

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

Niagara Mohawk Power Corporation d/b/a National Grid

Cases 24-E-0322 & 24-G-0323

September 26, 2024

Prepared Testimony of:

Staff Gas Rates Panel (SGRP)

Brian Grode
Utility Engineering Specialist 2

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State of New York
Department of Public Service
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Albany, New York 12223-1350

1 Q. Members of the Staff Gas Rates Panel, referred
2 to as the SGRP, please state your names,
3 employer, and business address.

4 A. Our names are Brian Grode and Andrew Timbrook.
5 We are employed by the New York State Department
6 of Public Service, or the Department. Our
7 business address is Three Empire State Plaza,
8 Albany, New York 12223-1350.

9 Q. Mr. Grode, what is your position at the
10 Department?

11 A. I am employed as a Utility Engineering
12 Specialist 2 in the Upstate Rates and Tariffs
13 Section in the Office of Rates and Tariffs.

14 Q. Please describe your educational background and
15 professional experience.

16 A. I received a Bachelor of Science in Chemical
17 Engineering from Clarkson University in May
18 2015. In June 2019, I joined Department Staff
19 of the Upstate Rates and Tariffs Section as a
20 Utility Engineering Specialist 1. In May of
21 2024, I was promoted to Utility Engineering
22 Specialist 2. My current duties include the
23 review and evaluation of utility capital and
24 operations and maintenance budgets, engineering

1 analyses of utility rates, pricing and tariff
2 proposals.

3 Q. Have you previously testified before the
4 Commission?

5 A. Yes, I provided testimony in Cases 20-E-0380 and
6 20-G-0381 as a member of the Staff Electric and
7 Gas Rates Panel regarding Niagara Mohawk Power
8 Corporation d/b/a National Grid, in Cases 22-E-
9 0317, 22-G-0318, 22-E-0319, and 22-G-0320 as a
10 member of the Staff Gas Rates Panel and the
11 Staff Rates Panel regarding New York State
12 Electric and Gas and Rochester Gas & Electric,
13 in Cases 23-G-0225 and 23-G-0226 as a member of
14 the Staff Gas Rates Panel regarding The Brooklyn
15 Union Gas Company d/b/a National Grid NY and
16 KeySpan Gas East Corporation d/b/a National
17 Grid, and in Case 23-G-0627 as a member of the
18 Staff Rates Panel regarding National Fuel Gas
19 Distribution Corporation.

20 Q. Mr. Timbrook, is your position in the
21 Department, educational background, professional
22 experience and a list of previous testimony
23 provided in another panel's testimony?

24 A. Yes, this information is stated in the Staff Net

1 Plant and Gas Infrastructure and Operations
2 Panel, or SNPGIOP, testimony.

3 **Summary of Testimony**

4 Q. How will the Panel refer to Niagara Mohawk Power
5 Corporation d/b/a National Grid in your
6 testimony?

7 A. We will refer to Niagara Mohawk Power
8 Corporation d/b/a National Grid as NMPC or the
9 Company.

10 Q. What is the purpose of the Panel's testimony in
11 these proceedings?

12 A. We are responding to NMPC's proposals related to
13 (1) the Rate Year gas revenue forecast which
14 includes base delivery revenues, commodity
15 revenues, merchant function charge revenues,
16 gross revenue taxes and other revenues; (2) the
17 gas embedded cost of service study, including
18 the minimum system study; (3) gas revenue
19 allocation; (4) gas rate design and bill
20 impacts; and (5) tariff modifications for its
21 gas business.

22 Q. Did the Panel review the Company's proposals
23 included in its Gas Rate Design Panel testimony?

24 A. Yes, we reviewed the Company's initial Gas Rate

1 Design Panel testimony filed on May 28, 2024 and
2 subsequent Corrections and Updates Testimony of
3 the Gas Rate Design Panel filed on July 22,
4 2024.

5 Q. In your testimony, will you refer to, or
6 otherwise rely upon, any information obtained
7 during the discovery phase of this proceeding?

8 A. Yes. We will refer to, and have relied upon,
9 several responses provided by the Company to
10 Information Requests, or IRs. These responses
11 are contained within Exhibit__(SGRP-1). We will
12 refer to these responses by the designation
13 given to them during discovery, e.g., DPS-123.

14 Q. How many exhibits are you offering as part of
15 your testimony?

16 A. We are sponsoring eight exhibits.

17 Q. Would you briefly describe each exhibit?

18 A. Exhibit__(SGRP-1) contains the Company's
19 responses to IRs we have relied upon.
20 Exhibit__(SGRP-2) contains the Panel's priceout
21 of forecasted sales and customers at current
22 rates. Exhibit__(SGRP-3) is a summary of our
23 revenue allocation. Exhibit__(SRP-4) is the
24 results of our block flattening analysis.

1 Exhibit__(SRP-5) is the conversion of the
2 Company's block flattening. Exhibit__(SGRP-6)
3 contains our rate design and summary of proposed
4 rates. Exhibit__(SGRP-7) contains our proposed
5 bill impacts based on our proposed revenue
6 allocation and rate design. Finally,
7 Exhibit__(SGRP-8) contains our proposal for
8 Revenue Decoupling Mechanism targets.

9 Q. What is the Historical Test Year in this
10 proceeding?

11 A. The Historical Test Year, or HTY, is the twelve
12 months ending December 31, 2023.

13 Q. What time-period does the Company Rate Year
14 entail?

15 A. The Company's Rate Year, or RY, is from April 1,
16 2025 through March 31, 2026. The Company also
17 provided three additional years it refers to as
18 Data Years, or DY, with DY1 being the twelve
19 months ending March 31, 2027, DY2 being the
20 twelve months ending March 31, 2028, and DY3
21 being the twelve months ending March 31, 2029.

22 **Revenue Forecast**

23 Q. What revenue forecasts did the Panel review?

24 A. The Panel reviewed base delivery revenues and

1 other revenues including, but not limited to,
2 late payment charges, merchant function charges,
3 or MFC, and commodity revenues. Our price out
4 of revenues at current rates is found in
5 Exhibit__ (SGRP-2).

6 Q. Summarize the Panel's adjustments to the
7 Company's delivery revenues.

8 A. Our adjustments to the Company's delivery
9 revenues reflect the price out of the
10 recommended sales and customer forecasts for
11 each Service Classification, or SC, as included
12 in the Staff Forecasting Panel's, or SFP,
13 testimony.

14 Q. Please describe the SCs included in the
15 Company's P.S.C. No. 219 - Gas.

16 A. Served under its P.S.C. No. 219 - Gas, referred
17 to as the Gas Tariff, the Company has SC No. 1
18 Residential Service, or SC1, SC No. 2 Small
19 General Service, or SC2, SC No. 5 Firm Gas Sales
20 and Transportation Service, or SC5, SC No. 6
21 Large Volume Interruptible Transportation
22 Service, or SC6, SC No. 7 Small Volume Firm Gas
23 Sales and Transportation Service, or SC7, SC No.
24 8 Gas Sales and Transportation Service with

1 Standby Sales Service, or SC8, SC No. 9
2 Negotiated Transportation Service, or SC9, SC
3 No. 10 Natural Gas Vehicle Service, or SC10, SC
4 No. 12 Distributed Generation Service - Non
5 Residential, or SC12, SC No. 13 Distributed
6 Generation Service - Residential, or SC13, and
7 SC No. 14 Gas Transportation Service for Dual
8 Fuel Electric Generators, or SC14. New York
9 State Electric and Gas, or NYSEG, is also a
10 customer of the Company. In some instances, SC2
11 is referred to by its separate SC2 Residential,
12 SC2 Commercial, and SC2 Industrial subclasses,
13 each with the same base delivery rates.

14 Q. What forecasted usage and customer count did the
15 SFP provide the Panel?

16 A. The Panel was provided a usage and customer
17 count forecast for SC1, SC2 Residential, SC2
18 Commercial, SC10, SC7, SC13. The SFP did not
19 contest the usage or customer forecast for SC2
20 Industrial, SC12, SC6, SC9, SC14, SC5, NYSEG, or
21 SC8.

22 Q. Please summarize the sales forecast recommended
23 by the SFP as it relates to this Panel's
24 delivery revenue price out.

1 A. The total forecasted volumes for the Rate Year
2 is 1,639,246,673 therms, which is 11,567,724
3 therms higher than the Company's forecast.
4 Exhibit__(SFP-3) of the SFP contains the
5 forecasted usage we use throughout our
6 testimony.

7 Q. Summarize the customer forecast as recommended
8 by the SFP.

9 A. The total forecasted customers for the Rate Year
10 is 645,779 which is 1,942 customers higher than
11 the Company. Exhibit__(SFP-3) of the SFP
12 contains the forecasted usage we are using
13 throughout our testimony.

14 Q. Describe how the Company developed its forecast
15 of base gas delivery revenues at current rates
16 in the Rate Year.

17 A. For all SCs, the Company developed the base
18 delivery revenue forecast based on its
19 forecasted customer counts and usage. For SCs
20 that have multiple block rates, the Company
21 allocated forecasted deliveries to the usage
22 blocks using historical block percentages.
23 Next, the Company multiplied the forecasted
24 customer counts and deliveries by the respective

1 delivery rates and customer charges.

2 Q. Explain how the Company allocated deliveries to
3 the usage blocks for each SC to price out the
4 revenues.

5 A. For SCs that have multiple usage blocks the
6 Company allocated deliveries into usage blocks
7 based on historical block percentages. For SCs
8 that do not have multiple volumetric blocks the
9 maximum usage was attributed to the first block,
10 and the remaining total usage was allocated to
11 the second block.

12 Q. Please explain how the Company used historical
13 block percentages to allocate deliveries into
14 usage blocks for SCs with multiple block rates.

15 A. Beginning on page 13 of the initial testimony of
16 the Gas Rate Design Panel, the Company states
17 that first, the Company calculated the average
18 historical usage by block for each SC based on
19 calendar years 2021, 2022, and 2023. Those
20 percentages were then multiplied by the monthly
21 forecast for that SC. This was done for all
22 firm SCs and SC6. For SC5, SC7, and SC8 sales
23 customers, the Company used historical billed
24 block usage from periods March 2022 through

1 December 2022 and calendar year 2023 because
2 these were new rate codes that became effective
3 February 1, 2022 in accordance with the Joint
4 Proposal adopted by the Order Adopting Terms of
5 Joint Proposal, Establishing Rate Plans and
6 Reporting Requirements, issued January 20, 2022
7 in Cases 20-E-0380 and 20-G-0381, referred to as
8 the 2022 Rate Order.

9 Q. How did the Company forecast revenues for SC9?

10 A. On page 14 of the initial testimony of the Gas
11 Rate Design Panel, the Company states that it
12 forecasted revenue on a per customer basis. A
13 historical three-year average usage per customer
14 was developed and applied to the SC9 gas sales
15 forecast. The Company then used the rates for
16 each customer's respective contract to price out
17 revenues for the class, multiplying the
18 respective rates by the per customer usage.

19 Q. How did the Company forecast revenues for SC10?

20 A. On page 14 of the initial testimony of the Gas
21 Rate Design Panel, the Company states that the
22 SC10 revenues are based on New York Mercantile
23 Exchange, or NYMEX, forward gas prices as of
24 December 27, 2023, plus a delivery rate. This

1 delivery rate is equal to the historical price
2 differential between the SC10 commodity price
3 and the market price of gas.

4 Q. How did the Company forecast revenues for SC14?

5 A. On page 14 of the initial testimony of the Gas
6 Rate Design Panel, the Company states that the
7 revenue forecast was developed on a per customer
8 basis, multiplied by the customer's respective
9 contracted rates. This process is similar to
10 the way that the Company forecasted revenues for
11 SC9.

12 Q. How did the Company forecast revenues for NYSEG?

13 A. On page 15 of the initial testimony of the Gas
14 Rate Design Panel, the Company states that the
15 NYSEG revenues were developed by multiplying the
16 rates under the current service agreement and
17 the forecasted deliveries.

18 Q. Does the Panel agree with the Company's
19 methodology for forecasting revenues for the
20 aforementioned SCs?

21 A. Yes. The Company's methodology of forecasting
22 block revenues via the three-year historical
23 average methodology is reasonable.

24 Q. Does the Panel support the Company's methodology

1 for forecasting revenues for SC10?

2 A. Yes. As the SFP provided a forecast for SC10,
3 the Panel calculated its own revenues at current
4 rates for SC10 using the same methodology as the
5 Company.

6 Q. Does the Panel support the Company's methodology
7 for forecasting revenues for SC14 and NYSEG?

8 A. Yes. As the SFP did not contest the forecast
9 for SC14 or NYSEG, the Panel is adopting the
10 revenues at current rates for both SCs.

11 Q. Does the Panel support the Company's methodology
12 for forecasting revenues for SC9?

13 A. Yes. According to the response to DPS-862,
14 shown in Exhibit__ (SGRP-1), the Company
15 inadvertently priced out SC9 revenues without
16 accounting for the migration of two customers
17 from SC9. The Company's corrected RY revenues
18 for SC9 is \$4,686,404, as stated in the response
19 to DPS-862. As the SFP did not contest the
20 forecast for SC9, the Panel is adopting the
21 corrected revenues at current rates of
22 \$4,686,404.

23 Q. Please explain how the Company forecasted
24 commodity revenues and the gross revenue tax

1 revenues?

2 A. Beginning on page 17 of the initial testimony of
3 the Company's Gas Rate Design Panel, the Company
4 states that the gas commodity revenue forecast
5 was developed based on the NYMEX forward prices
6 as of December 27, 2023. The Monthly Cost of
7 Gas, or MCG, factors were then applied to the
8 forecasted sales volumes for each applicable
9 sales SC. Gross revenue taxes were developed by
10 applying the applicable gross revenue tax, or
11 GRT, rate to each SC's respective forecasted
12 revenues.

13 Q. Does the Panel support the Company's methodology
14 for forecasting commodity and GRT revenues?

15 A. Yes, however, for commodity revenues, the Panel
16 recommends that the Company update the NYMEX
17 forecast for a more recent forecast when rates
18 are approved, and to update the forecast for
19 commodity revenues accordingly.

20 Q. What other gas revenues did the Company
21 forecast?

22 A. On page 18 of the initial testimony of the
23 Company's Gas Rate Design Panel, the Company
24 lists other gas revenues to include late payment

1 charges, one-bill billing fees, System and
2 Administration, or S&A, revenues, miscellaneous
3 third party billings, miscellaneous billing fees
4 including service reestablishment, no access
5 customer penalties, and Automated Meter Reading,
6 or AMR, and Advanced Metering Infrastructure, or
7 AMI, opt out meter reading fees.

8 Q. How did the Company forecast late payment
9 charges?

10 A. The Company states on page 18 of the initial Gas
11 Rate Design Panel that the late payment charge
12 revenues were developed by calculating the HTY
13 late payment charge revenue as a percent of
14 total retail revenue and applying that
15 percentage to the projected Rate Year retail
16 revenues.

17 Q. Does the Panel support the methodology for
18 forecasting late payment charges?

19 A. Yes.

20 Q. How did the Company forecast one-bill billing
21 fee revenue?

22 A. The Company states on page 18 of the initial Gas
23 Rate Design Panel that the one-bill billing fee
24 revenues were held at HTY level with an offset

1 of one-bill billing customer credits included
2 with the retail revenues.

3 Q. Does the Panel support the methodology for
4 forecasting one-bill billing fee revenues?

5 A. Yes.

6 Q. How did the Company forecast the S&A and
7 miscellaneous third-party billing revenues?

8 A. The Company states on page 18 of the initial Gas
9 Rate Design Panel that the S&A and miscellaneous
10 third-party billing revenues were calculated by
11 adjusting HTY revenues for general inflation.

12 Q. Does the Panel support the methodology for
13 forecasting S&A and miscellaneous third-party
14 billing revenues?

15 A. Yes.

16 Q. How did the Company forecast the revenues
17 associated with the service reestablishment and
18 AMR/AMI opt out meter reading fees?

19 A. The Company states on page 18 of the initial Gas
20 Rate Design Panel that the service
21 reestablishment and AMR/AMI opt out meter
22 reading fees were held at HTY level to account
23 for RY revenue increases resulting from the Gas
24 Tariff fee proposals the Company also makes in

1 this filing.

2 Q. Does the Panel support the methodology for
3 forecasting service reestablishment and AMR/AMI
4 opt out meter reading fees?

5 A. Yes.

6 Q. How did the Company forecast revenues associated
7 with no-access customer penalties?

8 A. Beginning on page 18 of the initial Gas Rate
9 Design Panel, the Company states that the no-
10 access customer penalties were forecast using a
11 historical ratio of penalties billed to
12 customers and applied to the RY number of meters
13 to be inspected in accordance with the Company's
14 Service Line Inspection work plan.

15 Q. Does the Panel support the methodology for
16 forecasting no-access customer penalties?

17 A. Yes.

18 Q. Did the Company provide any additional
19 corrections to its revenues?

20 A. Yes. In the response to DPS-863, shown in
21 Exhibit__(SGRP-1), the Company clarified that
22 the SC12 forecasted delivery revenues at current
23 rates should be \$940,628 as shown in
24 Exhibit__(G-RDP-4CU) as opposed to the \$934,279

1 as shown in Exhibit__(G-RDP-2CU).

2 **Embedded Cost of Service Study**

3 Q. Please describe the purpose of an Embedded Cost
4 of Service, or ECOS, study.

5 A. The purpose of an ECOS study is to assign the
6 costs of providing utility service to the
7 different SCs based on the costs incurred to
8 provide service to customers within those
9 classes. The results of an ECOS study are used
10 as a guide in allocating revenue responsibility
11 between the different classes of customers.

12 Q. What information does an ECOS study provide?

13 A. The results of the ECOS study are expressed as a
14 total system rate of return, as well as SC
15 specific rates of return. The results of an
16 ECOS study provide a summary of the individual
17 SC rate of return which, in turn, shows the
18 level at which each SC contributes to the total
19 system rate of return. The rate of return for a
20 SC is an effective way to measure how well the
21 class revenues align to the Company's costs to
22 provide service to that particular customer
23 class. An ECOS study has three major steps:
24 functionalization, classification, and

1 allocation.

2 Q. Please explain the three major steps.

3 A. Functionalization is the process of assigning
4 the Company's rate base and expense items to
5 specific utility operating functions. The
6 functions are: gas supply and storage,
7 transmission, distribution, billing,
8 collections, sales promotion, and gas
9 procurement. Classification is used to further
10 define the functionalized rate base and expense
11 items into demand, energy, and customer
12 components. The final step - allocation -
13 assigns the components to customer classes
14 reflective of the cost that the class imposes on
15 the utility.

16 Q. Did the Company submit an ECOS study in this
17 rate proceeding?

18 A. Yes. The Company submitted a "pro forma" ECOS
19 study as Exhibit__(G-RDP-3CU), which we will
20 refer to as the 2024 ECOS study. A pro forma
21 ECOS study uses forecasted costs to estimate
22 what each SC's return will be in the future, in
23 this case for the Rate Year. In a pro forma
24 study, data such as revenues, system loads,

1 expenses, and rate base are forecasted to
2 estimate what each SC's rate of return will be
3 for the Rate Year.

4 Q. Please describe the pro forma study that NMPC
5 presented in its rate filing.

6 A. The Company's study shows the projected rate of
7 return, at current rates, for the SCs the
8 Company serves as well as each SC's projected
9 relative rate of return for the Rate Year. Line
10 24 of Exhibit__(G-RDP-3CU), Schedule 1 also
11 shows the change in base delivery revenue
12 required for each SC to produce the 7.12 percent
13 rate of return NMPC requested in this
14 proceeding.

15 Q. Please list the SCs considered in the Company's
16 2024 ECOS study.

17 A. According to the Company's Exhibit__(G-RDP-3CU)
18 Schedule 1, the Company considers SC1, SC2, SC5,
19 SC6, SC7, SC8, SC10, SC12, SC13, and NYSEG.

20 Q. Is the list of SCs considered in the Company's
21 2024 ECOS study consistent with the ECOS study
22 provided in the Company's prior rate cases?

23 A. No. In the 2024 ECOS study the Company computes
24 a rate of return for SC6, which was not done in

1 the previous rate proceeding in Cases 20-E-0380
2 and 20-G-0381.

3 Q. What type of service is provided under SC6?

4 A. The Company provides interruptible service under
5 SC6.

6 Q. Does the Panel support the inclusion of SC6 in
7 the ECOS study?

8 A. No. The Panel does not support the inclusion of
9 SC6 in the ECOS. In addition to including SC6
10 in the ECOS, the Company also allocates the
11 incremental revenue requirement to SC6 based on
12 the ECOS results. This approach means that SC6
13 rates are cost-based, which has not been the
14 case historically. The value of interruptible
15 service to firm customers, in terms of the
16 amount of revenue generated from SC6 that is
17 used to offset the amount of revenues collected
18 from firm customers, can and should be maximized
19 by the Company by setting rates to maximize
20 participation and overall revenue generation.
21 Cost based rates do not allow the Company the
22 flexibility to maximize interruptible revenues.
23 Therefore, we support continuing to design rates
24 for SC6 based on the market value of

1 interruptible service and recommend that the
2 Company rerun the ECOS study excluding SC6 for
3 revenue allocation purposes.

4 **Minimum System Study**

5 Q. Why is a minimum system study performed in an
6 ECOS to allocate gas distribution mains costs?

7 A. On page 24 of the initial testimony of the Gas
8 Rate Design Panel, the Company states that
9 distribution mains are installed to connect
10 customers to the distribution system, which it
11 refers to as the customer related component, as
12 well as to provide capacity to meet customer
13 requirements on the design day, which it refers
14 to as the demand related component. The
15 customer related component is the cost of
16 connecting customers, but with no load carrying
17 capacity.

18 Q. Please describe the methodology the Company used
19 to allocate gas distribution mains in the 2024
20 ECOS study.

21 A. Beginning on page 24 of the initial testimony of
22 the Gas Rate Design Panel, the Company states
23 that a minimum system study was performed to
24 allocate gas distribution mains costs in the

1 2024 ECOS study.

2 Q. Please describe the minimum system study

3 performed in the 2024 ECOS study.

4 A. We consider the minimum system ratio as the

5 ratio of the current cost of replacing the

6 entire mains distribution system with the

7 minimum component to the current cost of

8 replacing the entire mains distribution system

9 with plastic of the same diameter as presently

10 installed. In this case the minimum component

11 is two-inch diameter plastic. The customer

12 component was allocated among the classes based

13 on the number of customers and the remaining

14 balance, the demand component, was allocated

15 among the classes based on design day

16 requirements. As stated on page 24 of the

17 initial testimony of the Gas Rate Design Panel,

18 the Company averaged the results of the minimum

19 study with data from two previous minimum system

20 studies, one from 2019 to 2023 of 57.55 percent

21 and one from 2014 to 2018 of 46.12 percent, to

22 arrive at the proposed 51.84 percent customer

23 component the Company used in their ECOS study.

24 The study was provided as Exhibit__ (G-RDP-3CU)

1 Schedule 9F. In the response to DPS-826, as
2 shown in Exhibit__(SGRP-1), the Company stated
3 that due to a linking error in the minimum
4 system study, the minimum system ratio should be
5 47.88 percent, as opposed to 51.84 percent.
6 According to the Company, this correction did
7 not impact revenue allocation targets or rate
8 design.

9 Q. Does the Panel support the Company's approach to
10 the minimum system study of averaging the
11 results of the minimum study with data from 2014
12 to 2023?

13 A. Yes. This approach gives weight to both the
14 costs incurred in more recent years with the
15 costs incurred over a longer time-period to
16 provide a balanced approach to defining the
17 minimum system.

18 Q. Did the Company perform a historical ECOS study
19 in this filing?

20 A. Yes. The Company provided a historical ECOS
21 study for illustrative purposes only pursuant to
22 Section IV.4.9 of the Joint Proposal adopted in
23 the 2022 Rate Order. This historical study is
24 found in Exhibit__(G-RDP-11) and uses actual

1 revenues and expenses through the HTY.

2 Q. Did the Company use the results of the
3 historical ECOS study in its revenue allocation?

4 A. As stated on page 31 of the Company's Gas Rate
5 Design Panel initial testimony, the Company does
6 not support the use of this study for multiple
7 reasons. First, the Company states that
8 revenues in the historical ECOS study are not
9 weather normalized and are not generally
10 normalized, so it includes costs from the HTY
11 that may not occur in the RY. Second, the
12 Company states that the historical ECOS, unlike
13 the 2024 ECOS, which is a pro forma ECOS, does
14 not fully reflect the sales, customer counts,
15 rate base, and costs that are expected to occur
16 in the RY.

17 Q. Will the Panel be relying on the Company's 2024
18 pro forma ECOS study for revenue allocation and
19 rate design?

20 A. Yes. We recognize and acknowledge the Company's
21 points on why using the historical ECOS filed by
22 the Company in this proceeding is not ideal. An
23 ECOS should reflect normalized costs to
24 accurately portray the SCs individual rates of

1 return as a guide for revenue allocation.
2 However, the pro forma ECOS, while normalized,
3 relies on costs that are forecasted which can
4 also be inaccurate and vary depending on the
5 forecast. We used the pro forma ECOS for our
6 recommended revenue allocation because it is the
7 best representation of normalized costs.
8 However, we recommend that in the Company's next
9 rate filing, the Company files a normalized
10 historical gas ECOS study. A normalized
11 historical ECOS study, when compared to a pro
12 forma ECOS study, would indicate whether the
13 rate of return in the pro forma deviate from the
14 historical normalized costs and allow for a
15 determination on whether the pro forma is
16 appropriate for use as a guide for revenue
17 allocation. It would also eliminate the
18 concerns related to using a historical ECOS that
19 is not normalized.

20 Q. Does the Panel have any further recommendations
21 regarding the Company's ECOS study?

22 A. Yes. In the event of a one-year litigated case
23 or a multi-year settlement, the Panel recommends
24 that the Company to rerun the ECOS study to

1 reflect either approved or agreed upon expenses,
2 rate base, and revenues to be used for revenue
3 allocation and that any calculations based on
4 the ECOS study be rerun at that time with the
5 Commission approved revenue requirements.

6 **Merchant Function Charge**

7 Q. Please describe the Merchant Function Charge,
8 referred to as MFC.

9 A. The MFC is designed to recover certain gas
10 supply procurement expenses, commodity-related
11 credit and collections expenses, commodity-
12 related uncollectible expenses, return
13 requirement on gas storage inventory, and
14 estimated return requirement on gas purchase
15 related working capital. Monthly balancing
16 customers are charged the credit and collections
17 component of the MFC. For energy service
18 companies, or ESCOs, that participate in the
19 Company's purchase of receivables, or POR,
20 program, the MFC is designed to recover the
21 commodity-related credit and collections and
22 uncollectible expenses.

23 Q. Did the Company propose any changes to the MFC?

24 A. No. However, as stated on page 40 of the Gas

1 Rate Design Panel's testimony, the Company
2 proposes to update the MFC to reflect the most
3 recent targets. For MFC at current rates, this
4 includes updating the forecast for the RY to
5 reflect the Company's forecasted usage. For MFC
6 at proposed rates this included the same
7 forecast update as MFC at current rates, as well
8 as the Company's proposed pre-tax Weighted
9 Average Cost of Capital, Uncollectible percent,
10 and lead lag rate.

11 Q. Does the Panel recommend any updates or changes
12 to the MFC?

13 A. We do not recommend any changes but we updated
14 the MFC revenues at current rates to reflect the
15 volumetric forecasts to correspond with the
16 forecast provided by the SFP. However, the
17 Panel's MFC at current rates has an error and
18 does not properly reflect the changes to the new
19 write off factor described in the Staff
20 Accounting Panel's, or SAP, testimony.
21 Therefore, our recommended MFC at current rates
22 should also be updated to reflect the
23 recommended net write off factor as described in
24 the SAP. For MFC revenues at proposed rates we

1 updated the volumetric forecast to correspond
2 with the forecast provided by the SFP as well as
3 the Pre Tax Weighted Average Cost of Capital in
4 Staff Witness Duah's testimony and the
5 Uncollectible Factor provided by the SAP.

6 **Revenue Allocation**

7 Q. Please explain the Company's proposed revenue
8 allocation methodology.

9 A. As stated on page 33 of the Gas Rate Design
10 Panel's testimony, the Company's proposed
11 revenue allocation is intended to move the
12 revenue produced by each SC closer to the
13 revenue requirement as determined in the 2024
14 ECOS study. In developing the proposed revenue
15 allocations, the Company's Gas Rate Design Panel
16 considered the costs to provide the type and
17 quality of service required by each SC as
18 determined in the 2024 ECOS studies, while
19 mitigating extreme price impacts on individual
20 SCs, a widely-accepted concept known as
21 "gradualism."

22 Q. What is a "tolerance band," and why is it used?

23 A. A tolerance band is used to account for the
24 imprecise nature of an ECOS study. The Company

1 proposes to use a plus or minus 20 percent
2 tolerance band around the overall system rate of
3 return. Classes are considered deficient or in
4 surplus if the class specific rate of return
5 falls outside the band. On a unitized basis,
6 SCs with a unitized rate of return between 0.80
7 and 1.20 are considered within the tolerance
8 band.

9 Q. Please describe how the Company allocates the
10 proposed revenue increases to each of the SCs.

11 A. The Company allocates the revenue increase, net
12 of gross revenue tax, to SCs based on their
13 individual rates of return. The Company uses
14 tolerance bands to dictate how much each SC will
15 move. SCs within the tolerance band are
16 typically given average increases, and SCs
17 outside of the tolerance band are given above or
18 below average increases depending on whether
19 they are under or over contributing, resulting
20 in the proposed gross base delivery revenue
21 requirement. The Company divided SCs under the
22 tolerance band, giving SCs with rates of return
23 that were negative a larger increase than those
24 with rates of return below 0.80 but greater than

1 zero on a unitized basis. The Company also
2 divided SCs that are over the tolerance band,
3 giving SCs with rates of return between 1.20 and
4 2.00 on a unitized basis a larger increase than
5 those SCs with rates of return above 2.0 on a
6 unitized basis. In Exhibit__ (G-RDP-4CU)
7 Schedule 1 lines 21 through 26, the Company
8 refers to the percent increases as Low for SCs
9 that have a rate of return below negative 3.96,
10 Neg for SCs that have a rate of return between
11 negative 3.96 and zero, Under for SCs that have
12 a rate of return between zero and 0.80, Within
13 for SCs with a rate of return between 0.80 and
14 1.20, Over for SCs with a rate of return between
15 1.20 and 2.00, and V High for SCs with a rate of
16 return above 2.00 on a unitized basis. The
17 proposed gross base delivery revenue requirement
18 was then adjusted to remove the gross receipts
19 tax, MFC, and other revenues.

20 Q. Does the Panel support the usage of a 20 percent
21 tolerance band?

22 A. Yes.

23 Q. What were the Company's results of applying the
24 20 percent tolerance band?

1 A. Based on Exhibit__ (G-RDP-4CU) Schedule 1, the
2 SCs found to be within the tolerance band after
3 the Company's Corrections and Updates filing are
4 SC1 and SC7. The SCs found to have a negative
5 rate of return are SC5, SC12, SC13, and NYSEG.
6 The SC found to be Under is SC8. The SC found
7 to be Over is SC2. The SCs found to be V High
8 are SC6 and SC10.

9 Q. Did the Company propose to give SCs within the
10 tolerance band the system average increase?

11 A. No. On page 34 of the Gas Rate Design Panel's
12 testimony it states that SC1 and SC7 had returns
13 within the tolerance band but below the system
14 average and thus the Company gave those SCs a
15 slightly higher than average increase of 32.16
16 percent compared to the average increase of
17 30.60 percent. On page 6 of the Company's
18 Corrections and Updates filing, the Gas Rate
19 Design Panel states that the increases proposed
20 in the original filing for SCs within each band
21 were multiplied by 104.83 percent to produce the
22 required increases for each SC. This modified
23 the increase for SCs within the tolerance band
24 from 30.68 percent to 32.16 percent of the SC's

1 revenue at current rates.

2 Q. How did the Company apply the revenue
3 requirement increase to the remaining SCs?

4 A. The Company includes all of the increases
5 applied to the SCs in Exhibit__(G-RDP-4CU)
6 Schedule 1. SCs labeled Neg received an
7 increase of 41.07 percent, SCs labeled Under
8 received an increase of 34.52 percent, SCs
9 labeled Over received an increase of 27.95
10 percent, and SCs labeled V High received an
11 increase of 2.10 percent. As previously
12 mentioned, SCs within the tolerance band
13 received an increase of 32.16 percent.

14 Q. Are there any additional steps in revenue
15 allocation that the Company performs?

16 A. Yes. After the Company calculates the initial
17 revenue increases, the Company applies the
18 difference in revenues associated with the MFC,
19 and various billing fees and late payment charge
20 revenues by SC. For example, if the MFC for SC1
21 were to increase between current rates and
22 proposed rates, the incremental revenue
23 requirement would decrease by the incremental
24 increase in MFC collected from SC1. These

1 changes in MFC and fees is shown in the
2 Company's Exhibit__ (G-RDP-4CU) Schedule 1, lines
3 20 through 23.

4 Q. Does the Panel support the revenue allocation
5 methodology of the Company?

6 A. The Panel agrees with the concept of gradualism
7 and performs revenue allocation with gradualism
8 in mind. However, we recommend a few
9 differences in methodology from the Company.
10 Because we recommend that SC6 revenue allocation
11 and rate design remain consistent with the
12 methodology adopted by the 2022 Rate Order, we
13 modified the incremental revenue requirement
14 from the SAP to account for the revenues
15 collected from SC6 based on our proposed rate
16 design changes. We recommend that SCs within
17 the tolerance band receive the system average
18 increase. The Company's proposal to give SCs
19 within the tolerance band a higher than average
20 increase undermines the existence of a tolerance
21 band as a SC within the tolerance band is
22 implied to have produced sufficient revenues
23 relative to their cost of service. Next, we are
24 recommending a constant percent increase for all

1 SCs that are over contributing. In addition, we
2 are dividing SCs that are under contributing
3 into two groups, and assigning a larger increase
4 to SCs with rates of return that are negative
5 than those that are under contributing but have
6 positive rates of return. Finally, we are not
7 attributing any revenue increase to SC10, as the
8 unitized rate of return for the SC is 30,
9 meaning SC10 already provides significantly
10 higher revenue relative to the cost to serve
11 SC10 customers. To the extent that our
12 recommended revenue allocation would over
13 collect or under collect the proposed revenue
14 requirement, we return the surplus or collect
15 the deficiency from SCs in proportion to their
16 delivery revenues at current rates. As a
17 result, SC10 receives a negligible rate
18 increase.

19 Q. What are the results of the Panel's revenue
20 allocation?

21 A. The Panel allocates the system average increase
22 of 11.51 percent to SCs within the tolerance
23 band. The SCs that are considered over
24 contributing receive a 9.78 percent, which is

1 0.80 percent of the system average increase, and
2 SCs that are considered under contributing
3 receive a 13.24 percent increase, which is 1.20
4 percent of the system average increase. The SCs
5 with negative rates of return received an
6 increase of 17.21 percent, which is 1.30 percent
7 of the increase given to under contributors. A
8 summary of our revenue allocation is found in
9 Exhibit__(SGRP-3).

10 **Rate Design**

11 Q. What considerations did the Company take when
12 designing its proposed gas rates?

13 A. Page 35 of the Gas Rate Design Panel's testimony
14 states that the Company's two main goals were to
15 collect the revenue targets established in the
16 revenue allocation process, and to provide
17 appropriate cost signals to customers to reflect
18 the effect of their usage on the system. A
19 summary of the Company's proposed rate design is
20 found in Exhibit__(G-RDP-4CU) Schedule 2.

21 Q. Please explain the Company's minimum charge and
22 block rate proposals for firm SCs.

23 A. The Company proposed minimum charge increases
24 for all non-contract SCs. To support energy

1 conservation and send price signals to
2 customers, the Company increased the tail block
3 by a greater percentage than the mid-block for
4 certain SCs where feasible, moving away from
5 declining block rates, a concept we refer to as
6 block flattening.

7 Q. Which SCs is the Company proposing to move away
8 from a declining block rate?

9 A. The Company proposes to move away from a
10 declining block rate structure in SC1, SC2, and
11 SC7.

12 Q. Please explain what block flattening means.

13 A. Generally, each SC with multiple volumetric rate
14 blocks is designed on a declining block
15 structure. Meaning that the blocks for higher
16 usage are cheaper on a per unit basis than the
17 blocks for lower usage. Broadly, in a four
18 block SC, the per unit rate would continue to
19 decrease from block two, to block three to block
20 four. Generally, reducing the ratio of tail
21 block to mid blocks means increasing block four
22 at a faster rate than block three. In a
23 hypothetical scenario, if we entirely flattened
24 all blocks, then all blocks would have the same

1 volumetric rate. While the process is revenue
2 neutral to the SC as a whole, block flattening
3 has a greater rate impact for customers with
4 higher usage.

5 Q. Does the Panel support the concept of block
6 flattening generally?

7 A. Yes. Block flattening is consistent with the
8 goal of decreasing greenhouse gas emissions, as
9 it sends a stronger price signal to customers to
10 encourage energy efficiency and beneficial
11 electrification by moving away from the
12 reduction in price per unit that currently
13 exists for higher usage.

14 Q. Does the Panel support block flattening in these
15 proceedings?

16 A. Yes. However, as described later in our
17 testimony, we recommend a slightly different
18 approach to achieve block flattening.

19 Q. How did the Panel determine that block
20 flattening should occur in this proceeding?

21 A. For each SC, the Panel reviewed the customer
22 bill frequency data the Company provided in the
23 response to DPS-936, as shown in Exhibit__(SGRP-
24 1). This data is the number of cycle bills at

1 each usage level in January and July. From that
2 data, the Panel calculated the cumulative
3 percent of customers at each usage level. Using
4 the bill frequency data, we calculated the
5 percent of customers who would receive a monthly
6 bill increase above the class average for each
7 SC based on our block flattening proposals. The
8 Panel sought to establish rates that balanced
9 bill impacts and meaningful progress toward
10 block flattening. Ultimately, the Panel
11 supports rate block flattening in this
12 proceeding for SC1, SC2, and SC7. A summary of
13 the analysis performed related to block
14 flattening can be found in Exhibit__(SGRP-4).

15 Q. Does the Panel have any additional proposals
16 related to block flattening?

17 A. We recommend the Company file a block flattening
18 analysis and proposal similar to what was done
19 in this filing in its next rate filing for
20 applicable SCs to further encourage energy
21 conservation and greenhouse gas emission
22 reduction goals.

23 Q. How did the Company propose to flatten the
24 blocks?

1 A. As shown in Exhibit__(G-RDP-4CU), Schedule 2,
2 the Company creates target slopes for SC1, SC2,
3 and SC7 which allocates more of the revenue to
4 the tail blocks than the mid blocks.

5 Q. How does the Panel recommend flattening the
6 blocks?

7 A. The Panel calculates volumetric rates by
8 allocating the revenue increase to each block
9 such that the ratio of current block to
10 subsequent block moves toward unity. Generally,
11 in an SC with two volumetric blocks, a movement
12 of 50 percent would reflect 50 percent movement
13 toward flattened rates. For example, if a
14 hypothetical SC has a current ratio of two
15 between blocks one and two, 50 percent movement
16 toward flat blocks under the Panel's methodology
17 would result in a new ratio of 1.5, not one.
18 For the purposes of comparing the rate designs
19 the Panel performed to the Company, we performed
20 calculations depicted in Exhibit__(SGRP-5) that
21 convert the Company's block flattening
22 methodology as shown in the Company's
23 Exhibit__(G-RDP-4CU), Schedule 2 into
24 percentages the Panel used in its methodology.

1 Q. How did the Company design rates for SC6?

2 A. As mentioned previously, the Company now
3 includes SC6 in the ECOS study and as a result,
4 gave SC6 a cost-based increase. To collect this
5 increase, the Company proposed to increase the
6 minimum charge from \$581.27 to \$668.50 and
7 collected the remaining revenue increase from
8 the volumetric block.

9 Q. How did the Company's rate design for SC6 affect
10 the discount rate applied to the SC?

11 A. The current volumetric rate for SC6 is
12 calculated at a discount of 40 percent from the
13 SC8 tail block. The proposed rate design by the
14 Company results in a 44.85 percent discount from
15 the SC8 tail block.

16 Q. Do you agree with this approach to rate design
17 for SC6?

18 A. No. As stated previously, we do not recommend
19 setting SC6 rates using a cost-based revenue
20 allocation and resulting increase. We have
21 several recommendations concerning SC6 service,
22 including rate design, that will be discussed
23 later in our testimony.

24 Q. Did the Company perform any additional steps in

1 rate design?

2 A. Yes. The Company adjusted the proposed rates to
3 reflect the incremental Energy Affordability
4 Program, or EAP, discounts above the amount
5 currently in base rates, resulting from the
6 increased SC1 rates.

7 Q. What amount did the Company include for EAP
8 costs?

9 A. The initial testimony of the Company's Customer
10 Panel states, beginning on page 23, that the
11 current amount reflected in base rates for the
12 gas EAP is \$5.519 million. The Company states,
13 on page 36 of the Gas Rate Panel's initial
14 testimony, that the proposed amount to be
15 reflected in base rates for EAP costs is \$9.4
16 million. The Company's Gas Rate Design Panel
17 also proposes to include an incremental amount
18 of EAP costs, for collection through rate
19 design, that reflects the expected additional
20 cost of the program associated with the
21 Company's proposed increase in rates. Page 7 of
22 the Corrections and Updates testimony of the Gas
23 Rate Design Panel states the estimated
24 incremental increase in EAP costs to be

1 collected through rate design is approximately
2 \$9.5 million.

3 Q. Please explain how the Company incorporated the
4 incremental \$9.5 million in EAP costs in rate
5 design.

6 A. First, the Company designed rates to collect the
7 revenue targets for each SC as determined by
8 revenue allocation. Next, the amount of EAP
9 costs, allocated to each SC based on revenues,
10 is added to the revenue target, less the
11 incremental revenue collected from the proposed
12 minimum charge increases, and volumetric rates
13 are designed again to collect the incremental
14 EAP costs.

15 Q. Does the Panel support the Company's methodology
16 for collecting incremental EAP costs through
17 rate design?

18 A. No. The Customer Panel testimony, on page 25,
19 references the current mechanism approved by the
20 2022 Rate Order that allows the Company to defer
21 EAP costs that exceed the rate allowance, or
22 amount included in base rates, for future
23 recovery. Our recommendation is to continue the
24 current deferral mechanism for EAP costs in

1 excess of those included in base rates, and to
2 include the entire amount of incremental EAP
3 costs in base rates, rather than a portion in
4 rate design.

5 Q. What about the incremental EAP costs due to the
6 rate increase?

7 A. The Staff Consumer Services Panel recommends
8 \$9.4 million be included in base rates in the RY
9 for this program. We acknowledge that there are
10 incremental costs associated with the increase
11 in rates, as stated by the Gas Rate Design
12 Panel. However, the magnitude of that amount
13 depends on the increase in rates and for Staff's
14 case, this would be less than the amount
15 proposed by the Company of \$9.5 million, yet the
16 exact amount is uncertain amount at this time.
17 We recommend that the resulting incremental EAP
18 costs due to the increase in rates that are
19 approved by the Commission be included in base
20 rates as an expense, rather than included in
21 rate design, and the current deferral mechanism
22 be used if actual expenses exceed that amount.

23 Q. Can you summarize your approach to rate design?

24 A. Yes. Given the incremental revenue requirement

1 recommended by the Staff Revenue Requirements
2 Panel, or SRRP, is much lower than the Company's
3 proposed incremental revenue requirement, we
4 recommended smaller increases to minimum charges
5 for most SCs. We also recommend more gradual
6 movement toward block flattening to manage bill
7 impacts.

8 Q. How did the Panel arrive at its recommended
9 minimum charge and block flattening
10 recommendations?

11 A. To arrive at our minimum charge changes we used
12 the minimum charges suggested in the Company's
13 ECOS as a part of Exhibit__(G-RDP-3CU), Schedule
14 4 as a guide. For example, Exhibit__(G-RDP-
15 3CU), Schedule 4 calculates that the minimum
16 charge could be as high as \$36.02 or \$55.43 for
17 SC1 based on the method of calculating the
18 minimum charge, so our recommendation of \$24.00
19 moves the minimum charge toward those two
20 suggested values without causing rate shock for
21 customers. The Panel then applied the percent
22 movement toward block elimination in a way that
23 smoothed out bill impacts. Our goal for SCs
24 where block flattening occurred was that the

1 lowest use customers receive a delivery bill
2 percent increase of similar magnitude to but
3 lower than the highest use customers. A summary
4 of our rate design can be found in
5 Exhibit__ (SGRP-6).

6 Q. What does the Panel recommend for rate design
7 for SC1?

8 A. We recommend the minimum charge be updated from
9 \$21.40 to \$24.00 compared to the Company's
10 proposal of increasing the minimum charge from
11 \$21.40 to \$26.00. The Panel also recommends a
12 10 percent movement toward flat blocks compared
13 to the Company's approximately 34 percent.

14 Q. What does the Panel recommend for rate design
15 for SC2?

16 A. We recommend the minimum charge be updated from
17 \$26.00 to \$29.00 compared to the Company's
18 proposal of increasing the minimum charge from
19 \$26.00 to \$29.90. The Panel also recommends a
20 20 percent movement toward flattening blocks one
21 and two, and a 20 percent movement toward
22 flattening blocks two and three compared to the
23 Company's proposal of approximately 36 percent
24 and 42 percent, respectively.

1 Q. What does the Panel recommend for rate design
2 for SC5?

3 A. We recommend the minimum charge be updated from
4 \$718.00 to \$810.00 compared to the Company's
5 proposal of increasing the minimum charge from
6 \$718.00 to \$825.70.

7 Q. What does the Panel recommend for rate design
8 for SC7?

9 A. We recommend the minimum charge be updated from
10 \$350.00 to \$390.00 compared to the Company's
11 proposal of increasing the minimum charge from
12 \$350.00 to \$402.50. The Panel also recommends a
13 10 percent movement toward flattening blocks one
14 and two, and a 10 percent movement toward
15 flattening blocks two and three compared to the
16 Company's proposal of approximately 31 percent
17 and 50 percent, respectively.

18 Q. What does the Panel recommend for rate design
19 for SC8?

20 A. We recommend the minimum charge be updated from
21 \$1,650.00 to \$1,900.00 compared to the Company's
22 proposal of increasing the minimum charge from
23 \$1650.00 to \$1897.50. The Panel does not
24 recommend block flattening for SC8 at this time.

1 Q. What does the Panel recommend for rate design
2 for SC10?

3 A. We recommend that, as SC10 has no minimum
4 charge, the negligible revenue increase
5 resulting from our recommended revenue
6 allocation will be collected via the volumetric
7 rate.

8 Q. What does the Panel recommend for rate design
9 for SC12?

10 A. We adopted the Company's proposed minimum charge
11 increases for the subclasses that make up SC12
12 and the remaining increases were allocated to
13 the seasonal volumetric rates of the various sub
14 classes.

15 Q. What does the Panel recommend for rate design
16 for SC13?

17 A. We recommend the minimum charge be updated from
18 \$28.00 to \$31.50 compared to the Company's
19 proposal of increasing the minimum charge from
20 \$28.00 to \$32.20.

21 Q. What does the Panel recommend for rate design
22 for NYSEG?

23 A. We recommend adopting the Company's minimum
24 charge proposal of \$1,071.80. The remaining

1 revenue requirement will be collected via the
2 Demand and Energy charges.

3 Q. What does the Panel recommend for rate design
4 for SC6?

5 A. As mentioned previously, we calculated the
6 volumetric block rate at a 45 percent discount
7 to the SC8 tail block rate. This methodology is
8 consistent with the 2022 Rate Order, however, we
9 have opted to increase the discount from 40
10 percent to 45 percent to further incentivize
11 customers to transition to interruptible
12 service. As we are recommending multiple
13 changes to the eligibility requirements of SC6,
14 as well as a new partially interruptible service
15 class, we recommend holding the minimum charge
16 constant at this time. We further recommend the
17 Company reassess the SC6 minimum charge in its
18 next rate filing, based on how our recommended
19 changes to SC6 may impact participation in the
20 SC, to further encourage participation.

21 Q. Did the Panel calculate the bill impacts to
22 customers based on our proposed revenue
23 allocation and rate design?

24 A. Yes, our bill impacts can be found in

1 Exhibit__ (SGRP-7) .

2 **Revenue Decoupling Mechanism**

3 Q. Please explain what a Revenue Decoupling
4 Mechanism, or RDM, is and how it has been used
5 in New York State.

6 A. On April 20, 2007, the Commission issued an
7 Order Requiring Proposals for Revenue Decoupling
8 Mechanisms in Case 03-E-0640. The Commission
9 directed utilities to file RDM proposals, in
10 ongoing and future rate proceedings, to address
11 potential disincentives that utilities would
12 face as utilities engage in energy efficiency
13 programs.

14 Q. Please explain the Company's RDMs.

15 A. As stated on page 45 of the Gas Rate Design
16 Panel's testimony, the current RDM reconciles
17 SC1, SC2, and SC7 on a revenue per class target
18 basis, truing up actual revenues with those
19 revenue per class targets each RY. The
20 Company's RDM targets are found in Exhibit__ (G-
21 RDP-7CU) .

22 Q. Is the Company proposing to modify its RDM?

23 A. No, but the Company is proposing to update the
24 annual RDM targets based on the results of its

1 proposed RY revenue allocation.

2 Q. Does the Panel propose any modifications to the
3 Company's RDM?

4 A. No. Similar to the Company, we recommend
5 updating the RDM targets to match our
6 recommended RY revenue allocation targets based
7 on the SRRP's recommended incremental revenue
8 requirement, as shown in Exhibit__ (SGRP-8).

9 **Lost and Unaccounted for Gas**

10 Q. Did the Company propose updated lost and
11 unaccounted for, or LAUF, gas targets?

12 A. Yes.

13 Q. Do you have any changes to the LAUF targets as
14 filed?

15 A. No, not at this time. The Company's proposal
16 simply updates the LAUF targets with the latest
17 gas losses and is consistent with the current
18 tariff.

19 **Net Revenue Sharing Mechanism**

20 Q. Is the Company proposing any changes to the Net
21 Revenue Sharing, or NRS, Mechanism?

22 A. The NRS allows the Company to share a portion of
23 actual revenues from SC6, SC9 and SC14 with
24 customers. On page 46 of the Gas Rate Panel's

1 testimony, the Company proposes to update the
2 revenue targets for these SCs and change the
3 filing requirements in the tariff. Currently,
4 the Company is required to file its calculation
5 of the NRS amount 15 days prior to the effective
6 date of the rate, while the statement itself is
7 required to be filed 3 days prior to the
8 effective date. The Company proposes to
9 eliminate the requirement to file the
10 calculation 15 days prior to the effective date.

11 Q. Do you agree with that proposal?

12 A. Yes. The revenue targets should be updated to
13 reflect any approved RY revenues in this case.
14 The proposal to eliminate the filing date
15 requirement for the Company's calculation of the
16 NRS rate is reasonable as no other surcharge
17 mechanism has this requirement. The Company
18 should file this calculation with the tariff
19 statement three days prior to the effective
20 date.

21 **Proposed Gas Tariff Changes**

22 Q. Is the Company proposing any changes to its Gas
23 Tariff?

24 A. Yes, the Company is proposing multiple

1 modifications to its Gas Tariff, as well as
2 changes to fees or tariff provisions.

3 Q. Please describe the Company's first tariff
4 modification.

5 A. As stated on page 49 of the Gas Rate Design
6 Panel's testimony, the Company is proposing the
7 addition of a Rate Adjustment Mechanism, or RAM,
8 surcharge to recover costs from or refund
9 credits to customers on a more timely basis.
10 The tariff revisions filed by the Company
11 include the new provisions for the proposed RAM.

12 Q. Do you support the tariff revisions as filed?

13 A. No. The SRRP does not support the proposed RAM
14 but recommends modifications if the RAM is
15 approved by the Commission. Therefore, we
16 recommend that the tariff changes proposed by
17 the Company be removed. However, if eventually
18 the RAM is approved, we recommend tariff changes
19 that align with the modifications recommended by
20 the SRRP.

21 Q. Does the Company propose any changes to Late
22 Payment Charges and Other Waived Fees?

23 A. Yes. On page 52 of the Company's Gas Rate
24 Design Panel testimony, the Company proposes the

1 elimination of the Late Payment Charges and
2 Other Waived Fees, or LPCO, surcharge mechanism
3 effective July 1, 2025. Under the Company's
4 proposal, the Company would continue to accrue
5 carrying charges at the pre-tax weighted average
6 cost of capital on any remaining deferral
7 balances as of June 30, 2025. The Company
8 proposes this modification because the final
9 collection period for the deferred unbilled
10 fees, net of savings, ends on June 30, 2025.

11 Q. Does the Panel support the Company's proposal to
12 eliminate the LPCO surcharge mechanism?

13 A. Yes, given that the collection period ends on
14 June 30, 2025, the Panel finds it appropriate to
15 eliminate the surcharge on July 1, 2025.

16 Q. Did the Company propose any changes to SC6
17 interruptible service?

18 A. On page 53 of the initial testimony of the Staff
19 Gas Rates Panel the Company proposes to modify
20 the eligibility requirements of the minimum
21 annual usage required to take service under SC6.
22 Currently the minimum annual usage required to
23 take service is 2,500,000 therms annually. The
24 Company proposes to modify this to 1,000,000

1 therms annually.

2 Q. Why is the Company proposing to modify the
3 eligibility requirements of SC6?

4 A. The Company states on page 53 of the Gas Rate
5 Design Panel's testimony that the intention of
6 this proposal is to encourage customers
7 currently on firm service to become an
8 interruptible customer, potentially reducing the
9 demand on a peak design day.

10 Q. Does the Panel support the Company's proposal to
11 modify the eligibility requirement of SC6?

12 A. Yes. Given the overall system capacity issues
13 outlined in the Staff Gas Reliability and Supply
14 Panel testimony, we agree with the Company that
15 the terms of service under SC6 should be
16 modified to make interruptible service more
17 attractive to firm customers. We agree with the
18 Company's rationale, however, we recommend
19 taking this change a step further than the
20 Company in order to meet the stated goals.
21 Specifically, the Panel proposes eliminating the
22 minimum usage eligibility requirement to receive
23 service under SC6, entirely. The response to
24 DPS-829, as contained in Exhibit__ (SGRP-1),

1 shows that SC6 has had sixteen customers each
2 year since FY19. In the response to DPS-452,
3 shown in Exhibit__ (SGRP-1), the Company stated
4 that there are approximately 60 additional
5 customers that could qualify for SC6 under its
6 proposed 1,000,000 therm threshold and
7 approximately 55 additional customers should
8 that threshold be lowered to 500,000. The
9 Company further stated it was impartial to an
10 annual threshold for customers to be served
11 under SC6 as long as the customer met the
12 remaining eligibility requirements outlined in
13 the Company's Gas Tariff.

14 Q. Do you recommend additional changes to SC6 to
15 encourage interruptible service?

16 A. Yes, we recommend eliminating the dual fuel
17 requirement for non human-needs customers. This
18 will incentivize newly eligible customers to
19 switch to interruptible service, which should
20 decrease system constraints on peak days.
21 Should a non human-needs customer without a
22 secondary fuel choose to take interruptible
23 service, it should be the responsibility of that
24 customer to have the ability to be interrupted

1 without affecting their business. However, we
2 recommend maintaining the dual fuel requirement
3 for SC6 customers that are designated as human-
4 needs customers, in order to ensure that the
5 necessary protections for continuity of service
6 are in place.

7 Q. Does the Panel have any other proposals
8 regarding interruptible service?

9 A. Yes. The Panel recommends that the Company
10 explore the creation of a new service class that
11 offers partial interruptible service. This new
12 service class could require customers to have
13 firm primary point capacity up to a certain
14 threshold and would be interruptible beyond that
15 threshold. The rates for this service class
16 would be designed at a discount to the otherwise
17 applicable fully firm service class but should
18 be higher than SC6 rates.

19 Q. Why is the Panel proposing this new
20 interruptible service class?

21 A. Allowing customers to interrupt partially at a
22 discount to firm service could potentially
23 increase the number of customers willing to
24 switch from firm to some form of interruptible

1 service, which will decrease the strain on the
2 system for all firm customers on a peak day. We
3 recommend that any costs incurred by the
4 customer to allow them to qualify for this
5 service would be at the cost of that individual
6 customer. In addition, a potential customer
7 would have to prove to the Company that they had
8 primary point capacity up to the threshold
9 amount before being eligible for the new service
10 class.

11 Q. Do you have a recommendation for the threshold
12 amount or dual fuel requirement?

13 A. Not at this time. We recommend that the Company
14 engage in discussions with stakeholders to
15 determine more specific parameters for this
16 potential service class, including appropriate
17 threshold amounts, need for backup fuel, the
18 amount of the rate discount from firm rates and
19 if a tiered rate system with varying discounts
20 for different threshold amounts would be viable.
21 The threshold amount could, in theory, provide a
22 heating load for the customers at a minimum and
23 allow customers to interrupt all remaining non-
24 heating load. That way, a partial interruption

1 would still benefit all customers by reducing
2 peak day load as much as possible.

3 Q. Does the Company propose to eliminate the Empire
4 Zone Rider Program?

5 A. Yes, the Company is proposing to eliminate the
6 Empire Zone Rider, or EZR, Program. According
7 to Leaf 104 of the Company's Gas Tariff, the EZR
8 Program has been closed to new applicants. In
9 the initial testimony of the Company's Gas Rate
10 Design Panel on page 54, the Company states that
11 the last customer's EZR term expired in December
12 2024, therefore the Company is proposing to
13 eliminate the language from its tariff.

14 Q. Does the Panel support the removal of the
15 language associated with the EZR program from
16 the Company's tariff?

17 A. Yes.

18 Q. Is the Company proposing any changes to SC14?

19 A. Yes, the Company is proposing multiple changes
20 to its tariff with respect to SC14. The Company
21 is proposing to update Special Provision L,
22 found on Leaf 229, to include additional means
23 of communication to customers via electronic
24 mail. The Company is further proposing to

1 update Section 4 of Leaf 222 to include the
2 responsibility of customers to cover all costs
3 related to the decommissioning of any gas-
4 powered electric generation facilities and/or
5 any transmission lines connected to such
6 facilities upon their retirement. Finally, the
7 Company is proposing additional language to
8 eliminate ambiguity and make financial
9 obligations clear for customers served under
10 SC14.

11 Q. Does the Panel support the Company's proposed
12 tariff changes related to SC14?

13 A. Yes. According to the response to DPS-987, as
14 shown in Exhibit__ (SGRP-1), the Company has had
15 no customers contest their financial
16 responsibility related to decommissioning costs,
17 however, the Company references that one
18 customer in their downstate companies had
19 questioned their obligation to pay for
20 decommissioning costs as it is not explicitly
21 written in the Company's tariff. As the Panel
22 supports the Company in their assertion that
23 customers are obligated to pay for
24 decommissioning costs, the Panel supports the

1 Company's tariff changes to clarify this
2 obligation.

3 Q. What is the Company proposing related to the
4 Incremental Energy Efficiency Surcharge?

5 A. On page 55 of the Company's Gas Rates Panel
6 testimony, the Company proposes to modify the
7 current language for Rule 44, Incremental Energy
8 Efficiency Surcharge to include recovery for any
9 additional New Efficiency: New York, or NE:NY,
10 authorized budgets in accordance with Commission
11 Order in Case 18-M-0084, that may be greater
12 than the current rate allowance, and any future
13 Commission approved incremental energy
14 efficiency costs that could be recoverable.

15 Q. Does the Panel support the Company's changes to
16 the Incremental Energy Efficiency Surcharge?

17 A. Yes. The annual energy efficiency budgets are
18 approved by the Commission in Case 18-M-0084
19 each year. The modifications proposed by the
20 Company allow for accurate collection of those
21 updated energy efficiency program costs and
22 avoid under collections in base delivery rates
23 that could lead to deferrals. Therefore, we
24 support the Company's proposed changes.

1 Q. Please explain the Company's proposed change to
2 the Revenue Tax Surcharge statement.

3 A. The Company's Revenue Tax Surcharge, or RTS,
4 statement is currently required to be filed 15
5 business days prior to the effective date. The
6 Company proposes to modify this from 15 business
7 days to 15 days to make the RTS consistent with
8 its other surcharges with notice requirements
9 that are based on calendar days.

10 Q. Does the Panel support the change to the RTS
11 statement?

12 A. Yes.

13 Q. Please explain the Company's proposal related to
14 acceptable forms of payment.

15 A. The Company is proposing to list several
16 acceptable payment methods in its tariff, as
17 well as directing customers to the Company's
18 website for a full list of accepted forms of
19 payment. The Company is proposing this change
20 in response to an increased volume of inquiries
21 from customers regarding acceptable payment
22 methods.

23 Q. Does the Panel support the Company's proposal
24 related to acceptable forms of payment?

- 1 A. Yes.
- 2 Q. Please continue describing the Company's
3 proposed tariff changes.
- 4 A. The Company is proposing several housekeeping
5 changes and clarifications to the Non-
6 Residential Customer Application for Service
7 found on Leaves 231 through 237. These changes
8 are intended to provide the customer and the
9 Company additional, relevant information in the
10 gas service application process.
- 11 Q. Does the Panel recommend any revisions to the
12 tariff modifications proposed by the Company
13 related to the Non-Residential Customer
14 Application for Service?
- 15 A. No.
- 16 Q. Continue describing the Company's proposed
17 tariff changes.
- 18 A. On page 57 of the Company's Gas Rate Design
19 Panel testimony, the Company proposes to clarify
20 language on Leaves 126 and 127 pertaining to
21 religious organizations eligibility for SC1
22 service.
- 23 Q. Does the Panel support the Company's proposed
24 tariff modifications pertaining to SC1

1 eligibility for religious organizations?

2 A. Yes.

3 Q. What changes is the Company proposing pertaining
4 to its RDM?

5 A. Beginning on page 57 of the Company's Gas Rate
6 Design Panel testimony, the Company proposes to
7 modify the language pertaining to Rule 32 of the
8 tariff to simplify the definition of delivery
9 service revenues that are applicable to the RDM.
10 The Company is not proposing to modify the
11 definition.

12 Q. Does the Panel support the Company's tariff
13 proposal pertaining to RDM language?

14 A. Yes.

15 Q. Is the Company proposing any changes to the Net
16 Utility Plant surcharge mechanism?

17 A. Yes. The Company is proposing to eliminate the
18 Net Utility Plant, or NUP, surcharge mechanism.
19 The NUP surcharge was established in Case 20-G-
20 0381 and intended to allow the Company to
21 recover the additional revenue requirement
22 associated with net plant added during the stay
23 out provision approved in that case, which was
24 from July 1, 2024 through March 31, 2025, or

1 after RY3. As the NUP did not trigger and the
2 collection period will expire on March 31, 2025,
3 and there is no stay out period proposed in this
4 case, the Company proposes to eliminate the
5 surcharge mechanism effective April 1, 2025.

6 Q. Does the Panel support the removal of the NUP
7 surcharge mechanism?

8 A. Yes.

9 Q. Is the Company proposing any additional tariff
10 modifications?

11 A. Yes. The Company is proposing multiple tariff
12 changes it classifies as housekeeping in nature.
13 For example, on page 62 of the initial testimony
14 of the Gas Rate Design Panel, the Company
15 proposes to modify Leaf 111.1.1 to include the
16 Arrears Management Program surcharge mechanism
17 from the listing of Excelsior Jobs Program
18 exemptions, which had been inadvertently
19 excluded from that list. The Company also
20 proposes multiple minor grammatical fixes
21 throughout the tariff.

22 Q. Does the Panel support the proposed housekeeping
23 tariff modifications?

24 A. Yes.

1 **Tariff Fees and Credits**

2 Q. Please list the Company's tariff fees and
3 credits it is proposing to modify.

4 A. The Company is proposing to update its gas one-
5 bill billing charge, backout credit, paperless
6 billing credit, reestablishment charges, and
7 Automatic Meter Reading, or AMR, and Advanced
8 Metering Infrastructure, or AMI, opt-out fees.

9 Q. What is the one-bill billing charge?

10 A. Page 59 of the Gas Rate Design Panel testimony
11 states that the one-bill billing charges an ESCO
12 the cost to issue a consolidated bill on the
13 ESCO's behalf. The Company currently charges
14 \$0.82 to an ESCO that supplies gas to a gas-only
15 customer and \$0.41 to an ESCO that supplies gas
16 to a dual gas and electric customer. The
17 Company proposes to update these values to \$0.92
18 for an ESCO that supplies gas to a gas-only
19 customer and \$0.46 for an ESCO that supplies gas
20 to a dual gas and electric customer. The
21 Company did not change its proposed \$0.92 or
22 \$0.46 in the corrections and updates filing, and
23 the calculation of the one-bill billing charge
24 is included in Exhibit__ (G-RDP-8CU), Schedule 3.

1 Q. Does the Panel support the Company's proposed
2 one-bill billing charge?

3 A. Yes. The one-bill billing charge is calculated
4 using the cost of issue bills and the forecast
5 number of RY bills. We updated the Company's
6 calculation for the forecasted electric
7 customers as provided by the SFP as well as the
8 inflation factor recommended by the Staff
9 Witness Gadomski. These updates resulted in the
10 same proposed fees of \$0.46 and \$0.92 for an
11 ESCO that supplies gas to a dual fuel gas and
12 electric customer and an ESCO that supplies gas
13 to a gas-only customer.

14 Q. What is the billing backout credit?

15 A. Page 59 of the Gas Rate Design Panel testimony
16 states that the billing backout credit is a
17 credit issued to a customer that is supplied by
18 an ESCO and receives a consolidated bill from
19 either the Company or an ESCO. The credit is
20 currently \$0.82 to a gas only customer and \$0.41
21 to a dual gas and electric customer. The
22 Company proposes to update these values to \$0.92
23 for a gas only customer and \$0.46 for a dual gas
24 and electric customer. The Company did not

1 change its proposed \$0.92 or \$0.46 in the
2 corrections and updates filing, and the
3 calculation of the billing backout credit is
4 included in Exhibit__(G-RDP-8CU), Schedule 3.

5 Q. Does the Panel support the Company's billing
6 backout credit?

7 A. The Panel supports the methodology for
8 calculating the billing backout credit, however,
9 similar to the one-bill billing charge, we
10 performed the calculation with the forecasted
11 total electric bills provided by the SFP and the
12 inflation factor provided by the Staff Witness
13 Gadomski in the calculation. This did not
14 change the results of the calculation, so we
15 support the Company's proposed \$0.92 and \$0.46
16 billing backout credit.

17 Q. What is the paperless billing credit?

18 A. The paperless billing credit is a credit to
19 customers who do not receive a physical bill.
20 The current paperless billing credit is \$0.41
21 per service period. The credit is based on HTY
22 costs adjusted for inflation and represents the
23 difference in cost to produce a paper bill
24 versus the cost to produce an electronic bill.

1 The Company proposes an updated paperless
2 billing credit of \$0.60, and the calculation of
3 this value is shown in Exhibit__(G-RDP-8CU)
4 Schedule 2.

5 Q. Does the Panel support the updated paperless
6 billing credit?

7 A. Yes. We updated the calculation for the
8 inflation factor provided by the Staff Witness
9 Gadomski, but this update did not change the
10 resulting \$0.60 credit.

11 Q. What are re-establishment charges?

12 A. Section 20.1 on Leaf 100 of the Company's Gas
13 Tariff states that the Company charges a fee to
14 customers when the Company re-establishes gas
15 service to the same customer at the same meter
16 location where the service was disconnected for
17 non-payment of bills. Currently, the Company
18 charges \$54.00 during normal business hours, and
19 \$68.00 outside of normal business hours. The
20 Company proposes to increase its re-
21 establishment fees to \$80.00 during normal
22 business hours and \$96.00 outside normal
23 business hours. The calculation is shown in the
24 Company's Exhibit__(G-RDP-8) Schedule 1 and was

1 not updated in the Company's corrections and
2 updates filing.

3 Q. Do you agree with the re-establishment charges
4 proposed by the Company?

5 A. Yes. The re-establishment charges are
6 calculated based on the amount the Company would
7 have to pay to have an employee re-establish
8 service to a customer, including dispatching and
9 travel time and the employees salary. The
10 Company continued the current methodology for
11 calculating these charges but updated the costs
12 associated with these actions. Therefore, we
13 support the Company's proposed re-establishment
14 charges.

15 Q. What are AMR/AMI Opt-Out Fees?

16 A. Section 13.6 of Leaf 69 of the Company's Gas
17 Tariff states that residential customers who do
18 not wish to have an AMR/AMI meter installed at
19 their premises have an option to opt out and
20 have their AMR/AMI meter replaced with a non-AMR
21 meter. Customers who opt out will be charged an
22 initial one-time fee for the removal of the
23 existing AMR/AMI meter as well as an ongoing
24 monthly meter reading fee for the non AMR/AMI

1 meter. The current AMR/AMI opt out fee is
2 \$61.19 for a gas meter replacement and \$89.03
3 for an electric and gas meter replacement; the
4 current monthly meter reading fees are \$11.64
5 for a gas only meter reading and \$17.71 for a
6 combined electric and gas meter reading. These
7 fees reflect the cost of the Company removing
8 the existing meters and reading the non AMR/AMI
9 meters, respectively. The Company proposes to
10 increase the AMR/AMI opt out fee to \$103.49 for
11 gas only meter replacement and \$134.53 for an
12 electric and gas meter and increase the monthly
13 meter reading fees to \$15.45 for a gas only
14 meter reading and \$21.24 for a combined electric
15 and gas meter reading, to reflect updates to
16 labor and capital burdens. The calculation is
17 shown in the Company's Exhibit__(G-RDP-8)
18 Schedule 4 and was not updated in the Company's
19 corrections and updates filing.

20 Q. Does the Panel support the Company's proposed
21 increase to AMR/AMI opt out fees and meter
22 readings?

23 A. Yes. The fees remain consistent with the terms
24 of the tariff and are updated for more recent

1 expenses, therefore they are reasonable.

2 Q. Does this conclude the Panel's testimony at this
3 time?

4 A. Yes.

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