

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Petition of The Brooklyn Union Gas Company	)	
and Keyspan Gas East Corporation for Approval	)	
of a Non-Pipeline Alternative (“NPA”) BCA Framework,	)	Case 23-G-0225
Cost Recovery Framework	)	Case 23-G-0226
Customer NPA Incentive, and	)	
a Performance Incentive for Current and	)	
Future NPA Projects	)	

**PETITION OF THE BROOKLYN UNION GAS COMPANY D/B/A NATIONAL GRID
NY AND KEYSpan GAS EAST CORPORATION D/B/A NATIONAL GRID FOR
APPROVAL OF A NON-PIPELINE ALTERNATIVE (“NPA”) BCA PROCESS
FRAMEWORK, COST RECOVERY FRAMEWORK, CUSTOMER NPA INCENTIVE,
AND PERFORMANCE INCENTIVE, FOR CURRENT AND FUTURE NPA PROJECTS**

I. INTRODUCTION

The Brooklyn Union Gas Company d/b/a National Grid NY (“KEDNY”) and KeySpan Gas East Corporation d/b/a National Grid (“KEDLI”) (KEDNY and KEDLI collectively, the “Companies”) seek approval by the New York Public Service Commission (“Commission”) for a comprehensive framework governing non-pipeline alternatives (“NPA”). Utilizing this proposed framework, the Companies seek Commission approval of a NPA incentive that would be provided to a developer of a residential development in KEDLI’s service territory and the associated shareholder incentive earned by KEDLI to date. The Companies also seek approval to apply the proposed NPA framework for future NPA projects, including two Reliability and Reinforcement NPAs (“R&R NPAs”) described in this petition for which customer outreach has commenced. Specifically, the Companies respectfully seek Commission approval of (1) a benefit-cost analysis (“BCA”) process framework the Companies can deploy (“NPA BCA Framework”) for those NPA projects that are BCA-positive¹ using the Societal Cost Test (“SCT”); (2) a surcharge mechanism for incremental NPA costs; (3) a customer incentive

¹ An NPA project that achieves a score of 1.0 or greater on the SCT BCA test is considered BCA-positive.

(“Customer NPA Incentive”) for a New Connection NPA (“New Connection NPA”) that has been implemented in KEDLI’s service territory (“KEDLI New Connection NPA”); (4) a financial shareholder incentive (“Performance Incentive”) mechanism framework; and (5) a Performance Incentive earned to date for the KEDLI New Connection NPA utilizing the framework proposed in this petition.

Implementing NPAs offer important benefits by advancing state climate policy goals and providing valuable learnings for the Companies’ future NPA projects. To this end, approval of a streamlined NPA BCA Framework for proceeding with future NPA projects will enable the Companies to pursue and deploy NPAs in an effective and expeditious manner and increase the likelihood of success. Finally, approval of a Performance Incentive will align with the Commission’s “Order Adopting Gas System Planning Process” issued on May 12, 2022 (“Gas Planning Order”) in Case 20-G-0131.²

II. BACKGROUND

This petition builds on the Joint Proposal approved by the Commission on August 15, 2024 (“Joint Proposal”) in the Companies’ most recent rate cases.³ In the Joint Proposal, KEDNY and KEDLI agreed to pursue several activities to advance NPAs, some of which require further Commission approval. The Companies agreed to: (1) pursue NPAs designed to reduce firm demand to avoid future gas system reinforcements in the most constrained portions of the Companies’ service areas, issue periodic Requests For Proposals (“RFP”) for projects and

² Case 20-G-0131, *Proceeding on Motion of the Commission in Regard to Gas Planning Procedures*, instituted March 19, 2020.

³ 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* and 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*, “Order Approving Terms of Joint Proposal and Establishing Gas Rate Plans, with Minor Modifications and Corrections” (issued August 15, 2024) (“2024 Rate Case Order”). The approved Joint Proposal was filed by the Companies on April 9, 2024 (the “Joint Proposal”) in the Companies’ recent rate case (“2023 Rate Case”).

programs that could potentially avoid future system reinforcement projects (which the Companies typically refer to as “R&R NPAs”), and to annually issue at least one RFP in each of their territories seeking non-traditional, cost effective peak supply alternatives,⁴ (2) submit, with their first filing for approval of an NPA, a proposal for a Performance Incentive 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,”⁵ (which is accomplished with the filing of this petition), (3) file an LPP NPA implementation plan within 120 days of the Rate Case Order,⁶ and (4) propose to the Commission the manner for recovering the costs incurred by the Companies for implementation of NPAs, including the overall pre-tax return on such costs as regulatory assets, which this petition also accomplishes.⁷

On December 13, 2024, the Companies filed with the Commission their draft Non-Pipe Alternatives Implementation Plan (“NPA Implementation Plan”) and set forth the Companies’ approach to leak-prone pipe (“LPP”) NPAs (as required by the Joint Proposal) as well as their approach to opportunities for New Connection NPAs and R&R NPAs. Following a robust stakeholder process to receive feedback on their draft plan, the Companies finalized their NPA Implementation Plan and filed it with the Commission on May 7, 2025. Since then, the Companies also have developed a BCA tool to evaluate the feasibility of NPA opportunities.

This petition also builds on the Commission’s Gas Planning Order issued prior to the Companies’ 2023 Rate Case, that, *inter alia*, adopted with modifications the proposal of Staff of the New York Department of Public Service (“Staff”) regarding NPAs, finding that holistic consideration of NPAs requires a three-part NPA framework consisting of: (1) NPA suitability

⁴ Joint Proposal at page 42.

⁵ *Id.* at pages 39-40.

⁶ *Id.* at 42.

⁷ *Id.* at 39-40.

criteria, (2) NPA cost recovery procedures, and (3) an NPA performance incentive mechanism.⁸

To that end, the Commission required that joint local distribution companies (“JLDCs”) file with the Commission within 90 days of the Gas Planning Order their proposals for suitability criteria, cost recovery procedures, and a performance incentive mechanism. The Commission declined to reopen or modify the BCA framework established by the Commission through its “Order Establishing the Benefit Cost Analysis Framework”⁹ and reaffirmed that the SCT is the primary cost-effectiveness screening for gas NPAs, as recommended by Staff’s Planning Proposal.¹⁰ The Commission also affirmed that if an LDC reduces its traditional plant-in-service through an NPA and the project “is BCA positive using the SCT, shareholders [should be] afforded the opportunity to retain a share of the net benefits.”¹¹

In response, the Companies filed jointly with their upstate affiliate Niagara Mohawk Power Corporation d/b/a National Grid: (1) their proposal for NPA screening and suitability criteria (“Screening and Suitability Criteria Proposal”)¹² and (2) the JLDC proposal for an NPA performance incentive mechanism and cost recovery procedures (“JLDC Incentive and Cost Recovery Proposal”).¹³ In the JLDC Incentive and Cost Recovery Proposal, the LDCs that had NPA performance incentive mechanisms in place uniformly included a 30-70% net benefit sharing between the utility and customers as determined by the SCT BCA, and the LDCs that had NPA cost recovery mechanisms in place uniformly tracked recovery of NPA costs through a regulatory asset and amortized those costs over either a ten-year or twenty-year amortization

⁸ Gas Planning Order at page 13.

⁹ *Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision*, Case 14-M-0101, “Order Establishing the Benefit Cost Analysis Framework” (Issued and Effective January 21, 2016).

¹⁰ Gas Planning Order at pages 43-44

¹¹ *Id.* at pages 42-43

¹² Case 20-G-0131, “National Grid’s Proposals for Non-Pipe Alternative Screening and Suitability Criteria (filed August 10, 2022).

¹³ Case 20-G-0131, “Joint Local Distribution Companies’ Proposals for Non-Pipe Alternative Incentive Mechanism and Cost Recovery Procedures (filed August 12, 2022).

period. At that time, the Companies did not (and still do not) have an approved NPA Performance Incentive or NPA cost recovery mechanism in place, and had indicated in their proposal that the Performance Incentive Mechanism and the NPA cost recovery mechanism would be determined in their first petition for approval of an NPA Project, which approval the Companies seek herein.¹⁴ Sections II.A and II.B below describe the three NPA projects currently being pursued by the Companies.

A. KEDLI New Connection NPA

As set forth in the Companies' NPA Implementation Plan, New Connection NPAs are offered to customers who have submitted an application for a connection to the gas system that would involve a main extension of more than 100 feet (including footage from smaller main extensions that reasonably can be grouped together) and would be "feasible and beneficial for customers from a cost perspective" and "lead to reduced greenhouse gas emissions."¹⁵

KEDLI, upon being contacted regarding extending natural gas service in its service territory to a new residential development planned to consist of community facilities and up to 118 homes, presented the developer with an opportunity to consider an NPA that would either eliminate or reduce the amount of installed natural gas pipe. The planned residential development included homes and a central community building that could be used for events and that featured a commercial kitchen. Connecting all the residences and the community facilities would have required 30,070 feet of new gas piping, with payment by the developer of a very minimal contribution in aid of construction ("CIAC") of \$5,090 in total. The CIAC to be paid by the developer was relatively small due to the Adjusted Gas Revenue ("AGR") calculation from the sizeable, forecasted load of the estimated 118 residences and the community facilities.

¹⁴ JLDC Incentive and Cost Recovery Proposal at pages 3-6.

¹⁵ NPA Implementation Plan at pages 29-30. See also Joint Proposal at pages 42-43.

Conversations with the developer about available NPA opportunities led to consideration of two scenarios that would qualify the developer for a Customer NPA Incentive.

The initial NPA option proposed to the developer involved eliminating all new gas service to the residential development, withdrawing the request for connecting to the gas system, and receiving an NPA incentive based on the avoided cost of the full 30,070 feet of piping. The avoided cost of infrastructure for eliminating all gas piping to the development was calculated at that time using applicable rates to be approximately \$1.28 million (excluding taxes). The developer declined this scenario because it desired to extend gas service to the commercial kitchen within the common community facilities.

The second proposed NPA option - which the developer ultimately selected - was to withdraw the request for gas service extensions to the residences and instead install individual geothermal systems at each home, while still requesting an extension of gas service to the community facilities. This option required the installation of 9,070 feet of gas piping, a reduction of 21,000 feet from the original request. Based on the avoided cost of the 21,000 feet of gas infrastructure, KEDLI estimated the Customer NPA Incentive to be approximately 65 percent less than the incentive for which the developer would have been eligible had it selected not to connect any of the development buildings to gas. The developer would also be responsible for paying a substantially larger CIAC for the installation of the 9,070 feet of gas piping, estimated at that time to be approximately \$573,677. The increased CIAC resulted from a smaller allowance attributable to the elimination of the 100-foot rule entitlement for the residential gas connections, combined with a lower forecasted AGR.

The Developer has paid the CIAC of \$621,206 (excluding taxes) updated using more current rates, for KEDLI to install the 9,070 feet of gas piping to connect the community buildings and commenced construction of the community buildings and residences. Currently,

the developer has completed construction of 10 residential homes and is in the process of constructing an additional 40 residences, none of which will require a gas connection in accordance with the NPA requirements. The NPA Customer incentive due to the developer, calculated by totaling the avoided costs of 21,000 feet of gas piping (9,200 feet of main piping and 11,800 feet of service line piping) is \$581,374, as calculated prior to having the BCA tool. The above information is reflected in the table below for both the original design and the NPA scenario using 2023 rates:

Table 1: Comparison of Original Design and NPA scenario selected

	Original Design (gas service to all buildings)	NPA Design	Delta From Original Design
On property	\$ 667,940	\$ 231,589	\$(436,351)
Single Trench	\$ 465,276.00	\$ 465,276.00	\$ 0
Residential Service	\$ 145,023	\$ 0	\$(145,023)
Commercial Service	\$ 2,580	\$ 2,580	\$ 0
CapEx	\$ 1,280,819	\$ 699,445	\$ (581,374)*
Less CIAC paid by Developer	\$ 5,090.64	\$ 621,206	\$ 616,115.36
Cost to Customers	\$ 1,275,728.36	\$ 78,239.00	\$ (1,197,489.36)**

*Customer NPA Incentive to be paid to developer

** Cost savings prior to payment of Customer NPA Incentive

B. R&R NPA Projects

For a specific area of the system where forecast capacity and/or pressure issues requires the installation of an infrastructure project (generally referred to as a “reinforcement” project), existing gas customers can be offered a Customer NPA Incentive in exchange for reducing their Design Day gas demand, if the aggregate peak demand reduction amongst customers in the area

enables the avoidance, deferral, or reduction in size of the planned infrastructure project.¹⁶ R&R NPA projects can be successfully implemented through the actions of a portion of customers in the area that would be served by the proposed infrastructure project because only an aggregate threshold of Design Day gas demand reduction needs to be achieved and not a complete elimination of all demand in the area. Measures that reduce but do not fully eliminate Design Day demand, namely energy efficiency measures such as weatherization, as well as gas demand response and heat electrification, may contribute to the success of an R&R NPA without the need to fully electrify those customers.

The vendor selected by the Companies following a joint RFP process initiated on March 31, 2025 for Rate Year One (“RY1 R&R NPAs”)¹⁷ has commenced outreach to eligible customers. The RY1 R&R NPAs, if successful, will avoid or defer two planned system reinforcement projects, one in KEDLI’s service territory involving the installation of approximately 2,500 feet of pipe, and the second in KEDNY’s service territory involving the installation of approximately 2,400 feet of pipe. The KEDNY RY1 R&R NPA seeks an aggregate peak demand reduction of 60 dth/day by winter 2027/28 in the Hollis Hills neighborhood in the borough of Queens, and the KEDLI RY1 R&R NPA seeks an aggregate design day demand reduction of 153 dth/day by winter 2028/29 in the Sands Point, Manorhaven, and Port Washington North areas of North Hempstead in Nassau County.

An R&R NPA is considered viable when enough customers have agreed to participate to achieve the aggregate design day demand reductions necessary to defer or avoid all or part of the planned infrastructure project.¹⁸ Once the Companies determine that an R&R NPA is viable and

¹⁶ See NPA Implementation Plan at pages 26-29.

¹⁷ See Joint Proposal at page 42.

¹⁸ See NPA Implementation Plan at page 5.

can progress to deployment, inclusive of the two RY1 R&R NPAs described herein, the Companies seek Commission approval in this petition, as set forth in Section III.B below, to be able to move to the deployment stage (Stage III in the NPA Implementation Plan),¹⁹ without any further project-specific Commission approval, if the SCT BCA for the NPA project is positive once the BCA analysis has been submitted to the Commission by the Companies.

III. BENEFIT COST ANALYSIS

As reported by the Companies in their first annual *Non-Pipeline Alternative Opportunities and Programmatic Successes Report*, filed with the Commission on July 31, 2025 in Cases 23-G-0225 and 23-G-0226, the Companies retained a consultant to develop a tool that calculates SCT, Utility Cost Test (“UCT”), and Ratepayer Impact Measure (“RIM”) BCA scores for NPA projects. The Commission firmly established in the Gas Planning Order that a positive SCT BCA will be the ultimate metric used to determine if an NPA is cost effective and capable of progressing to customer outreach and ultimately to deployment, if the NPA is determined to be viable. The BCA tool allows the Companies to determine the Customer NPA Incentive that, if distributed in full to customers eligible to participate in that NPA, will produce a gas RIM BCA of 1.0 or greater so that gas customers are no worse off and potentially better off than if the infrastructure project had been implemented. The BCA tool also will have the capability to assess different NPA options. For example, the Companies will be able to use the tool to compare the BCAs for addressing an R&R NPA solely through heat pump deployment versus through weatherization, or through a combination of both approaches.

For the SCT BCA, the BCA tool includes the evaluation of an array of benefits that include: (1) avoided cost of gas infrastructure, (2) avoided peaking services, (3) avoided gas

¹⁹ See NPA Implementation Plan at pages 23 and 58-62.

commodity services, (4) avoided transmission and distribution services (excluding NPA), (5) avoided on-system transmission and distribution costs (including NPA), (6) avoided gas and electric O&M costs, (7) avoided CO₂ emissions, (8) avoided electric locational base marginal pricing (LBMP,) generation capacity, and T&D capacity, (9) other fuel commodity savings, and (10) non-energy benefits. Costs evaluated under the SCT BCA include: (1) the NPA Customer Incentives, (2) other non-National Grid NYS incentives, (3) net customer participation costs, (4) NPA administrative costs, (5) lost gas and electric utility revenue, (6) the shareholder Performance Incentive, and (7) non-energy costs.

A summary of the SCT BCA analysis for the two RY1 R&R NPAs and the KEDLI New Connection NPA follows.

A. BCA for the KEDLI New Connection NPA and the RY1 R&R NPAs

Using the newly developed BCA tool, the Companies have prepared BCA scores for the three NPA projects detailed in this petition to evaluate their cost-effectiveness. All three NPA projects resulted in a positive SCT BCA score. The results are shown below, and the full calculation spreadsheets are attached in Appendix A.

Table 2: Societal Cost Test BCA (simplified)**a. BCA For KEDLI New Connection NPA**

Simplified BCA Table									
Project	Peak Load Relief (Dth/day)	Avoided CO2 Emissions (\$)	Total SCT Benefits	Total SCT Costs	Net Benefits	SCT BCA Score	National Grid Investment*	Customer Portion of SCT Net Benefits	Potential Shareholder Performance Incentive
The Hills	113	\$5,026,573	\$7,143,809	\$5,613,260	\$1,530,549	1.27	\$581,374	\$1,071,384.01	\$459,164.58

*National Grid Investment includes NPA Incentive paid to customers, Other National Grid incentives, and any infrastructure costs charged to ratepayers

b. BCA for KEDNY RY1 R&R NPA

Simplified BCA Table									
Project	Peak Load Relief (Dth/day)	Avoided CO2 Emissions (\$)	Total SCT Benefits	Total SCT Costs	Net Benefits	SCT BCA Score	National Grid Investment*	Customer Portion of SCT Net Benefits	Potential Shareholder Performance Incentive
Hollis Hills	60	\$1,411,005	\$6,232,396	\$726,034	\$5,506,362	8.58	\$520,070	\$3,854,453.09	\$1,651,908.47

*National Grid Investment includes NPA Incentive paid to customers, Other National Grid incentives, and any infrastructure costs charged to ratepayers

c. BCA for KEDLI RY1 R&R NPA

Simplified BCA Table									
Project	Peak Load Relief (Dth/day)	Avoided CO2 Emissions (\$)	Total SCT Benefits	Total SCT Costs	Net Benefits	SCT BCA Score	National Grid Investment*	Customer Portion of SCT Net Benefits	Potential Shareholder Performance Incentive
Sands Point	153	\$2,590,391	\$3,931,465	\$2,769,564	\$1,161,901	1.42	\$2,244,693	\$813,330.50	\$348,570.21

*National Grid Investment includes NPA Incentive paid to customers, Other National Grid incentives, and any infrastructure costs charged to ratepayers

B. Process for Future NPAs (NPA BCA Framework)

To provide clarity for future NPA opportunities and messaging during customer outreach, the Companies propose that they be allowed to move forward with deployment of NPAs (Stage III) without needing to seek prior Commission approval for any NPA that achieves a score of 1.0 or greater on the SCT BCA test. The Companies would continue to consult, collaborate with, and discuss BCA results for NPAs that qualify for the streamlined process with Staff and will file the

BCA analysis showing a positive SCT with the Commission prior to commencing the NPA deployment stage (Stage III). The proposed streamlined NPA BCA Framework process will enable the Companies to pursue and deploy NPAs in an effective and expeditious manner and eliminate delays associated with securing separate approval for projects satisfying the deployment criteria, which can diminish customer interest and jeopardize the success of NPA projects.

IV. COST RECOVERY MECHANISM

The Joint Proposal approved the recovery of NPA costs as a regulatory asset during the term of the current rate plan. In line with the cost recovery mechanism in the JLDC Incentive and Cost Recovery Proposal, the Companies propose for Commission approval the following NPA cost recovery framework for all NPA projects:

- 1) Costs for pursuing and implementing NPAs, including the overall pre-tax rate of return on such costs, will be recovered as a regulatory asset and amortized over a period of 10 years;
- 2) Costs of pursuing and implementing NPAs incurred by the Companies during the current rate plan will be deferred, as provided in the Joint Proposal and approved by the Commission in the Rate Case Order;
- 3) All incremental costs incurred by the Companies after the current rate plan in pursuing NPAs (including those determined not to be viable) and deploying and implementing NPAs, along with applicable Customer NPA Incentives and Performance Incentives, and a carrying charge at a pre-tax rate of return, will be recovered through a surcharge (“Non-Pipes Alternative Cost Recovery Surcharge Mechanism”) until the unamortized NPA costs are incorporated into the appropriate Company’s base rates when gas base delivery

rates are reset. The Non-Pipes Alternative Cost Recovery Surcharge Mechanism will be included in the Companies' monthly delivery rate adjustment;

- 4) If an NPA is determined not to be viable either prior to or during deployment, the Companies will treat spending associated with the NPA project up to that point as a regulatory asset and incremental costs will be recovered via the Non-Pipes Alternative Cost Recovery Surcharge Mechanism;
- 5) Unamortized and deferred NPA costs, including the return on the regulatory asset, will be incorporated into the Companies' base rates when gas base delivery rates are reset; and
- 6) If NPAs result in KEDNY and/or KEDLI deferring or displacing a capital project reflected in the average net utility plan and depreciation expense revenue requirement targets as set in the Companies' most recent rate case, the target amounts(s) associated with the displaced project will be reduced by the forecasted net plant and depreciation expense associated with the displaced project. The carrying charge (including depreciation) associated with the displaced project that would otherwise be deferred for customer benefit will instead be applied as a credit against the recovery of the Non-Pipes Alternatives Cost Recovery Surcharge Mechanism. In the event the carrying charge on the net plant of any displaced project is higher than the Non-Pipes Alternatives Cost Recovery Surcharge Mechanism, the difference will be deferred for the benefit of customers.

V. PERFORMANCE INCENTIVE

As required by the Joint Proposal - "at the time the Companies submit their first filing for approval of an NPA, they will propose a cost recovery mechanism that will allow the Companies to recover any incremental costs associated with implementing the NPA and 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”²⁰ - the Companies are proposing that the NPA Performance Incentive mechanism allow the Companies to retain 30 percent of the net societal benefits as described in item 1 below. In the Gas Planning Order, the Commission reaffirmed policy that encourages LDCs to pursue NPAs, stating that, “[i]f an LDC reduces its traditional plant-in-service through an NPA, and the project or portfolio is BCA positive using the Societal Cost Test, shareholders are afforded the opportunity to retain a share of the net benefits.”²¹ In line with the Commission’s Gas Planning Order, the Companies propose the following Performance Incentive for Commission approval:

- 1) An initial Performance Incentive where shareholders retain 30 percent of the “Initial Net Benefits,” and customers retain 70 percent, as determined by the SCT performed prior to NPA implementation. The Initial Incentive to be determined by the Initial Net Benefits, which are simply the sum of the net present value (“NPV”) of the societal benefits less the net present value of the societal costs. Initial Net Benefits will be calculated at the time when the Companies initially submit their BCA to the Commission. The Companies will submit their BCA to the Commission when they are confident the NPA will be viable and have more certainty in the costs of the NPA, which is more likely after marketing and home energy audits identifying the conversion strategies have concluded.

²⁰ Joint Proposal Section 7.1 at pages 39-40.

²¹ Gas Planning Order at page 42-43.

- 2) The Final Incentive to be determined by the actual project spending, subject to a cost containment mechanism that incentivizes efficiencies and manages the financial impact on gas customers by either rewarding the Companies for reducing costs during NPA implementation/deployment or reducing their Performance Incentive for cost overruns (“Cost Containment Incentive”). In a simple case, the final Performance Incentive would be the sum of the initial Performance Incentive and 50 percent of the difference between planned costs and actual costs (“Delta Utility NPA Cost”). Thus, if actual costs come in lower than planned costs, the Delta Utility NPA Cost will be positive and will increase the final Performance Incentive above the initial Performance Incentive. However, the application of the Cost Containment Incentive is bounded with both a floor and a ceiling on the final Performance Incentive value. The Companies propose a cap on the Cost Containment Incentive such that the final Performance Incentive does not exceed 50 percent of the Initial Net Benefits. The floor is simply a final Performance Incentive of \$0, such that the incentive cannot be negative.
- 3) The utility will begin collecting the initial Performance Incentive once at least 25 percent of the infrastructure and/or related costs targeted by the NPA have been deferred or avoided. The initial Performance Incentive will be calculated for the percentage deferred or avoided at that time. The Companies can elect to delay collecting on the initial Performance Incentive until more than 25 percent of infrastructure costs are deferred or avoided.
- 4) The Performance Incentive will be calculated based on the net benefits reflected in the SCT and aggregated with all other NPAs that achieve

operational status (*i.e.*, where greater than 25 percent of the infrastructure costs have been avoided) during the fiscal year ending March 31, as reported in the Companies' NPA Opportunities and Programmatic Successes Report. The aggregated incentive amount will be deferred pending Commission approval of a recovery mechanism. Following such Commission authorization, the deferred incentive will be recovered over a ten-year period through the Non-Pipes Alternatives Cost Recovery Surcharge Mechanism, beginning August 1 of each year. Carrying charges will accrue on the unamortized balances at the Companies' weighted average cost of capital ("WACC"). If the Companies have any unrecovered costs or incentive after the end of the ten-year amortization period, the Companies will defer for future recovery.

- 5) The Performance Incentive would be allocated to each service class based on the type of traditional gas project the NPA would defer, using the following allocators: (1) Peak Sendout for projects that defer the need for infrastructure designed to meet the peak day demand; and (2) Total Gas Deliveries for projects that defer the need for infrastructure designed to meet daily demands. The per therm rate will be calculated by allocating the NPA Incentive Mechanism to SC 1, 2, 3, 4A, 4B, 7, and 21 firm sales and SC 17 firm transportation customers for KEDNY (adjusted for the Company's pre-tax WACC defined in Rule 1.A). The per Therm rate will be calculated by allocating the NPA Incentive Mechanism to SC 1, 2, 3, 9, 15, 16, 17 firm sales and SC 5 firm transportation customers for KEDLI (adjusted for the Company's pre-tax WACC defined in Rule II.1). The NPA will appear on the

Statement of Non-Pipes Alternatives Cost Recovery Surcharge Mechanism to be filed not less than three (3) days prior to the effective date.

VI. NPA REPORTING, COMPLETION AND PROJECT CLOSEOUT

In conformance with Section 7.1.6 of the Joint Proposal, the Companies will file with the Commission an annual NPA Opportunities and Programmatic Successes report by July 31st of each year that will provide updates to their NPA Implementation Plan, NPA participant outreach and outcomes, NPA program implementation, NPA Performance Incentives earned for NPA projects in the prior fiscal year, and other relevant NPA program updates and information. The Companies' NPA Implementation Plan provides that Customer NPA Incentives can be awarded at two specific milestones: (1) (where applicable) the signing of NPA Participation Agreements by a sufficient number of eligible participants in a given NPA such that the given NPA threshold is achieved, and (2) the successful completion of Stage III or deployment of an NPA.²² An NPA will be considered closed when (a) the participation threshold has been achieved such that the associated gas infrastructure project can be avoided, deferred, or reduced in size or (b) the participation threshold has not been achieved (or, alternately, when unforeseen circumstance(s) occur that require the associated infrastructure project to move forward).²³ In accordance with the referenced provisions in the Companies' NPA Implementation Plan, the developer has earned the incentive for the New Connection NPA offered by KEDLI since the gas infrastructure needed to serve the residences has been avoided and NPA deployment has been successfully completed.

In accordance with the Performance Incentive mechanism described in Section V, KEDLI has earned a Performance Incentive in the amount of \$194,561.26 for the KEDLI New

²² NPA Implementation Plan at page 40.

²³ *Id.* at page 63.

connection NPA. See Appendix B for the Performance Incentive calculation. As of the date of this filing, the gas infrastructure has only been installed to the clubhouse and common facilities, in accordance with the NPA requirements, and there is no indication or request for service for any additional gas infrastructure needed to be installed within the development. KEDLI currently is seeking a Performance Incentive for the 50 homes constructed or under construction. If additional homes are constructed in the future, KEDLI will seek recovery for the additional Performance Incentive earned at that time.

The Companies will report annually on NPA progress including Customer NPA Incentives and Performance Incentives earned by KEDLI and/or KEDNY in the NPA Opportunities and Programmatic Successes report that will include any additional Performance Incentive earned by KEDLI for the New Connection NPA. If the scope of the new residential development changes such that a smaller number of homes will be constructed in total, KEDLI will update the BCA accordingly in the NPA Opportunities and Programmatic Successes report.

VII. CONCLUSION

For the reasons set forth above, the Companies respectfully request that the Commission approve:

1. The NPA Cost Recovery Framework described in Section IV of this Petition, including authorization to recover NPA costs for all future NPAs, and also the R&R NPAs and the KEDLI New Connection NPA described in this petition, whether fully implemented or until an NPA is determined not to be viable, as a regulatory asset with a 10-year amortization period and recovery of carrying charges through the recovery mechanism all as detailed herein;

2. Incremental costs of NPAs pursued after the Companies current rate plan including the pre-tax rate of return, be recovered through the Non-Pipes Alternatives Cost Recovery Surcharge Mechanism until the unamortized NPA costs are incorporated into the appropriate Company's base rates when gas base delivery rates are reset;
3. A streamlined NPA BCA Process for future NPAs as described herein, authorizing the Companies to deploy those NPA projects that achieve a score of 1.0 or greater on the SCT BCA, subject to filing of the BCA analysis with the PSC;
4. The Performance Incentive mechanism, described in Section V of this petition, providing for an initial 30 percent shareholder retention of Net Benefits as determined by the SCT, with a cost containment mechanism capping the final Performance Incentive at 50 percent of Initial Net Benefits and a floor of \$0;
5. The \$581,374 Customer NPA Incentive for the KEDLI New Connection NPA detailed in Section II of this petition as reasonable and payable by KEDLI to the developer;
6. The Performance Incentive for the KEDLI New Connection NPA for 50 residences in the amount of \$194,561.26 and recovered via the Non-Pipes Alternatives Cost Recovery Surcharge Mechanism as described in this petition; and
7. Such other and further relief as the Commission deems just and reasonable.

**KEYSPAN EAST GAS CORPORATION AND
THE BROOKLYN UNION GAS COMPANY**

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Dated: May 1, 2026

Appendices

Appendix A: BCA calculations for KEDNY and KEDLI RY1 R&R NPAs and KEDLI's New Connection NPA

Appendix B: Illustrative Performance Incentive Calculation

Appendix A BCA calculations

KEDNY RY1 R&R NPA:

OpCo	KEDNY	
NPA Type	R&R	
Project ID	Hollis Hills	
NPA Option ID	Maximum SCT Ratio	
Benefits versus Costs for Selected Project(s) [NPV in 2025\$]		
B/C	Category	SCT
Benefit	Avoided Cost of Infrastructure from NPA	\$4,846,239
Benefit	Avoided Peaking Services	\$0
Benefit	Avoided Gas Commodity Services	\$165,034
Benefit	Avoided Gas Upstream Capacity (excluding NPA)	\$0
Benefit	Avoided On-System T&D Costs (excluding NPA)	\$77,670
Benefit	Avoided Gas O&M Costs	\$0
Benefit	Avoided Electric O&M Costs	\$0
Benefit	Reliability/Resiliency	\$0
Benefit	Avoided CO2 Emissions	\$1,411,005
Benefit	Avoided Electricity LBMP	-\$113,931
Benefit	Avoided Electricity Generation Capacity	\$6,843
Benefit	Avoided Electricity T&D Capacity	-\$160,464
Benefit	Other Fuel Commodity Savings	\$0
Benefit	Non-Energy Benefits	\$0
Cost	NPA Incentives	\$485,685
Cost	Other National Grid Incentives	\$34,385
Cost	Other, non-National Grid NYS Incentives	\$165,047
Cost	Net Customer Participation Costs	\$40,918
Cost	NPA Administrative Costs	\$0
Cost	Lost Gas Utility Revenue	
Cost	Lost Electric Utility Revenue	
Cost	Shareholder Incentives	
Cost	Non-Energy Costs	\$0
Benefit	Total	\$6,232,396
Cost	Total	\$726,034
BCR	Benefit-to-Cost Ratio	8.58
Net Benefits		\$5,506,362
Potential Shareholder Incentive (30% of SCT Net Benefits)		\$1,651,908

Appendix A

KEDLI RY1 R&R NPA:

OpCo	KEDLI
NPA Type	R&R
Project ID	Sands Point
NPA Option ID	Maximum SCT Ratio

Benefits versus Costs for Selected Project(s) [NPV in 2025\$]		
B/C	Category	SCT
Benefit	Avoided Cost of Infrastructure from NPA	\$1,534,952
Benefit	Avoided Peaking Services	\$0
Benefit	Avoided Gas Commodity Services	\$357,979
Benefit	Avoided Gas Upstream Capacity (excluding NPA)	\$0
Benefit	Avoided On-System T&D Costs (excluding NPA)	\$82,847
Benefit	Avoided Gas O&M Costs	\$0
Benefit	Avoided Electric O&M Costs	\$0
Benefit	Reliability/Resiliency	\$0
Benefit	Avoided CO2 Emissions	\$2,590,391
Benefit	Avoided Electricity LBMP	-\$373,517
Benefit	Avoided Electricity Generation Capacity	\$24,394
Benefit	Avoided Electricity T&D Capacity	-\$285,581
Benefit	Other Fuel Commodity Savings	\$0
Benefit	Non-Energy Benefits	\$0
Cost	NPA Incentives	\$2,221,887
Cost	Other National Grid Incentives	\$22,806
Cost	Other, non-National Grid NYS Incentives	\$381,289
Cost	Net Customer Participation Costs	\$143,581
Cost	NPA Administrative Costs	\$0
Cost	Lost Gas Utility Revenue	
Cost	Lost Electric Utility Revenue	
Cost	Shareholder Incentives	
Cost	Non-Energy Costs	\$0
Benefit	Total	\$3,931,465
Cost	Total	\$2,769,564
BCR	Benefit-to-Cost Ratio	1.42
Net Benefits		\$1,161,901
Potential Shareholder Incentive (30% of SCT Net Benefits)		\$348,570

Appendix A

KEDLI New Connection NPA

OpCo	KEDLI
NPA Type	New Construction
Project ID	The Hills
NPA Option ID	Maximum SCT Ratio

Benefits versus Costs for Selected Project(s) [NPV in 2025\$]		
B/C	Category	SCT
Benefit	Avoided Cost of Infrastructure from NPA	\$2,353,084
Benefit	Avoided Peaking Services	\$0
Benefit	Avoided Gas Commodity Services	\$479,113
Benefit	Avoided Gas Upstream Capacity (excluding NPA)	\$0
Benefit	Avoided On-System T&D Costs (excluding NPA)	\$110,375
Benefit	Avoided Gas O&M Costs	\$0
Benefit	Avoided Electric O&M Costs	\$0
Benefit	Reliability/Resiliency	\$0
Benefit	Avoided CO2 Emissions	\$5,026,573
Benefit	Avoided Electricity LBMP	-\$414,113
Benefit	Avoided Electricity Generation Capacity	\$14,227
Benefit	Avoided Electricity T&D Capacity	-\$425,450
Benefit	Other Fuel Commodity Savings	\$0
Benefit	Non-Energy Benefits	\$0
Cost	NPA Incentives	\$581,374
Cost	Other National Grid Incentives	\$0
Cost	Other, non-National Grid NYS Incentives	\$566,400
Cost	Net Customer Participation Costs	\$4,465,486
Cost	NPA Administrative Costs	\$0
Cost	Lost Gas Utility Revenue	
Cost	Lost Electric Utility Revenue	
Cost	Shareholder Incentives	
Cost	Non-Energy Costs	\$0
Benefit	Total	\$7,143,809
Cost	Total	\$5,613,260
BCR	Benefit-to-Cost Ratio	1.27

Net Benefits	\$1,530,549
Potential Shareholder Incentive (30% of SCT Net Benefits)	\$459,165

Appendix B

Illustrative Performance Incentive Calculation

Shareholder Incentive Calculation as of July 31, 2027		Calculation	Amount
A	Total Potential Shareholder Incentive (30% of SCT Net Benefits)		\$459,165
B	# of homes completed or under construction with no gas connection		50
C	Total # of homes in the project design		118
D	% complete	$B \div C$	42%
E	Shareholder Incentive earned to date	$A \times D$	\$194,561
Shareholder Incentive Calculation as of July 31, 2029		Calculation	Amount
F	Total Potential Shareholder Incentive (30% of SCT Net Benefits)	Line A	\$459,165
G	# of homes completed or under construction with no gas connection		75
H	Total # of homes in the original project design after 7/31/27	$G - B$	25
I	Total # of homes in the project design		118
J	additional % complete since July 31, 2027	$H \div I$	21%
K	Shareholder Incentive earned since July 31, 2027 (E)	$F \times J$	\$97,281

KEDNY RY3 WACC 9.01%

KEDLI RY3 WACC 9.16%

Note: The WACC will be updated to reflect any approved Rate Plan

Appendix B

KEDNY Illustrative Example of Amortization of Incentive Mechanism

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Beginning Balance	\$0	\$190,891	\$154,384	\$200,355	\$156,251	\$118,471	\$86,233	\$58,844	\$35,693	\$16,238
Activity	\$194,561	\$0	\$97,281	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pre-Tax WACC	9.01%	9.01%	9.01%	9.01%	9.01%	9.01%	9.01%	9.01%	9.01%	9.01%
Accrued Carrying Charge	\$17,540	\$17,209	\$22,687	\$18,062	\$14,086	\$10,680	\$7,774	\$5,305	\$3,218	\$1,464
End Balance	\$212,101	\$173,682	\$228,977	\$182,293	\$142,165	\$107,791	\$78,459	\$53,539	\$32,475	\$14,774
Amortized Amount	(\$21,210)	(\$19,298)	(\$28,622)	(\$26,042)	(\$23,694)	(\$21,558)	(\$19,615)	(\$17,846)	(\$16,238)	(\$14,774)
End Balance	\$190,891	\$154,384	\$200,355	\$156,251	\$118,471	\$86,233	\$58,844	\$35,693	\$16,238	\$0

KEDLI Illustrative Example of Amortization of Incentive Mechanism

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Beginning Balance	\$0	\$191,136	\$154,344	\$200,015	\$155,746	\$117,906	\$85,690	\$58,384	\$35,359	\$16,061
Activity	\$194,561	\$0	\$97,281	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pre-Tax WACC	9.15%	9.15%	9.15%	9.15%	9.15%	9.15%	9.15%	9.15%	9.15%	9.15%
Accrued Carrying Charge	\$17,812	\$17,498	\$23,036	\$18,311	\$14,259	\$10,794	\$7,845	\$5,345	\$3,237	\$1,470
End Balance	\$212,373	\$173,638	\$228,589	\$181,704	\$141,488	\$107,112	\$77,845	\$53,039	\$32,122	\$14,591
Amortized Amount	(\$21,237)	(\$19,293)	(\$28,574)	(\$25,958)	(\$23,581)	(\$21,422)	(\$19,461)	(\$17,680)	(\$16,061)	(\$14,591)
End Balance	\$191,136	\$154,344	\$200,015	\$155,746	\$117,906	\$85,690	\$58,384	\$35,359	\$16,061	\$0

Note: The WACC will be updated to reflect any approved Rate Plan