigorous conditions on the transaction to ensure it was in the best interest of customers and the State as a whole, with this sale, we will see a significant investment in New York's communication landscape that improves quality, reliability, speed and affordability for Cablevision's customers.

Earlier in 2016, Governor Cuomo announced the $500 million New NY Broadband initiative which would deliver access to high-speed Internet to every New Yorker by the end of 2018. The initiative, a public-private partnership that brings "last-mile" broadband services to New Yorkers and significantly expands connectivity in the most remote regions of the State. The broadband initiative is consistent with the State's desire to increase competition and access. The Commission's confirmation of the cable franchise in Horseheads authorized construction of facilities to be used for cable television service, broadband internet service, and the provision of broadcast programming. The cable lines will be generally installed on existing utility poles located in existing rights-of-way within the Town of Horseheads. The municipality is also served by Time Warner. The fiber optic services by the companies include security, internet and phone services at greatly increased speeds and savings to town's residents. The separate agreements were necessary in order to provide the maximum amount of video services and channels. Additional expansion of services in other communities by Empire Video is being planned. The Commission is currently reviewing cable franchise petitions for the Village of Penn Yan, Yates County, and the Village of Dansville, Livingston County.

With new authority provided by Governor Cuomo and the Legislature to ensure cable mergers are in the public interest, the Commission secured important conditions from Charter when it approved its acquisition of Time Warner, resulting in a faster broadband network and a substantial expansion of its infrastructure to serve an additional 145,000 households. We are pleased to report that Charter is planning to deliver its speed upgrade to 100 Mbps nearly two years earlier than required, and is following through on its build-out commitments.

Building on the progress already achieved early in FY 2016-17, in August 2016, Governor Cuomo announced the launch of a Request for Proposals for Round II of the State Broadband Program. The initiative targets a further extension of broadband availability to the most remote areas of the state in order to bring increased connectivity to millions of New Yorkers. $39.2 million in New NY Broadband Program

Round II grants were awarded to 11 projects in the Capital Region in February 2017, In March 2017, the request for proposals for Round III, the final round of funding to secure access to high-speed internet for all New Yorkers by the end of 2018, was announced. Applications are due by August 15, 2017.

Water Rates and Services: In June 2016 the Commission announced it had directed Suez Water New York Inc. to take over the day-to-day operations of a water company in Putnam County, ensuring that the company's customers continue to receive a safe and adequate supply of water. The swift action by the Commission came after Department staff, working with local officials, had to step in to restore water service to nearly 200 Forest Park customers who had lost water service. At the request of Department of Public Service staff, Suez Water visited the impaired system on June 24 to investigate its condition, and provide technical and financial support in restoring the system to full operation. Suez Water informed staff of multiple deficiencies with the Forest Park system, including a failed well pump, non-payment of vendors and an inactive customer service telephone number. Subsequently, a well at another system failed and Suez Water again assisted in its restoration.

The Commission has authority to appoint a temporary operator for a water utility with less than 1,000 customers when, after notice and an opportunity to be heard, the Commission finds that the utility either: failed to provide safe and adequate service; lacks necessary technical, financial or managerial ability; or actually or effectively abandoned the system. The owner of the Forest Park Group communicated his consent for the appointment of a temporary operator.

Given the state of the Forest Park Group, it was determined that the owner failed to provide safe and adequate service and lacked the necessary technical, financial and managerial ability to do so. As a temporary operator, Suez Water was authorized to operate and manage the Forest Park assets, and notified each customer.

In January 2017, after carefully considering significant public comments and concerns, the Commission decided not to accept a three-year proposal that would have raised water rates for Suez Water New York, Inc. customers in Rockland County by more than $5 million annually. Instead, the Commission modified the plan and reduced the proposed rate increase by $960,000 over the next three years. The Commission also strengthened conservation and leak-reduction programs, and created a first-of-its-kind rebate program to assist low-income water customers.

III. Strengthening Reliability and Public Safety: In June 2016, the Commission, received an annual review from Department of Public Service staff that assessed the major utilities in terms of their performance in a number of key areas, including electric reliability service, gas safety, electric safety, and customer service for 2015.

The overall statewide duration, or the length of time power was out including major storms, was one of the lowest in the past 10 years. As part of Governor Cuomo's strategy to ensure overall State preparedness for major storms, Department of Public staff worked closely in 2015 with the utilities to ensure sufficient staffing and equipment availability for major storms. Despite several significant storms, all outages were restored in less than 72 hours.

As a signal of efforts being made, all the major utilities were able to meet their reliability targets, with the exception of Orange and Rockland. Orange and Rockland, with some 220,000 customers, had an average customer outage duration of 2.44 hours for the year, well above its target of 1.85 hours. As a result, Orange and Rockland forewent $1.2 million in future revenues, to be used as a credit for the benefit of customers in future rate cases.

Orange & Rockland was not able to meet its outage duration target largely because of a failure at a transmission substation on Dec. 5, 2015. This single event, impacting more than 45,000 customers, accounted for 20 percent of the customers interrupted in 2015 and 43 percent of the year's hours of interruption. Following the incident, staff performed an investigation into the cause of the event and corrective actions have been taken by the utility to prevent a similar event in the future.

Four utilities — Con Edison, National Grid, Rochester Gas and Electric and Orange and Rockland — saw their reliability performance stay the same or improve in 2015 as well as remain in line with historical averages. Meanwhile, three electric utilities — New York State Electric and Gas, Central Hudson, and PSEG Long Island — saw a greater number of outages in 2015 than the previous year, as well their five-year averages. When excluding major storms, the statewide interruption frequency, or number of times a customer lost electricity for five minutes or more, was slightly worse in 2015 than the statewide five-year average.

Staff reported that natural gas local distribution companies' performance in 2015 in two areas pertaining to safety — emergency response and leak management — improved from a year ago. Damage prevention, emergency response times, and leak management all improved significantly since 2003.

The data indicated that utility performance substantially improved across the state over the 13- year period staff has been reporting gas utility performance to the Commission. For example, the 30- minute emergency response time has improved from 76.8 percent in 2003 to 83.1 percent in 2015 and the year-end backlog of potentially hazardous leaks has decreased 94.7 percent, from 1,154 to 61. As utilities continue their outreach efforts, adopt better practices in responding to leak and odor calls, and work to replace leak-prone infrastructure, staff expects further improvements to occur.

Preventing damage to underground gas pipes is critically important. Damage to buried facilities caused by excavation activities is a leading cause of pipeline failure and accidents nationwide. Staff reported that for the first time in the report's history, the total damage prevention measure showed a slight decline in performance from a record year; however, it was still 72.5 percent better than it was in 2003 and in fact the majority of the State's natural gas system operators improved their performance related to damage prevention but one did not. Department staff work interactively with the system operators to analyze the root cause of any degradation in performance and address it as quickly as it is found.

Department staff continue to press third-party excavators to follow rules when digging near gas pipelines. Over the past five years, approximately 1,585 citations have been issued, which has led to training sessions being completed by excavators with both New York 811 and Dig Safely NY; approximately $920,528 in penalties having been collected. Last year, a record 932,936 tickets were issued against companies for failing to comply with dig-safely rules, up 2 percent from a year ago.

Leak management, which seeks to keep potentially hazardous leaks to a minimum, is another example of how utilities can ensure public safety. For leak management, the statewide year-end 2015 backlog improved when compared to 2014, and is down 94.7 percent when compared to 2003. For total leak backlogs, the statewide year-end 2015 backlog was reduced by a total of 2,513 leaks, or 11.5 percent from year-end 2014, and is has been reduced by 26 percent when compared to 2010.

All electric utilities were in compliance with the 2015 testing requirements and goals established by the Commission's electric safety standards. Stray voltage testing was performed on approximately 1.3 million facilities across the State last year. The utilities were also in compliance with the inspection requirement for the first year of the third inspection cycle; in total, approximately 855,000 facilities were visually inspected in 2015. Since all of the test and inspection requirements were met, no revenue adjustments were imposed by the Commission. The electric utilities have met the requirements of the safety standards in each year since they were established by the Commission in 2005.

Customer Service: In terms of customer service, Department staff said all of the major electric and gas utilities in New York provided a satisfactory level of consumer service in 2015 and were meeting or exceeding the standards for performance on the measures of customer service established for their individual operations, with one exception: Rochester Gas and Electric missed its target for estimated meter readings and must forfeit $300,000 in revenues as a result.

To ensure utilities provide good customer service, the Commission adopted strong customer service standards and linked millions of dollars of shareholder earnings directly to performance. Overall, these mechanisms encourage companies to make the quality of service to customers a corporate priority.

For the most part, the electric and gas utilities' performance has steadily improved over the last several years, and this trend continued in 2015. For example, NYSEG's performance has improved from 2014 levels; and National Fuel Gas had only one complaint that needed Commission intervention in that year. In addition, St. Lawrence Gas and Corning Gas had no such complaints.

As a group, major utilities face up to $93 million in negative revenue adjustments if they fail to meet service quality standards. According to staff's report, electric and gas utilities' performance on measures of customer service quality in 2015 was satisfactory, with the exception of RG&E's estimated meter readings. Staff performs a variety of activities throughout the year to monitor the quality of customer service provided by utilities, and to help ensure the fair and appropriate treatment of utility customers. Currently, service quality mechanisms are in place for all of the state's major energy utilities.

Gas Safety: In his 2013 State of the State Address, Governor Cuomo highlighted the importance of management and operations audits of New York's utilities, and authorized the Commission to direct utilities to comply with recommendations made as a result of management and operations audits.

When implemented, the recommendations of the audit facilitate the Commission's ability to compare performance of each major utility in the State. Importantly, many utility rate plans currently in effect provide that a utility's revenue could be reduced if it fails to meet targeted performance levels.

This latest audit focused on three functional areas of utility operations: electric reliability, gas safety and customer service at all the major New York energy utilities. This is the seventh major audit to be conducted since the Governor's address. Three of those audits are still underway.

The final report contained more than 425 recommendations designed to improve the accuracy and completeness of the collection and reporting of metrics in the three audit areas. Approximately 175 of those recommendations addressing customer-service metrics are expected to be addressed in the near future. Notable recommendations include:

- Utilities should conduct their own internal audits of their electric reliability, gas safety and customer service data collection and reporting policies and processes;
- Utilities should improve their documentation of process and procedures regarding the collection, calculation, and reporting of gas safety and customer service data; and
- Utilities should adopt standardized methodologies and metrics for measuring electric reliability, gas safety and customer service.

Public Service Law empowers the Commission to undertake management and operations audits of gas corporations and electric corporations, with the discretion to have such audits performed by its staff, or by independent auditors paid for by the company or corporation being audited. After the final reporter from such an audit is issued, each utility is required to file a report with the Commission detailing its plan to implement the recommendations made in the audit.

IV. Protecting the Environment: In January 2017, Governor Cuomo announced that New York State has made a commitment to reduce greenhouse gas emissions an additional 30 percent below 2020 levels by 2030. In the past three years, emissions have consistently been below cap levels, from 5 percent below the cap in 2014 to a projected 8 percent below the cap in 2016.

To strengthen the Regional Greenhouse Gas Initiative's role in reducing carbon emissions, Governor Cuomo has called upon RGGI states to join New York in an effort to continue to lead the fight against climate change and drive the nation's transition toward a clean energy economy. With this proposal, nine Northeastern and Mid-Atlantic States would reduce the cap from 78.2 million tons in 2020 to 75.1 million tons in 2021, declining to 54.6 million tons in 2030.

In New York, RGGI has led to a 46 percent reduction in carbon emissions from affected power plants and a 90 percent reduction in coal-fired power generation. To date, New York State has generated close to $1 billion in RGGI proceeds, which help fund clean energy and emission reduction programs.

Now more than ever the regional leadership provided by RGGI and complimented by the State actions embodied in Governor Cuomo's Clean Energy Standard and other initiatives in the Governor's Reforming the Energy Vision are essential components of a realistic plan to combat climate change.

Under the current policy, the RGGI cap remains consistent after 2020 and emissions remain flat regionwide. By reviewing the RGGI program and adjusting the cap to reflect the progress made in just a few short years, New York and neighboring states will continue to reduce emissions annually after 2020 and ensure that power sector emission reductions continue through 2030.

Clean Energy Fund: Is designed to deliver on New York State's commitment to reduce ratepayer collections, drive economic development, and accelerate the use of clean energy and energy Innovation. In January 2016 , Governor Cuomo announced the Commission's approval of a 10-year, $5 billion Clean Energy Fund to accelerate the growth of New York's clean energy economy, address climate change, strengthen resiliency in the face of extreme weather and lower energy bills for New Yorkers. Additionally, the fund will attract and leverage third-party capital to support the Governor's aggressive Clean Energy Standard, one of the nation's most ambitious goals to meet 50 percent of our electricity needs with renewable resources by 2030.

This unparalleled $5 billion investment leverages more than $29 billion in private sector funding and open the door to new clean energy opportunities for years to come. The $5 billion Clean Energy Fund, to be administered by NYSERDA, builds on the progress the state is already making in developing a robust clean tech sector.

The fund is projected to result in more than $39 billion in customer bill savings over the next 10 years through innovative projects and private-public partnerships focused on reducing greenhouse gas emissions, making energy more affordable through energy efficiency and renewable energy, and mobilizing private-sector capital. In addition to the $39 billion in overall customer savings, as a result of the Commission's action, consumers and businesses are expected to see lower costs of $1.5 billion over the next 10 years, including an immediate reduction of $91 million from 2016 electric and gas costs compared to 2015.

- NY-Sun: NY-Sun aims to add more than 3 gigawatts of installed solar capacity in the State by

2023. That is the equivalent of adding enough solar energy to power 400,000 homes. The ultimate goal of NY-Sun is the development of a sustainable, self-sufficient solar industry in the State. To get there, NY-Sun has incentive programs that support solar projects for commercial and industrial companies, homes, multifamily buildings, small commercial, not-for-profit and municipal buildings;

- NY Green Bank: This $1 billion state-sponsored specialty finance entity is designed to address market barriers and financing gaps preventing the deployment of renewable energy and energy efficiency projects. In FY 2016-17, Governor Cuomo announced the closing of four new NY Green Bank transactions, which are expected to generate up to $220 million in clean energy projects, including more than 6,200 residential rooftop solar installations across the state. NY Green Bank investments will also result in up to eight large, ground-mounted solar installations for commercial and industrial users, and 400 residential energy efficiency projects.
  - Since 2014, NY Green Bank has made demonstrable progress, jump starting economic development and job creation, and raising additional private capital that is being invested in New York State.

Clean Energy Standard: In FY16-17, Governor Cuomo announced the Commission's approval of New York's Clean Energy Standard (CES), the most comprehensive and ambitious clean energy mandate in the state's history, to fight climate change, reduce harmful air pollution, and ensure a diverse and reliable energy supply. The CES requires 50 percent of New York's electricity to come from renewable energy sources like wind and solar by 2030, with an aggressive phase in schedule over the next several years. In its initial phase, utilities and other energy suppliers were required to procure and phase in new renewable power resources starting with 26.31 percent of the state's total electricity load in 2017 and grow to 30.54 percent of the statewide total in 2021. The CES costs less than $2 a month to the average residential customer's bill.

The CES:

- Significantly reduce harmful greenhouse gas emissions and prevent backsliding on progress made to date by maintaining the operations of carbon-free nuclear power plants as the state transitions to a 50 percent renewable requirement; and,

- Strengthen New York's electric fuel diversity for the reliability benefits it brings. The CES also places New York as a leader of the global effort to combat climate change and the resulting extreme weather events.

Increasing Renewable Resources: In May 2016, The Commission approved historic structural reforms to the regulations governing electric utilities, providing more choice and cost-saving opportunities for New Yorkers by expanding clean and renewable power. This new framework, unprecedented in its breadth and scope, further advances New York State's national leadership on climate change and energy innovation.

The Commission established new financial mechanisms to help utilities meet the clean energy goals set forth in REV. This order moves New York away from decades of rate-setting decisions which encouraged investment in large, centralized power systems. The electric grid of the past century was built to meet the peak electric demand that occurs only a few days each year, resulting in an energy and financially inefficient system.

Utilities were required to develop a more efficient and cleaner network through retail markets for distributed energy resources like solar, geothermal, wind, fuel cells, combined heat and power and battery storage, energy efficiency, and other advanced energy services. These new products and services help customers manage their energy usage and reduce their energy bills by creating a two-way, “transactive” grid between customers and energy providers.

James A. FitzPatrick Nuclear Power Plant: In August 2016, Governor Cuomo announced that Exelon Generation had agreed to assume ownership and management of the James A. FitzPatrick nuclear power plant in Scriba. The agreement to continue operation of the plant will save approximately 600 high-skilled, well-paying jobs, further the plant's contribution of $500 million per year in regional economic activity, and avoid three million tons of carbon emissions annually – representing about 10 percent of the State’s carbon savings. The facility, currently owned by Entergy, provides enough carbon-free electricity to power more than 800,000 average-sized homes.

Ensuring the continued operation of the upstate nuclear power plants is critical to meeting the state's CES, the economy and environment. The Upstate plants account for about 24,800 in-state full time, direct and indirect jobs, $144 million in net state tax revenues annually, including more than $60 million in annual state and local property taxes, and avoids almost 16 million tons of carbon dioxide emissions annually, which equates to a societal value of almost $700 million annually based on federal estimates. FitzPatrick alone accounts for $17.3 million in local property taxes supporting critical services to local governments and schools.

Under the agreement, Entergy transferred Fitzpatrick's operating license to Exelon for $110 million. The New York Power Authority agreed to transfer the decommissioning trust fund and liability for FitzPatrick to Entergy, and if regulatory approvals are obtained and the transaction closes, Entergy would then transfer the fund and associated liability to Exelon. Transaction closure is dependent upon regulatory review and approval by state and federal agencies, including the US Department of Justice, the Nuclear Regulatory Commission, the Federal Energy Regulatory Commission and the PSC. The transaction is expected to close in the second quarter of 2017.

Approval of the CES means Exelon will reinvest millions back into the nuclear units, including approximately $400-500 million in operations, integration and refueling expenditures for the upstate plants in spring of 2017, all of which will have a positive impact across the state. Exelon has committed to refueling FitzPatrick in January 2017 and does not anticipate changes to staffing levels at the plant, which normally employs about 600 people.

Exelon operates two other nuclear energy facilities in upstate New York: R.E. Ginna and Nine Mile Point, the latter of which is adjacent to FitzPatrick. Together, Exelon’s two upstate plants provide carbon-free electricity to more than 2.5 million homes and businesses while employing more than 1,500 full-time staff.

In November 2016, the Commission announced the approval of the sale of the James A. FitzPatrick nuclear power plant in Scriba to Exelon Corporation. Noting, the transfer would facilitate the continued operation of the carbon-neutral plant as a bridge to a renewable energy future without the need for imported fossil fuels such as fracked gas and oil from out of state or for the restarting of coal plants to supply energy demand from across the state.

Indian Point: In January 2017, Governor Cuomo announced the closure of the Indian Point Energy Center by April 2021. Noting, the aging 2,000 megawatt nuclear power plant, located 25 miles north of New York City, has presented numerous threats to the safety of over 20 million residents and the environmental health of the area. After extensive litigation and negotiation, Entergy agreed to end all operations at the facility, with plans to shut down Indian Point Unit 2 as early as April 2020 and Unit 3 in April 2021 – 13 and 14 years earlier than required under the anticipated federal re-licensing terms, respectively.

The state continues to closely monitor Entergy to ensure public safety and mitigate safety risks associated with the plant, including for storage of spent nuclear fuel.

In February 2017, the Governor charged the Department with the responsibility of convening the Indian Point Closure Task Force. The task force was created to ensure compliance with the agreement to close the aging Indian Point nuclear power plant in Westchester County and to provide guidance and support to affected local municipalities and employees. The task force will partner with local governments to address employment and property tax impacts, develop new economic opportunities and work force retraining. The task force will also monitor compliance with the closure agreement, coordinate ongoing safety inspections and review reliability and environmental concerns, among other issues. The task force will continue its work in FY17-18.

V. Modernizing Infrastructure: Each year New York's regulated companies invest billions in maintaining their complex systems. It is critical for the State that these investments are done in a way that is both cost effective and takes advantage of newer and smarter technologies. The Commission is creating new incentives so utilities will pursue actions that accelerate adoption of smarter solutions and reduce costs to customers. In addition to these new approaches, the Commission has taken steps to ensure safe, secure and reliable electric, water, gas, and communication networks, including:

Energy Efficient Street Lighting: In March 2017, the Commission, as part of its continuing effort to lower municipal energy costs across the State, approved plans by Central Hudson Gas & Electric Corp. and Orange and Rockland Utilities, Inc. to provide energy-efficient street lighting to municipalities that are interested in having them installed. Under the approved plans, municipalities in Central Hudson's and O&R's service territories have the option of switching to cost-effective light-emitting diode (LED) street lighting as a means of reducing their power expenses, and carbon footprint, and improving public safety. Due to improvements in technology and increased demand nationwide, converting to LED street lighting has become more economically viable. These new street light options will help municipal customers achieve noticeable bill reductions while benefiting their citizens with better lighting, lower costs and lower emissions.

	FY 2015-16	FY 2016-17
DOCUMENT	FILED/ISSUED	FILED/ISSUED
Petitions	2,608	1,754
Orders	734	613
Public Notices	233	197
Rulings	100	90

Major Rate Case Decisions FY16-17

Consolidated Edison

- *Greater energy efficiency, smart-grid technologies and other money-saving alternatives will be available to an increasing number of customers under the new rate plan.*
- *Plan includes measures to encourage the growth of solar and other renewable power resources, as well as measures to improve gas safety and broader discounts available for qualified low-income residential electric and gas customers.*
- *Following a three-year rate freeze between 2014 and 2016, rate increases were necessary for increased property taxes, new infrastructure investments, higher depreciation expenses and increased operating expenses. Typical residential customer in New York City (using 300 kilowatt hours per month) will see monthly bill increases of 2.3 percent, 2.4 percent, and 2.4 percent, respectively, during the next three years. In Westchester County, a typical residential bill (for 450 kWh per month) will increase by 2.5 percent, 2.6 percent and 2.6 percent. A typical residential heating customer (using 100 therms per month) will see monthly delivery bill increases of 1.6 percent, 5 percent and 3.2 percent, respectively, during the next three years.*

KEDNY and KEDLI

- *Three-year rate plan for natural gas, which improves customer service and pipeline safety, fund environmental projects and increase financial assistance to low-income customers.*

NYSEG and RG&E

- *Three-year electric and gas rate plans (July 1, 2016-April 30, 2019).The plans also include investments in new technology and systems to make electric and gas service more reliable.*

St. Lawrence Gas

- *Three-year rate plan freezing customer rates and surcharges in the first year with increases scheduled for 2018 and 2019 that are significantly below the rates originally requested by the company.*
- *Plan calls for rate increases of zero, 1.04 percent and 1.03 percent, respectively; compared with the company's original proposal for an 11.3 percent increase for an average annual residential customer bill for non-heating customers and a 3.3 increase for heating customers. The new plan will freeze rates for the first year for the typical residential heating customer using on average 1085 therms per year, and will result in an average monthly increase of $1.25 in the second year and $1.33 in the third year.*

Suez Water New York Inc.

- *The PSC modified and reduced the proposed rate increase by $960,000.*
- *The modified three-year plan implements annual revenue increases of $4.87 million to fund investments that will facilitate better management and control of water supplied and distributed by Suez to more than 290,000 people located mostly in Rockland County.*

APPENDIX: Budget Highlights

The Enacted 2016-17 Executive Budget totaled $90.5 million for the Department, a decrease of approximately $1.7 million from the 2015-16 budget levels. The Executive Budget recommended a workforce of 508 employees for the Department, a decrease of 17 employees from 2015-16 levels.

ALL FUNDS APPROPRIATIONS
(Dollars)

Category	Available	Appropriations	Change From	Reappropriations
	2015-16	2016-17	2015-16	2016-17
State Operations	$86,412,000	$84,744,000	$6,668,000	$5,500,000
Aid to Localities	$5,750,000	$5,750,000	0	$5,750,000
Total	$92,162,000	$90,494,000	$1,668,000	$11,250,000

ALL FUND TYPES
PROJECTED LEVELS OF EMPLOYMENT BY PROGRAM
FILLED ANNUAL SALARIED POSITIONS

Program	2015-16 FTEs 3/31/2016	2016-17 FTEs 3/31/2017	FTE Change
Administration			
Special Revenue Funds- Other	65	65	0
Regulation of Utilities			
Special Revenue Funds- Federal	25	25	0
Special Revenue Funds- Other	435	418	-17
Total	**525**	**508**	**-17**

NEW YORK STATE OF OPPORTUNITY | Department of Public Service

3 Empire State Plaza
Albany, New York
www.dps.ny.gov

90 Church St.
New York, New York

295 Main St.
Buffalo, New York

125 East Bethpage Rd.
Plainview, New York