ANNUAL REPORT

STATE FISCAL YEAR 2018-2019

April 1, 2018 – March 31, 2019

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

NEW YORK STATE OF OPPORTUNITY. | Department of Public Service

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MISSION STATEMENT

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

From the Chief Executive Officer

The Department of Public Service oversees access to energy, telecommunications, and private water services, and it advises the Public Service Commission on issues ranging from setting rates and protecting consumers to siting infrastructure and reviewing utility mergers.

The Commission's regulatory jurisdiction extends over investor-owned utilities, including six major electric/gas utilities, five major gas utilities, three major water companies, as well as small telephone companies, hundreds of water companies, municipal electric utilities, cable companies, power generators and energy service companies. The Department provides regulatory oversight and review of electric service operation on Long Island.

Our mandates are threefold. We ensure that these services are safe and reliable, so that customers get the energy and other services that they need. We ensure that they are provided at just and reasonable rates, so that companies make appropriate and necessary investments, while preserving affordability for customers. And we ensure the preservation of environmental values and the conservation of natural resources.

In keeping with these mandates, our top priorities include continuing Governor Andrew M. Cuomo's progressive plan to mandate a carbon-free electric system, modernize our utility systems, and ensure affordable energy for all New Yorkers and especially for our most vulnerable citizens.

Governor Cuomo's Green New Deal is a nation-leading clean energy and jobs agenda that is putting New York on a path to economy-wide carbon neutrality. The landmark plan provides for a just transition to clean energy that spurs growth of the green economy and prioritizes the needs of low- to moderate-income New Yorkers.

In 2014, in the aftermath of Superstorm Sandy, Governor Cuomo launched his REV agenda. During his first two terms, New York banned fracking of natural gas, committed to phasing out coal power by 2020, reached an agreement to shut down Indian Point in a safe and thoughtful manner, and established the U.S. Climate Alliance to uphold the Paris Agreement despite Federal backsliding. REV has delivered the largest renewable energy procurements in U.S. history, solar has increased nearly 1,700 percent, and offshore wind is poised to transform the state's electricity supply to be cleaner and more sustainable. New York implemented the country's most progressive energy affordability policy, ensuring that no New Yorker should pay more than 6% of their income on regulated utility services. New York has committed to more than $5 billion in investments in the Clean Energy Fund administered through NYSERDA. It committed to a further $1.6 billion in investments by the State's utilities in Energy Efficiency through

New Efficiency: New York. A renewable energy system needs storage, and in December, the Commission ordered measures to deploy 3,000 MWs of energy storage by 2030 — the largest commitment per capita by any state — saving billions of dollars.

Through the Green New Deal, New York is taking the next steps to secure a clean energy future that protects the environment for generations to come while growing the clean energy economy. The policy to bring clean resources onto the system is necessary and it is possible. It also has to be smart and take advantage of technology, of the private sector's readiness to invest, and generally of all possible approaches to delivering these policies most cost-effectively for New York customers. Further, we need to bring these clean resources onto the system so as to preserve — and actually improve — reliability and safety.

In doing so, we need to harness technology. Each of the types of resources that are emphasized by our policies are in the midst of dramatic and sustained cost reduction. This was a conscious and explicit factor in establishment of our policies:

In terms of developing new energy resources, at the close of Fiscal Year 2018-19 there were 30 active wind and solar proposals totaling 4,408 MWs pending before the Siting Board, which I chair. It is critical that these projects are appropriately sited, with an appropriate accounting for potential environmental and community impacts.

In the next fiscal year, the Commission expects to decide several major rate cases. This important review will be informed by the in-depth analysis of the Department's professional staff that includes engineers, accountants, economists, and analysts to ensure a clear and transparent assessment of the benefits and costs of utility investments. Within those rate case reviews the Commission will continue to ensure the large tax savings for utilities due to federal tax law changes are completely captured for customer benefit.

Staff teams will conduct thorough review of the utility expenses and capital investments to ensure that rates are set at levels that are necessary to provide safe and adequate service, maintain and replace aging infrastructure, advance the clean energy agenda, provide clean water, good customer service, and keep bill impacts as low as possible given these legitimate cost of service needs.

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

In the telecommunications sector, we continued our oversight of substantial investment in the State's broadband build-out. In 2016, the Commission approved Charter's acquisition of Time Warner Cable Inc. As part of this approval, we required substantial investment in broadband infrastructure, increased broadband speeds, and new low-income broadband programs throughout New York. In September 2017, the Commission approved a $13 million settlement agreement with Charter

Communications Inc. after the cable company failed to build-out its cable network as required in the 2016 approval.

Likewise, we continued to pursue a broad, in-depth investigation into ESCO practices to determine what, if any, new regulations or actions are necessary to protect all consumers. Hearings into ESCO practices began after the Commission determined that retail markets have not provided sufficient competition or innovation to properly serve mass-market consumers. Furthermore, the Commission prevailed in two major legal proceedings in our efforts to rein in ESCOs.

We are maintaining our commitment to evolve our complaint handling process and our public outreach efforts to maximize public involvement in our proceedings. Last year, our agency answered more than 66,000 complaints, including more than 52,000 calls. We received and reviewed nearly 8,300 written public comments — nearly 160 a week on average. We held 45 public statement hearings that were attended by hundreds of people. Transparency and public involvement remain an integral component of our work.

We have achieved a tremendous amount and our ambitions continue. The keys to our success to date — and the foundations of our continued policy direction — are: focus on and drive value for all customers, focus on and drive cost-reduction, harness competition and private funds, and preserve flexibility so as to reap the benefits of new technologies and new possibilities. By doing so, we can achieve the energy system that New Yorkers need and deserve — clean, reliable, resilient, and affordable.

The continuous actions the Commission and Department have taken in FY 2018-19 will not only ensure affordable, safe, secure and reliable access to electric, gas, steam, telecommunications, and water services for New York State's residential and business customers, while protecting the environment, they will also stimulate economic growth and job creation. The Commission and the Department are positioned to deliver our core mission and meet the Governor's ambitious agenda.

Sincerely,

John B. Rhodes, Chair and CEO
August 19, 2019

Introduction

Availability of reliable, affordable electric, natural gas, water, steam, telecommunications and cable services is critical to the welfare of the State's citizenry and essential to New York's economy. The Department of Public Service (DPS) and the Public Service Commission (PSC) were statutorily established to oversee these natural monopolies to ensure their essential services are safe and reliable, provided at just and reasonable rates, and are protective of natural resources. From April 1, 2017 to March 31, 2018, the New York State Public Service Commission continued to this mission. It also continued to seek to stimulate effective competitive markets that benefit New York consumers through strategic investments and encouraged development of new innovations.

The staff of the Department is the investigative and advisory body to the Commission relating to the State's utilities and provides a similar function with respect to applications to construct and operate generating facilities before the New York State Board on Electric Generation Siting and the Environment (Siting Board) pursuant to Article 10 of the Public Service Law. In addition, the Department administers policies, rules, and regulations promulgated by the Commission, including service and operating standards for utilities. The Chair of the Commission is the chief executive officer of the Department and the chair of the Siting Board.

The Department's responsibilities include advising the Commission on all decisions it must make in matters such as rate determinations, utility financing, consumer protection, safety and reliability of utility services, and siting of gas and electric transmission facilities. The Department also represents the Commission in State and federal proceedings which impact New York ratepayers or have a bearing on State legislative mandates concerning utility services or Commission policies. Staff develops and implements State regulatory and energy policies; inspects utility equipment necessary for rendering service to the public; conducts and participates in hearings; oversees management and operations audits; and receives, investigates and resolves complaints regarding billing, services, and other utility or energy service companies' practices.

Major Department Initiatives

Reforming the Energy Vision (REV)

The Green New Deal builds on Governor Andrew M. Cuomo's landmark Reforming the Energy Vision strategy to lead on climate change and grow New York's economy. REV is building a cleaner, more resilient and affordable energy system for all New Yorkers by stimulating investment in clean technologies like solar, wind, and energy efficiency. Already, REV has driven growth of nearly 1,700 percent in the statewide solar market, improved energy affordability for 1.65 million low-income customers, and has led to more than 150,000 jobs in manufacturing, engineering, and other clean tech sectors across New York State.

REV Expansion

Commission Expands Ability to Integrate Energy Storage Devices, Boosts Upstate Energy Smart Community, Develops Energy Data-Sharing Platform, and Helps Farmers Gain Better Renewable Energy Options

In April 2018 the Commission: expanded the integration of larger energy storage technologies; moved forward with an upstate "energy smart" community project; created an on-line platform to make it easier to share data amongst energy companies; and made it easier for farmers to use anaerobic digesters to produce electricity.

"Under Governor Cuomo's leadership, New York State is creating a cleaner energy system that is good for New Yorkers and directly addresses climate change," ***Commission Chair John B. Rhodes said****. "To enhance New York's ability to store renewable energy and dispatch it when needed, Governor Cuomo has launched an initiative to deploy 1,500 megawatts of energy storage by 2025 and employ 30,000 New Yorkers in the energy storage industry. Through REV, New York is spurring private investment into new renewable power supplies, developing new clean-energy jobs and creating more clean energy choices for consumers."*

Specifically, the Commission took four REV-related actions:

- **Energy Storage:** The Commission opened the door to distributed generation (DG) suppliers seeking to connect energy storage technologies to the distribution system, allowing for projects up to 5 MW to come on-line. In addition, the Commission enhanced the Standardized Interconnection Requirements (SIR) application and contract process. These revisions will provide for a much more efficient interconnection process that allows DG developers to connect projects to the distribution system without undue delay.
- **Energy Smart Community:** The Commission approved NYSEG's request to implement time differentiated electric rate options, on a pilot basis, for the Energy Smart Community (ESC) project. The ESC project, which includes the deployment of advanced metering infrastructure (AMI) to approximately 12,000 customers in Ithaca, Tompkins County, and the surrounding towns. The pilot rates, including the selection of on-peak and off-peak time periods, are designed to convey strong price signals that focus on the system peak. For each service classification, the off-peak rates are at least 2.5 times less than the on-peak rates, which sends a clear price signal to customers, and provides them with a greater

financial incentive to manage their energy usage.

- **Utility Energy Registry:** The Commission directed the creation of the Utility Energy Registry, an on-line platform offering public access to customer-load data for the major utilities. Making community-level energy consumption data available for local planning, market research and community choice aggregation development, without providing an individual's consumption data, fosters increased awareness of energy use patterns and promotes conservation. In addition, the Commission adopted a privacy standard for the provision of whole building data for apartment buildings. The creation of the Utility Energy Registry will help create a more information-centered power system. This modernized distribution platform will support the exchange of information between utilities, customers, service providers, and other third parties. Access to system and generic customer data are key components for more efficient and engaged markets.
- **Agriculture Renewable Energy:** The Commission ordered that Community Distributed Generation (CDG) projects serving only farm customers are no longer required to comply with a number of CDG program rules, including the 10-member minimum requirement. Instead, CDG projects with less than 10 members will be allowed. Farm-based generation, including farm digesters, offers the potential to contribute significantly to the State's energy system and clean energy goals. As the REV initiative results in the evolution of the energy system, farm digesters will serve an increasingly larger role in meeting energy needs. Farm digesters may also create other, non-energy-related benefits, including reducing the carbon emissions of dairy farms.

Opportunities for Low-Income Households to Participate in Community Distributed Generation Expanded

Increasing Access and Affordability of Renewable Energy Benefits Low-Income Communities and Yields Environmental Benefits

In June 2018, the Commission made it easier for low-income electricity customers to participate in Community Distributed Generation (Community DG) programs. Community DG expands consumer access to clean, reliable, and low-cost electricity generated from renewable energy facilities, and can provide great benefits for individuals living in multi-family housing across the state. This important measure will create new opportunities for low-income families who have not had access to electricity generated from renewable resources.

"Expanding access to Community Distributed Generation is not only

good for the environment, it supports the reliability of the grid, and also benefits consumers motivated to reduce their electric costs with clean energy," ***said Commission Chair John B. Rhodes****. "This Commission action is a next step in ensuring that all New Yorkers can reap the benefits of our transition to a clean energy economy."*

Community DG is designed to open opportunities for participation in solar and other forms of clean distributed generation to utility customers that would not otherwise be able to reap the benefits of clean energy. Community DG has unique potential to benefit low-income communities for a variety of reasons. First, both renters and homeowners in stand-alone housing or multi-family dwellings can participate, and subscription terms can be customized to individual customers or market segments, including the length of participation. Second, Community DG can be purchased in discrete amounts that are smaller than most rooftop solar systems, making the cost to entry more accessible.

Furthermore, because Community DG projects are typically much larger than most rooftop units, they can achieve certain economies of scale. Finally, Community DG can be installed on land that is otherwise unusable or has low property value. This can reduce the property costs necessary for initial investment and support community redevelopment by increasing the productivity of unused land.

The recommendations adopted by the Commission included a new bill discount pledge program. Under this program low-income customers will be able to use a share of their monthly affordability program bill discount towards the purchase of Community DG subscriptions. Monthly electric discounts range across the state from $4 to $76.

While foregoing the benefits of bill discounts through the traditional bill discount program previously established by the Commission through its energy affordability order, participating customers would instead offset a portion of their monthly bills through Community DG bill credits. Among other things, Community DG projects may be developed to serve a particular geographic area, e.g., within a disadvantaged community. For this reason, the program also includes a strategy to extend enrollment beyond each utility's existing energy affordability program participants. To facilitate the extension of the discount program to serve additional low-income customers, the New York State Energy Research and Development Authority (NYSERDA) will extend its income verification service to Community DG developers seeking to verify eligibility of low-income subscribers. Importantly, consumer protection measures are built in to the discount program to protect the financially vulnerable customers it will serve.

Con Edison SmartCharge Program Expanded to Encourage Use of Electric Cars

Groundwork Laid to Increase Electric Vehicles in Con Edison's Service Territory

In September 2018 the Commission expanded the types of electric vehicles eligible to participate in Consolidated Edison Company of New York, Inc.'s (Con Edison) off-peak electric vehicle charging program, SmartCharge NY. The expansion will allow Con Edison to offer incentives to participating customers who charge medium- and heavy-duty electric vehicles during off-peak hours. Transportation generates the largest share by sector of greenhouse gas (GHG) emissions in New York State, and the diesel-powered medium- and heavy-duty sector accounts for a disparate share of total automobile pollution. The expansion of the Smart Charge NY program should facilitate significant carbon emissions reductions to help meet the goal of reducing GHGs by 40 percent by 2030.

"Encouraging the purchase and use of electric vehicles is an important element to meet our clean-transportation goals and reduce our carbon footprint," ***said Commission Chair John B. Rhodes.*** *"Electric cars are more energy efficient and cost significantly less to operate per mile than gasoline- or diesel-powered cars. Charging electric vehicles at night will not only save electric vehicle owners money on their electric bill, it will help utilities better manage the grid."*

This expansion of the existing program allows Con Edison to test and monitor customer response to incentives designed to encourage off-peak charging for a new subset of EVs, which were not currently eligible to participate, and whose operational needs are significantly different than the light-duty EVs that can participate in the current program. Further, expanding SmartCharge NY should facilitate significant carbon reduction and local air pollution benefits as the predominantly diesel-fueled medium- and heavy-duty vehicles are replaced by low- and zero-emitting EVs.

Ongoing electrification of the transportation sector is a significant opportunity to reduce carbon emissions in support of New York State's carbon reduction policies. Extending SmartCharge NY to medium- and heavy-duty EVs will further expand the range of benefits currently demonstrated by the existing program, which applies only to light-duty EVs.

Expanding the program will also allow Con Edison to investigate coordinated charging strategies and customer response to EV charging rates and incentives for larger EV classes with special operation considerations, including accommodating the greater power demands of large fleets with larger batteries, as well as time-of-day and geographical charging issues determined by inflexible operating schedules, charging terminals, and routes.

The Commission's decision complements New York's Zero-Emissions Vehicle (ZEV) plan, which calls for creating state-wide electric vehicle infrastructure to support the state's goal to have 30,000 to 40,000 in EV sales by the end of 2018 — an attainable goal from the 26,470 EVs currently registered in New York — and 10,000 charging stations by 2021. Emissions-free electric vehicles are also a key component of New York's 40 percent by 2030 and 80 percent by 2050 GHG emissions reduction goals.

The Commission's action also complements New York's $250 million electric vehicle expansion initiative, EVolve NY. In addition to state funding, Evolve NY seeks to create private sector partnerships through 2025 to aggressively accelerate the adoption of electric vehicles throughout New York State. This major investment plan aims to expand fast charging infrastructure and make EVs more user-friendly for all New Yorkers. In addition, the Commission's decision comes amidst National Drive Electric Week, September 8-16, 2018, a nationwide celebration to heighten awareness of plug-in vehicles and highlight the benefits of all-electric and plug-in hybrid-electric cars, trucks, and motorcycles.

Con Edison 'Shared Solar' Project for Low-Income Customers

Con Edison's Pilot Project Will Lead to Other Neighborhood Solar Projects; Fulfills an Environmental Justice Goal of REV

In September 2018 the Commission approved Con Edison's Implementation Plan for its Shared Solar pilot program for low-income customers. This large-scale solar project in New York City will generate clean energy dedicated exclusively to saving low-income customers money on their utility bills while also protecting the environment. This is one of the first "shared solar" systems for low-income residents in New York State and is an important milestone in the REV strategy.

"Con Edison's Shared Solar pilot program is another model of how solar can grow in New York," ***said Commission Chair John B. Rhodes.*** *"This pilot will not only demonstrate how community distributed generation can benefit a low-income neighborhood, it will also contribute to New York's visionary Clean Energy Standard. Serving low-income residents with clean energy is a core component of the REV strategy which is spurring clean energy innovation and improving statewide consumer choice and affordability to ensure all residents are able to participate in the transition to a clean economy."*

The system will be constructed by Con Edison as a pilot project that could include 800 to 1,600 customers throughout its service territory. Once operational, the system is expected to save each customer roughly $6 per month from the solar energy sold back to the electric grid and the program is designed to recover costs through the value of the electricity generated by the solar arrays. Con Edison is collaborating on the Shared Solar pilot with solar developers and community partners. The pilot is designed to help develop the overall DER market across the state and demonstrate the benefits of Community Distributed Generation (CDG) for low-income customers.

In addition to the quarterly reports Con Edison had proposed to submit, the requires the company to file an annual report reviewing the Shared Solar credit process, comparing various credit calculation methodologies, comparing different low-income offerings in the service territory, and outlining lessons learned. Con Edison will also be required to convene a stakeholder engagement session to discuss the results of the annual report and any modifications to the pilot going forward.

The annual reports will provide valuable information to the Commission, customers, and stakeholders as to the successes and lessons learned from the Shared Solar pilot. The program is expected to operate throughout the useful life of the solar panels. While the pilot project will initially produce 3 MW of power, Con Edison could propose and seek Commission approval of an expansion to 11 MW that could serve a total of 6,000 customers if the pilot is deemed successful. The solar panels will be placed on rooftops and property owned by Con Edison. It will help remove barriers that block low-income families in multi-family buildings from participating directly in solar energy projects.

As part of the plan, Con Edison will contract with developers to design and build turnkey solar photovoltaic installations. Additionally, Con Edison will: work with local community partners to conduct outreach to build a pool of applicants; conduct a lottery to choose participants; provide a bill credit to participants based on the value of the exported solar electricity, net of Con Edison's costs; and fund the solar credit bank to mitigate risk for non-participating customers. The insight gained from this pilot will lead to market development of other shared solar projects around the state that will bring the benefits of clean energy to more low-income customers.

Grid Connection Simplified for Energy Storage Systems

Deployment of Renewable Energy Resources is Vital to a Clean, Reliable and Resilient Energy System

In October 2018 the Commission updated the Standardized Interconnection Requirements (SIR) for renewable distributed generators including energy storage systems. This action continued the Commission's work to improve the interconnection process for the renewable energy developers that will allow developers to connect projects safely and reliably to the distribution system without undue delay. By applying the SIR, the interconnecting utility may effectively analyze and process a high volume of applications, and advance projects to construction.

"Distributed energy resources are critical to building out an energy system that will meet half of New York's electricity needs with clean and renewable energy by 2030,"

said Commission Chair John B. Rhodes. *"The Commission continues to work with both the utilities and developers to ensure these projects come online safely and efficiently."*

This order reflected the collaboration of the developers of distributed generation projects, the utilities and department staff and includes several clarifications and updates to the SIR application and technical study process. These revisions ensure necessary engineering studies are properly sequenced, provide a more transparent approach to managing construction costs and save application costs for developers.

Distributed energy resources, such as solar, wind and energy storage are being integrated into the planning and operation of electric distribution systems, to achieve optimal system efficiencies, secure universal, affordable service, and enable the development of a resilient, climate-friendly energy system.

The deployment of renewable distributed generation is an important component of New York State's REV strategy to create a cleaner, more resilient, and affordable energy system for all New Yorkers. Utilities and third-party providers are forming new kinds of partnerships to install clean, distributed energy resources at the "grid edge."

Successful Community Choice Aggregation Program Continued

Community Choice Aggregation Can Simultaneously Deliver Lower Monthly Bills and Cleaner Energy to Communities

In November, 2018 the Commission renewed Sustainable Westchester, Inc.'s Community Choice Aggregation (CCA) program, allowing the residents and small businesses of the 21 participating municipalities the opportunity to continue to save money on their utility bills through bulk purchasing of electricity and/or natural gas supply, while also providing increased access and participation in enhanced distributed energy resources (DERs) and efficiency opportunities.

"With greater bargaining power, CCAs can negotiate with energy suppliers to bring customers the best energy prices available along with the best new choices in renewable power and allow customers to reduce bills and meet local clean energy goals," ***said Commission Chair John B. Rhodes****. "These money-saving associations are a great example of how Governor Cuomo's Reforming the Energy Vision strategy to build a cleaner, more resilient and affordable energy system to combat climate change and to grow New York's clean energy economy works for all New Yorkers."*

On April 21, 2016, the Commission authorized the establishment of CCA programs by municipalities statewide, recognizing that CCA programs can educate, encourage, and empower communities and individuals to take control of their energy future, while supporting REV goals. Sustainable Westchester's pilot CCA, known as Westchester Power, was the first CCA pilot authorized in New York, growing from its launch in 2016, to its current size of roughly 100,000 customers in Westchester County.

The objectives of the Westchester Power program include: the reduction of greenhouse gas emissions; a decline in energy usage in buildings; increase in electricity sourcing from renewable resources; promotion of DERs; and, the provision of safe and convenient energy choices and increased access to and participation in enhanced DER and efficiency opportunities. Aligning with these objectives, customers have the choice of a standard supply product (mixed energy sourcing) or a green supply product (supply matched 100 percent with Renewable Energy Certificates). In the last reporting period customers in the Westchester Power program saw about a 10 percent savings. Additionally, 70 percent of those customers chose the green supply product.

Con Edison's Innovative Electric Pricing Pilot Program

Pilot Project Designed to Help Customers Make Informed Energy Usage Decisions

In December 2018 the Commission approved an innovative pricing pilot program for Con Edison to provide residential and small commercial customers the opportunity to better manage their energy costs. The program will help customers align their energy use to price signals which will help reduce their energy costs. Empowering customers by providing them more choice in how they manage and consume electric energy is a central element of the state's REV strategy to build a clean, resilient and affordable energy system.

> *"Con Edison's pricing pilot program is a careful and innovative approach to allow New Yorkers to use accurate price signals to lower their energy costs,"* ***said Commission Chair John B. Rhodes***. *"Improving consumer choice and affordability is a guiding principle of our clean energy policies."*

On March 17, 2016, the Commission issued an order approving advanced meters (AMI) for Con Edison customers. As part of that order, the Commission directed Con Edison to develop a pilot program to test new and innovative rate structures made possible through its investment in AMI, or smart meters. Per that order, Con Edison implemented customer data privacy protections that will apply to the Pilot.

Smart meters have the potential to provide substantial financial and environmental benefits by reducing overall energy demand and decreasing greenhouse gas emissions. In addition to providing new consumer choices and potential customer savings, smart meters can make electric distribution systems more responsive and reliable by using data and two-way communications to manage outages and service connections during storms.

The program will test innovative rate structures designed to allow AMI-enabled customers to optimize their electricity usage. These rates were designed to more closely align delivery charges with the cost of providing delivery service and are primarily demand-based, whereas current rates for these customer groups are based on energy consumption. In addition, the program will provide insights about customer acceptance, satisfaction, and preferences, as well as bill and peak demand impacts of these innovative rate structures. Significantly, the program will provide information as to whether customers will reduce peak demand and therefore infrastructure costs, which will help to reduce costs for all customers.

To implement the program, Con Edison will recruit about 67,000 customers with AMI meters from Staten Island, Westchester County, and Brooklyn areas using both opt-in and opt-out enrollment strategies. All customers recruited by the company will be provided a one-year price guarantee. Customers may discontinue service under the program at any time but will be ineligible to re-enroll for 18 months. The program is expected to conclude in March 2022, and the results will be used to inform the company and regulators whether the program should be expanded.

Con Edison, Orange and Rockland Smart Home Demonstration Projects

REV Projects Designed to Optimize Residential Renewable Energy Resources and Combat Climate Change

In February 2019 the Commission approved Con Edison's and Orange and Rockland Utilities' (O&R) smart home demonstration programs. The programs seek to provide residential and small commercial customers utilizing rooftop solar or other distributed energy resources the opportunity to better manage their energy costs. These programs will help customers align their energy use to prices which will help reduce their energy costs and reduce carbon emissions to combat climate change.

"This program will enhance and encourage the use of smart devices and residential solar by rewarding customers for their smart and efficient energy consumption," ***said Commission Chair John B. Rhodes****. "Empowering customers by providing them more choice in how they manage and use electricity is a central element of the state's Reforming the Energy Vision strategy to build a clean, resilient and affordable energy system."*

In its REV proceeding, the Commission directed each of New York State's six investor-owned utilities to develop demonstration proposals to support REV's goals to combat climate change and build a cleaner more resilient and affordable energy system. On February 1, 2017 Con Edison and O&R filed their proposal. The remaining four, National Grid, Central Hudson, Rochester Gas and Electric and New York State Electric and Gas, have proposals in development.

The focus of this demonstration project is to gauge customer acceptance of innovative rate structures combined with proactive energy management tools and technology, which when used effectively, will reward customers for managing their usage in ways that support the needs of the energy system as a whole.

The concept is intended to advance ratemaking reform and encourage active market participation enabling program participants to more fully exploit distributed energy resources. The rate designs are intended to be more reflective of cost drivers on the companies' transmission and distribution systems, as well as reflective of the energy and capacity markets.

The project includes two opt-in tracks for participants: Track 1 participants will receive price-responsive automation technology to optimize their central-air-conditioning loads. Track 2 participants will receive price-responsive storage systems to optimize their overall usage, taking into account the output of their existing rooftop photovoltaic systems. Track 1 participants receive a price guarantee for the first 12 months of participation, whereas Track 2 participants will not receive a price guarantee but will instead be able to keep the storage system at the end of the project. The companies expect to enroll approximately 2,350 participants in the demonstration project and begin the program in October of this year.

Consumer Protections Strengthened for Distributed Energy Resources

Developing and Maintaining Market Integrity Key to Meeting Renewable Energy Goals

In March 2019 the Commission strengthened the consumer protection standards for the State's rapidly expanding distributed energy resource market. Specifically, early termination fees for community distributed generation project members were capped, production guarantees were required for on-site mass market solar projects and escalation clauses in contracts between customers and developers must be clearly disclosed.

"Governor Cuomo's Reforming the Energy Vision strategy to create a cleaner, affordable and more-resilient energy system is working," ***said Commission Chair John B. Rhodes.*** *"Consumers are being presented with new ways to save money and conserve energy through Distributed Energy Resource providers. As these new energy resources help create a cleaner and more resilient power system here in New York, we must ensure that consumers are protected from potential fraud and unscrupulous contract provisions, aiding consumers while ensuring the integrity of this bourgeoning market."*

Distributed energy resources are technologies that generate or manage the demand of electricity at different points of the grid, such as at homes and businesses, instead of centralized exclusively at power plants. Distributed energy resources can include solar, wind, combined heat and power, electricity storage, electric vehicles and anaerobic digesters. These resources are typically smaller in scale than the traditional generation facilities. Community Distributed Generation allows customers who cannot site solar, small wind, or other distributed generation on their own property to participate directly in off-site projects and reap the benefits of these sources of clean energy.

As the costs of these clean technologies continue to fall, the Commission anticipates increased penetration of Community Distributed Generation. The Department of Public Service has previously made recommendations with the aim of creating additional opportunities for customers to participate in these arrangements. With the anticipated growth of these technologies, the Commission will continue to ensure that these customer opportunities are balanced with appropriate oversight measures.

The Commission's experience in regulating energy services companies (ESCOs) in the gas and electric supply market has demonstrated that oversight is needed to prevent false promises, exploitative and predatory pricing, and other deceptive or intentionally confusing behavior in marketing to residential customers and small businesses. In October 2017, the Commission issued an order adopting rules, requirements, and business practices for distributed energy companies to protect customers and ensure market fairness.

These rules were collected in the Uniform Business Practices for Distributed Energy Resource Suppliers (UBP-DERS). The UBP-DERS applies to companies that provide residential rooftop solar systems, on-site generating systems for small business, large community-solar projects or other Community Distributed Generation systems. The order approved by the Commission will ensure that customers do not face unreasonable clauses in their contracts while still allowing for flexibility and innovation in those markets.

The Commission approved additional provisions to the UBP-DERS regarding termination fees, production guarantees, and annual escalation costs. Termination fees for Community Distributed Generation projects will be capped at no more than $200. Additionally, termination fees must be waived where the customer provides appropriate notice and finds a replacement; companies are also encouraged to waive termination fees where a replacement customer is available on a wait-list.

The new rules require that a production guarantee must be included in the contract for any project where the customer pays a fixed amount regardless of actual generation, including purchase contracts and lease contracts with a fixed monthly fee. A production guarantee is the installer's commitment that the project's design is accurate. It ensures that all relevant factors are factored into the design process, and that all variables were accounted for. This guarantee is often backed up by monetary compensation if the target kWh is not met for one year of the system's production.

Finally, the new rules require clear disclosure of the escalation rate, methodology and or formula, including illustrative examples of the resulting rates. Escalation rates are a common feature of long-term distributed energy resources contracts.

These rules are effective for new contracts signed after May 1, 2019. This decision updates the UBP-DERS to reflect these new rules and directs the utilities to update their tariffs to include the new UBP-DERS.

Strengthening Reliability

Utilities Directed to Immediately Improve Communication and Coordination with Municipal Officials During Storm Events

In April 2018, as part of its investigation into the electric utilities' response to Winter Storms Riley and Quinn the Commission directed the State's major electric utilities to immediately improve communications and coordination with municipal officials as part of the utilities' post-action reviews following the two storms. The failure on the part of some utilities to adequately communicate with municipalities during the storms was clearly one of the problems that appeared during the March storms. Other issues under investigation include failure to adequately inform customers about estimated restoration times, poor customer communications in general, and the length of time to restore power overall.

"It is clear that some utilities' response and restoration efforts failed to meet the expectations of New Yorkers," ***said Commission Chair John B. Rhodes.*** *"One of the most glaring examples of this were instances where some utilities failed to adequately keep municipal authorities informed about the restoration efforts. Storm response and restoration is a team effort, and the utilities need to remember that local elected officials are a critical part of the team."*

On March 6, 2018, Governor Andrew M. Cuomo directed the Department of Public Service to conduct a full review of the utility companies and to examine the performance of the seven major electric utilities in New York — Con Edison, National Grid, NYSEG, RG&E, O&R, Central Hudson, and PSEG LI.

The investigation included an evaluation under the Commission's emergency response scorecard, a regulatory tool developed following Superstorm Sandy to gather data and assess utility performance. Utility filings of scorecard data were submitted April 12, 2018. Under Department rules, an emergency response performance assessment must also be completed by each company and filed by May 12, 2018. The public will have an opportunity to attend and participate in public statement hearings which will be held to provide input into the investigation, as well as comment on the companies' restoration efforts.

As part of the investigation, 20 public statement hearings were held in nine counties to receive public comment regarding the preparedness and response to the March 2018 winter storms.

In addition to directing utilities to improve communication efforts, the Commission approved the utilities' amended emergency response plans which were updated on April 10, 2018. The emergency response plans establish the steps to be taken in anticipation of an emergency event, defines roles and responsibilities of personnel for each activity, contains strategic contact information in the event the emergency response plan is activated, and sets forth communication protocols. Each electric utility is expected to carry out restoration efforts in compliance with its emergency response plan and include updates based on lessons learned during major events in its annual update.

National Grid's Statewide Operations Management & Operations Audit

Audit of the Utility's Upstate and Downstate Operations Focuses on Construction Planning and Operational Efficiency

In May 2018, the Commission commenced a detailed management and operations audit of three National Grid USA subsidiaries. The audit focused on construction program planning and operational efficiency.

*"The audit will include an assessment of the utilities' readiness to respond to the Reforming the Energy Vision initiative, and closely examines how the utilities plan for and manage information systems projects," **said Commission Chair John B. Rhodes**. "The audit will also address issues from previous management audits that require follow-up review, such as organizational structure, project estimating processes, and work management processes."*

In his 2013 State of the State Address, Governor Andrew M. Cuomo highlighted the importance of management and operations audits of New York's utilities, and introduced, and subsequently signed, legislation that required utilities to file plans for implementing audit recommendations, and empowered the Commission enforce utility compliance with those implementation plans.

This was the fourth comprehensive audit since the Governor's address, with three additional audits are underway. To date, these audits have recommended numerous productivity enhancements, better risk mitigation strategies, and improved planning processes, as well as other operational improvements, at New York's utilities. These process improvements result in savings for customers over time, and those savings are captured in rate cases.

National Grid USA has three operating utilities in New York State. Niagara Mohawk provides both electric and gas service across a wide portion of upstate New York. KEDNY provides gas service in portions of New York City. KEDLI provides gas service on Long Island and a small area of New York City.

In recent years, the Commission has instituted two statewide operations audits of the utilities. One audit evaluated the completeness and accuracy of performance metrics of the large utilities and the second audit examined the large utilities' internal and contractor resources to determine whether sufficient staffing levels were maintained, while optimizing efficiency and cost effectiveness.

In September 2018 the Commission selected an independent auditor to conduct a detailed management and operations audit of National Grid.

The Commission selected Saleeby Consulting Group (SCG) to conduct the management and operations audit. In making its selection, the Commission said SCG displayed an impressive amount of knowledge about the utilities, REV, and the New York regulatory environment.

This audit is a second cycle management and operations audit of National Grid USA's Commission regulated subsidiaries. The Commission expects to issue the auditor's final report in November 2019.

DPS Releases PSEG LI Management and Operations Audit

Independent Auditor Says Long Island Utility Performing Well; Solid Improvements in Customer Satisfaction and Financial Oversight; Work Remains to Improve Operations

As required by the LIPA Reform Act, in June 2018 the Department of Public Service submitted to the Board of Trustees of the Long Island Power Authority (LIPA) an independent audit of the LIPA and PSEG Long Island, the electric utility for Long Island. While the audit report noted significant improvements in the operations of LIPA and PSEG LI, particularly in the areas of customer satisfaction and financial and budget oversight, it also suggested ways to improve the business operations of both entities.

"This independent management and operations audit focuses on where gains have been made and where improvements are needed," ***said Department CEO John B. Rhodes****. "LIPA historically suffered from poor customer satisfaction. However, many of these issues have been faced head-on by LIPA and PSEG LI with remarkable, objective achievements. The Department encourages LIPA's board of trustees to review the findings and take appropriate action to ensure the best possible service for PSEG LI's customers."*

A comprehensive, proactive management and operations audit every five years is mandated by the LIPA Reform Act to ensure ongoing improvement of management and operations of Long Island's electric grid operator. The audit reviewed and evaluated the overall operations and management of LIPA and PSEG LI in the context of LIPA's duty to protect the interests of Long Island's energy customers and set rates at the lowest level consistent with sound fiscal and operating practices and provide for safe and adequate service.

The audit included PSEG LI's construction and capital program planning as it relates to the needs of customers for reliable service, the overall efficiency of LIPA's and PSEG LI's operations, the manner in which LIPA is meeting its debt service obligationsand

LIPA's fuel and purchased power cost adjustment clause.

The audit contains a total of 49 recommendations. The most notable findings and recommendations include:

- **PSEG LI Customer Service:** PSEG LI has made significant investments in customer service, which are showing results. Under the terms of the agreement with LIPA, PSEG LI earns incentive compensation for achieving several performance metrics. As these are heavily weighted towards customer satisfaction, PSEG LI has a strong incentive to improve customer service levels and has done so. Customer satisfaction as measured by JD Power surveys has risen. PSEG LI was no longer in the bottom quarter in residential customer satisfaction ranking. Instead, it now tied for 10th place amongst the 16 large utilities in the east.
- **Exceptional Financial Leadership:** LIPA's exceptional financial leadership has resulted in many noteworthy accomplishments. LIPA is responsible for managing the debt issuance process and providing capital to fund the utility's capital program. LIPA's Chief Financial Officer has responsibility for the debt issuance process, with support from personnel both inside and outside LIPA. LIPA generated over $186 million of savings for customers from refinancing $1.5 billion of LIPA and Utility Debt Securitization Authority (UDSA) bonds during 2016. During 2017 UDSA bonds provided another $45 million. Total savings for all the bonds total $491 million.
- **Effective Utility Oversight Critical:** Effective oversight is critical when contracting virtually all utility operations and maintenance. Traditional utilities make decisions at the top of their organizational structure – decisions which are then communicated down their chain of command and implemented. Utility managers base decisions on analysis, current information, and past experience and focused exclusively on the mission of one entity – their own utility company. In contrast, LIPA is separated from daily utility operations, information and experience by a formal contract with its service provider – PSEG LI. For a utility operating with this business model, the need for strong management skills and a deep understanding of the nuances of utility operations is critical to provide effective oversight and continuous improvement.
- **Driving Performance:** The Department of Public Service recognized that it was critical that Long Island utility customers receive electric service that is both cost-effective and is of the high quality that is comparable to what is demanded of other New York utilities and by PSEG's New Jersey regulators and customers. LIPA has to drive performance

improvement while staying within the scope provisions of its agreement with PSEG LI.

- **Audit Recommendations:** The management and operations audit assesses LIPA's and PSEG LI's efficiency and effectiveness in achieving their mission and identifying areas for improvement. Implementation of the audit's recommendations will improve the operations and management of LIPA and PSEG LI and the provision of safe and adequate electric service to Long Island electric customers.
- **Capital Plan Outreach:** PSEG LI is becoming more effective in its communication with customers. With respect to capital projects, PSEG LI should continue to evaluate the effectiveness of its outreach program, develop more formal outreach plans to impart more specific project information to customers, and document meetings with external stakeholders.

Con Edison's Enhanced Gas Energy Efficiency Program

Energy Efficiency Efforts Will Double Over the Next Three Years to Reduce Gas Usage

In July 2018, the Commission approved an Enhanced Gas Energy Efficiency (Enhanced Gas EE) Program for Con Edison and established criteria for continued development of its Gas Innovation Program. The Enhanced Gas EE program is a key component of Con Edison's Smart Solutions strategy and will double its energy efficiency targets for 2018, 2019 and 2020, thereby mitigating peak day demand, as well as generally contributing to the State's ambitious climate and clean energy goals. Natural gas use in Con Edison's service territory has grown substantially leading to significant increases in the peak day demand from firm customers and absent any intervention is expected to continue to grow over the next 20 years.

This decision represented the first step in a more holistic view of a gas utility's obligation to meet the needs of its customers by exploring alternatives to its traditional utility business model.

"Energy efficiency has proven to yield positive results in the reduction of natural gas usage, and can serve to address peak day demand," said ***Commission Chair John B. Rhodes****. "Reducing peak day demand for natural gas not only yields dividends in carbon reduction but decreases costs to consumers. We will continue to work with Con Edison as they develop strategies under their Smart Solutions program to reduce natural gas consumption."*

Con Edison delivers gas to 1.1 million customers in Manhattan, the Bronx, parts of Queens, and most of Westchester County. The Enhanced Gas EE Program builds upon the Company's existing successful energy efficiency activities by providing incentives and services to residential, multifamily and commercial firm gas customers to install efficient natural gas equipment and reduce natural gas usage. This decision makes more effective use of existing energy efficiency funds and prior collections resulting in no new incremental collections from rate payers.

Con Edison's Gas Innovation Program will test the ability of various business models to increase penetration and speed of adoption of clean thermal technologies for meeting long-term heating demand within the Company's natural gas service territory.

To protect ratepayers from undue bill impacts related to unsuccessful pipeline development projects, the Commission denied Con Edison's request to recover costs associated with parallel pipeline development efforts.

NFG Management and Operations Audit

PSC to Conduct Detailed Review of Western New York Gas Utility

In August 2018 the Commission announced it would conduct a comprehensive management and operations audit of National Fuel Gas Distribution Corporation's gas utility in western New York. The review will examine functions, processes, systems, and organizations, as well as past performance, for the purpose of defining changes that will improve future performance. The audit is part of the Commission's vigorous management audit program of the state's largest electric and gas utilities, as well as requirements set forth in Governor Andrew M. Cuomo's 2013-2014 Budget that strengthened the Commission's regulatory oversight of utilities.

"The auditing of a utility's management and operations is an essential part of our regulatory oversight," ***said Commission Chair John B. Rhodes.*** *"This management and operations audit will be thorough, and it will focus on identifying improvements in the utility's management and operational efficiencies for the benefit of its customers."*

As a first step in this process, the Commission issued a Request for Proposals for an independent third-party consulting firm to conduct the management and operations audit. The audit will focus on construction program planning and operational efficiency. The audit is the second management and operations audit specifically of NFG in five years, and the scope has been refined to focus on areas that will provide the highest value to the company and its customers.

In recent years, the Commission has instituted two statewide operations audits of other large investor-owned utilities in New York. The first evaluated the completeness and accuracy of performance metrics reported by New York State's large investor-owned utilities to the Commission. The second examined New York State's large investor-owned utilities' internal and contractor resources to determine whether sufficient staffing levels were maintained, while optimizing efficiency and cost effectiveness.

The scope of the newest audit addresses issues from the previous management audit that require follow-up review, such as strategic planning, project and program management, and work management processes. The scope also includes an assessment of the company's customer operations, and enhancements to, and replacements of information technology systems.

The management audit approach in New York includes, but is not limited to, a prospective investigation of the company's construction program planning processes, and an evaluation of the efficiency of the company's operations with a focus on opportunities to improve performance. The Commission expects the selected consulting firm to analyze current and historical information to gain an understanding of the company, with the ultimate goal of improving existing processes, practices, systems, and organizational structures to drive better performance.

NFG is a gas utility and serves about 530,400 natural gas customers in Western New York.

Con Edison's Demand Response Pilot Program

Innovative Program to Reduce Demand for Natural Gas Implemented in New York City and Westchester County

In August 2018 the Commission approved a $5 million program for Con Edison to reduce residential and commercial customer demand for natural gas. The demand-reduction program will demonstrate the ability for customers to reduce their demand for natural gas over the next three years. Demand for natural gas in Con Edison's service territory has grown substantially leading to significant increases in the peak day demand during the winter heating season for customers that require uninterruptable supply. By lowering demand, pilot programs such as this help negate the need for additional gas infrastructure. Reducing peak day demand for natural gas not only yields dividends in carbon reduction but can also decrease costs to consumers. This program is intended to help reduce the reliance on natural gas as New York transitions to clean energy.

*"Demand response has proven to be an effective tool to manage demand and save costs on the electric system," **said Commission Chair John B. Rhodes**. "While some gas customers have been doing demand response for years, this program will enhance gas customers ability to reduce peak day demand. This pilot program will be among the first-of-its-kind in the country and should provide valuable insights for energy system planning and for further demand reduction approaches of all gas utilities."*

The Commission has been steadfastly working with the utilities to ensure that investments are prudent as the State's energy system is being transformed. The Commission encourages the development of smart alternatives, rather than the antiquated approach of simply building ever more pipelines. The Commission's approval of Con Edison's innovative program is a first-of-its-kind demand response initiative that will directly result in cutting demand for natural gas during peak periods. Just like with electric energy efficiency improvements – the cheapest unit of energy is the one never used.

Con Edison delivers gas to 1.1 million customers in Manhattan, the Bronx, parts of Queens, and most of Westchester County, making it the largest gas supplier in the state. The gas reduction pilot program will target both commercial and residential customers over the initial 3-year period.

The broad-based gas demand reduction pilot will allow the marketplace and third-party demand-response aggregators to work with customers to find innovative ways of reducing consumption on peak days. The pilot consists of two components: a large commercial and industrial customer-focused pilot similar to the company's existing electric peak-shaving program, and a residential and small-commercial customer-focused pilot using customer-purchased internet-connected smart thermostats similar to the company's existing electric program.

Coupled with Con Edison's enhanced gas energy efficiency program, which was approved by the Commission in July 2018 this decision was the next step toward a more holistic view of a gas utility's obligation to meet the needs of its customers by exploring alternatives to its traditional utility business model. The Commission is continuing to work with Con Edison and other gas utilities to ensure success of non-pipes alternatives and to ensure that the resiliency, reliability and safety of the natural gas system is not compromised.

Utility Customer Service Performance

Commission Aims to Ensure Utilities Focus on Customer Satisfaction

In October 2018 the Commission approved, on a pilot basis, the implementation of a uniform statewide customer satisfaction survey. The creation of a statewide customer satisfaction survey has been a long-stated goal of the Commission to enable the state regulator of utilities to obtain accurate and consistent data for comparison among utilities and to be able to score customers' satisfaction with their utility's customer service in an overall consistent manner.

"All major utilities in New York State are required to record and submit to the Commission metrics on customer service, and these metrics are used to rate how effective utilities are at providing customer service," ***said Commission Chair John B. Rhodes.*** *"This pilot survey will achieve the Commission's goal of good customer service by establishing a strong and uniform statewide measurement of customer satisfaction."*

Finding ways to engage consumers to improve utility service is an important element of the state's REV initiative, which calls for promoting markets to achieve greater use of advanced energy management products to enhance demand elasticity and efficiencies. These changes, in turn, will empower customers by allowing them more choice in how they manage and consume electricity in their daily lives.

Requiring survey uniformity will enable the Commission to compare and contrast utility performance statewide. The statewide pilot survey will require the major electric and gas utilities to survey customers who have had a recent interaction with the company. The survey will ask customers, among other things, to answer the following question: "Thinking about your most recent interaction with your utility, how satisfied are you?" Customers may choose from the following responses: very satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied, and very dissatisfied.

With this order, the Commission directed staff to report on the results of the pilot after one year, including a recommendation for whether to establish the survey on a permanent basis. The Commission's regulatory jurisdiction extends over New York's investor-owned utilities, including six major electric/gas utilities with nearly 10 million residential and commercial customers.

The Commission is responsible for overseeing the quality of utility services. The Commission assures service quality in several ways, including the use of performance metrics that are measured by applying utility self-reported data. The survey is important because the Commission can reduce a percentage of the company's revenues based on poor customer service performance.

During the pilot study period, the utilities would continue their existing customer satisfaction surveys, and to the extent that such surveys are used in measuring customer satisfaction for the purposes of applying each utility's respective Customer Service Performance Incentive, the existing survey would continue to be used for that purpose.

Commission Commences Audit of National Fuel Gas, Wraps Up Audit of NYSEG and RG&E

Independent Auditor Selected to Conduct Detailed Review of National Fuel Gas; Releases Independent Management and Operations Audit of NYSEG and RG&E

In February 2019 the Commission selected an independent auditor to perform a comprehensive management and operations audit of National Fuel Gas Distribution Corporation and it released an operations and management audit report of New York State Electric & Gas Corporation (NYSEG) and Rochester Gas and Electric Corporation (RG&E), which is separate from the Commission's ongoing investigation into NYSEG's and RG&E's storm readiness and storm outage response and restoration efforts.

"The auditing of a utility's management and operations is an essential part of our regulatory oversight," ***said Commission Chair John B. Rhodes****. "These audits are thorough and focus on identifying improvements in the utility's management and operational efficiencies for the benefit of its customers. Management and operations audits do not typically cover prior storm outage response*

as those are generally subject to separate Commission investigations."

These audits are part of the Commission's vigorous management and operations audit program of the state's largest investor-owned electric and gas utilities, as well as requirements set forth by Governor Andrew M. Cuomo that strengthened the Commission's regulatory oversight of utilities. Both of these audits examine functions, processes, systems, and organizations, as well as past performance, for the purpose of defining changes that will improve future performance.

National Fuel Gas

The Commission selected an independent auditor to conduct a comprehensive management and operations audit of National Fuel Gas. This audit will examine the company's gas operations in New York State. The audit will focus on construction program planning and operational efficiency. The audit is the second management and operations audit specifically of National Fuel Gas in recent years, and the scope has been refined to focus on areas that will provide the highest value to the company and its customers. The scope of the newest audit addresses issues from the previous management audit that require follow-up review, such as strategic planning, project and program management, and work management processes. The scope also includes an assessment of the company's customer operations, and enhancements to, and replacements of information technology systems. National Fuel Gas is a gas utility serving about 530,400 natural gas customers in Western New York.

NYSEG and RG&E

In April 2017, the Commission selected an independent auditor to perform a management and operations audit of NYSEG and RG&E. In November 2018, Overland Consulting submitted its final audit report. The Commission directed the companies to file an implementation plan within 30 days detailing how the companies intend to implement the audit's recommendations.

The auditor found that NYSEG and RG&E were generally well- run, with effective processes in place to maintain their operations. Additionally, Overland found that the companies both have a strong governance structure supporting the Commission's REV initiatives, although several significant improvement opportunities were identified. This audit is separate and apart from the Commission's investigation into the companies' March 2017 windstorm and 2018 Winter and Spring storms outage response. Because the audit was limited to a review of the companies' systematic processes and procedures in place and given that Overland was aware of staff's contemporaneous storm response investigations, Overland did not assess actual storm restoration performance. Overland did, however, identify several critical improvement opportunities to important functions including outage and emergency planning, resourcing, and event tracking.

In regard to the 2017 storm, based on staff's investigation, NYSEG and RG&E

agreed to fund $3.9 million in improvements in western New York at no cost to the ratepayers in lieu of facing potential penalties for violating their Commission-approved emergency response plans; and the Commission is still weighing the proposal. Meanwhile, the investigation into the 2018 storm response remains pending.

Con Edison Innovative Solutions to Lower Natural Gas Demand

$223 Million Available to Fund Energy Efficiency and Electrification to Lower Natural Gas Demand and Replace Dirty Fossil Fuels with Smart, Energy-Saving Solutions **—**

In February 2019 the Commission authorized Con Edison to immediately begin implementation of a $223 million initiative aimed at reducing demand for natural gas in the utility's supply-constrained areas of its gas distribution system. While the portfolio of measures do not represent a complete solution, they are cost-effective and can offer substantial relief to current constraints, like those that led Con Edison to announce a temporary gas moratorium in Westchester County. Building upon these measures, the Commission will be laser focused on finding holistic and long-lasting solutions that will support clean energy strategies and economic growth.

"The PSC is providing Con Edison with the ability to deploy non-traditional solutions to address the customer needs currently met with natural gas and expects Con Edison to use these tools to help its customers and protect environment," ***said Commission Chair John B. Rhodes.*** *"Con Edison needs to move quickly and put forward innovative solutions designed to meet current and future energy demands throughout its serve territory."*

Con Edison submitted its Smart Solutions proposal to further develop a portfolio to lower demand for natural gas and identify local supply enhancements. The solutions focus on reducing demand through energy efficiency measures for its gas customers and supporting beneficial electrification through the deployment of heat pump technology. These measures will reduce future gas demand that would have otherwise resulted from the practice of converting fuel oil customers to natural gas. The Commission denied the company's proposal to incentivize shareholders to add supply enhancements such as compressed or liquified natural gas supply sources, but specifically noted that the company is not prohibited from pursuing such projects without shareholder incentives as it has done in the recent past.

Con Edison's portfolio of demand-side approaches includes initiatives targeted at low-to moderate-income customers, multifamily properties and government buildings that provide critical community services. The Commission recognizes that this funding authorization allows the company to not only meet the unique needs of its service territory but to get a jumpstart on achieving the new aggressive energy efficiency and heat pump targets recently adopted by the

Commission in December 2018 under the New Efficiency New York program.

Instead of old-style approaches to reduce demand, the Commission expects Con Edison to urgently identify innovative and clean energy solutions to meet the expected increase in customer demand and to develop solutions that will complement and build upon existing initiatives that will ensure system reliability.

The issue of increased gas demand and the need for innovative solutions to meet customer needs in Con Edison's service territory has taken special urgency over the past few weeks. On January 17, 2019, Con Edison announced that due to a recent trend of increasing natural gas demand, beginning March 15, 2019, it would not accept new applications for natural gas service in the majority of its Westchester County natural gas service territory in order to maintain reliability for existing customers and offer service to critical facilities.

Department of Public Service staff commenced a thorough and comprehensive analysis and review of the changing market conditions that led to the company's decision. As part of this effort, staff will review how utilities across the state are meeting customer needs in a manner that is consistent with the State's energy and environmental goals.

$250 Million Westchester Clean Energy Action Plan

In March 2019, the Department, the New York State Energy Research and Development Authority and New York Power Authority (NYPA) announced a Westchester Clean Energy Action Plan to provide immediate relief to Westchester County businesses and residents affected by Con Edison's announcement that it will put new applications for firm natural gas service on a waiting list beginning March 15, 2019.

As the Department continued its independent reviews Con Edison's claims of a shortage in natural gas supply, the State advanced a $250 million Westchester Clean Energy Investment Program to provide local investment in clean energy alternatives such as electric heat pumps, high efficiency appliances, equipment and building materials that will lower energy costs for consumers and reduce demand in order to accommodate new customers.

The $250 million Westchester Clean Energy Investment Program includes:

- $165 million in grants from the Smart Solutions package that the Commission recently directed Con Edison to deploy toward heat pumps and increasing gas efficiency for residential, multifamily and commercial & industrial customers.
- An additional $53 million in clean energy incentives and investments that NYSERDA will provide to Westchester customers.
    - $28 million will be used for grants for new customers, including low-to moderate residential developments waitlisted by Con Edison for natural gas to use alternative heating and cooling systems

and adopt energy efficient solutions.
    - $25 million will be used to provide grants to improve energy efficiency in Westchester and reduce overall and peak energy demand from existing customers in the region to free up capacity.
- An additional $32 million in low-cost NYPA financing services for its Westchester customers to retrofit heating systems with clean energy alternatives. NYPA is committing to provide energy audits and screenings to support its governmental customer base and identify alternative options.

These investments and activities, targeted directly to the Westchester area and in zones where investments can have the greatest impact in reducing demand constraints, are estimated to reduce energy consumption equivalent to the amount of gas needed to heat over 90,000 homes. NYSERDA, NYPA, and Westchester County will support expanded contractor training in Westchester to ensure there are sufficient trained professionals to deliver these solutions in a timely manner.

***John Rhodes, CEO, Department of Public Service, said**, "We are advancing initiatives to dramatically improve energy efficiency, scale demand response programs and expedite the transition to electrified heating systems, such as state-of-the-art heat pumps, all of which will offset demand for natural gas. The PSC is also pushing utility companies to use existing infrastructure more efficiently while ensuring consumers have access to affordable and reliable energy."*

As part of an independent review launched after Con Edison's announcement, the PSC held two public hearings in White Plains to elicit comment from the public and impacted stakeholders.

The Westchester Clean Energy Action Plan also includes a consumer awareness campaign to be led by NYSERDA, in coordination with Con Edison, Westchester County, local governments, and other stakeholders, to help communities, businesses and individuals access programs and incentives now available to help them reliably heat their homes with clean resources. As part of this effort, NYSERDA is doubling its budget for the Sustainable Westchester clean heating and cooling campaign to expand the scope of HeatSmart Westchester, a community-level initiative designed to facilitate adoption of fossil-free heating and cooling solutions such as ground-source and air source heat pumps, as well as high-efficiency building measures such as high performance insulation and advanced windows.

Gas Safety

April Is "Safe Digging Month"

In April 2018, the Commission once again announced that it was participating in the nationwide effort to recognize "Safe Digging Month" as a way to remind excavators and contractors that State law requires them to call one of the state's toll-free One-Call centers before starting any excavation or digging project. Governor Andrew M. Cuomo proclaimed April 2018 as "Safe Digging Month" in New York.

"April marks the traditional start of digging season, we are using this time to urge everyone who is going to be excavating to do their part in protecting crucial underground infrastructure by simply dialing 811 before digging," ***said Chair John B. Rhodes****. "Damage to underground utility facilities during excavation can result in loss of utility service, personal injury and property damage."*

The keys to preventing damage to underground facilities are the two "one-call notification systems" that serve as communication links between contractors/excavators and the operators of underground facilities (local utilities/municipalities). New York 811 is the one-call notification system serving New York City and Long Island and Dig Safely New York is the other, serving the remainder of the state. When calling from inside the areas served, either can be reached by simply dialing 811. In addition, both One-Call Centers allow locate requests to be submitted at any time through web-based ticket entry. Use of the One-Call Centers is free.

The Commission, which oversees some 93,000 miles of gas pipelines prides itself on its zealous safety oversight. The Commission's rigorous review of utilities' natural gas infrastructure and operations exceeds federal requirements, and includes prescribing aggressive safety performance metrics, holding utilities financially accountable to meet standards, and conducting thousands of incident investigations. On a daily basis, the Commission's team of highly trained employees closely monitors utility activity to ensure compliance.

Along with participating in the nationwide Safe Digging Month program, the Commission's staff works diligently to enforce its gas safety regulations, which are among the most stringent in the nation, to ensure that utility companies adhered to them regarding the safe operation of the utility's gas transmission and distribution systems. To continue to improve gas safety, the Commission routinely monitors the utilities' damage prevention programs to make sure that they are up to date, to identify improvement areas, and to ensure that the plans are in compliance with the Commission's gas safety requirements. Over the past decade, these efforts have led to the steady decrease in statewide damages to natural gas facilities per 1000 notifications; reaching a low of 1.89 damages per 1000 notifications in 2016, making New York State a national leader for this metric.

New York leads in its use of financial incentives and penalties related to gas safety. Excavators who damage underground facilities due to the failure to follow the regulations are not only subject to civil penalties, but also are liable for repair costs. State law exempts excavators from liability for repair costs if the damage is caused by the utility's or municipality's failure to comply with the law, such as failure to participate in the one-call notification systems or failure to accurately mark the location of their underground facilities.

Tougher Gas Safety Rules in New York

New Requirements Improve Upon Most Stringent Gas Safety Rules in the Nation; Ensures Only Qualified Inspectors Examine Plastic Fusions on Gas Pipes

In May 2018 the Commission announced that natural gas utilities will be required to disqualify inspectors of plastic fusions on natural gas pipes who had previously approved a visually unacceptable fusion until the inspector has been fully retrained and requalified. Utilities will also be required to inspect other work completed by any fuser and inspector who completed or passed a fuse that is later deemed a visually failing fuse from the date that fuse was made or inspected.

> *"State law requires all utilities to provide safe and adequate service,"* ***said Commission Chair John B. Rhodes****. "The Commission's ongoing commitment to adopt well-reasoned, stringent, improvements in gas safety regulations better ensure that the infrastructure and underground pipes that transport and deliver gas to consumers are properly maintained and secured, and that the utilities face severe financial penalties if they fail to adhere to the safety regulations."*

In addition to new inspection requirements, all major gas utilities will be required to develop and submit quality assurance and control programs. The programs will propose, for Department approval, standards that each utility will use to determine the need for re-digs and inspection of completed projects when on-site inspections have shown such re-digs of completed work by fusers and inspectors are necessary.

In 2015, the Commission ordered all large gas utilities to revise their procedures related to completing the fusing of plastic connections on plastic gas distribution pipes, most of which are replacing leak-prone cast iron delivery pipes. Under those safety rules, gas utilities must ensure that all plastic fusions be inspected by a qualified person other than the person who did the work prior to pipe being placed into service. In addition, the names of the person making the fuse and the inspector must be recorded, as well as the fuse location. Finally, all plastic fusions exposed during the normal course of business must be visually inspected and remediated if they fail such inspection. These new rules seek to enhance earlier gas safety efforts.

The new regulations are part of the overall reform effort to increase state oversight of utilities. Reforms put forth by Governor Andrew M. Cuomo in 2013 strengthened the enforcement mechanisms of the Commission to ensure that major electric and gas utility companies are held accountable and responsive. The Commission is now able to pursue penalties that reflect a percentage of the utility's gross revenues after a hearing. Financial penalties imposed under both processes are the responsibility of utility shareholders.

Because of rigorous Commission oversight, gas utilities have steadily and substantially reduced the number of leaks in the system. In rare instances where a leak poses an actual safety hazard, the Commission requires the utility to take immediate and aggressive steps to eliminate the hazard. Of all types of material used for natural gas piping, high-density polyethylene plastic has the fewest leaks, and all plastic piping is pressure-tested after fusion and prior to being energized to ensure that it will hold at pressures significantly higher than what it is expected to experience while in service.

This proceeding was begun in response to a Department of Public Service investigation into the 2014 East Harlem gas incident in which a failed plastic fusion, completed and inspected by the same employee of a contractor, had failed. The failure contributed to a tragic explosion and several deaths. After learning that the person who had completed the fuse had lapsed plastic fusion qualifications, a further review revealed that the testing the person had received had not included a vital component to show proficiency in completing plastic fusions – the destructive testing of the hands-on portion of plastic fusion qualification.

National Grid LI Gas Explosion Settlement

Payment of $1.98 million Resolves Investigation Against National Grid for 2015 Gas Explosion that Injured Two People; Second Violation in One Year Earns Utility Stiff Penalty

In June 2018, the Commission approved a proposal that would resolve a possible penalty action against National Grid's natural gas business on Long Island for a gas incident that occurred on February 11, 2015, causing severe injury to two people.

> *"The Commission has zero tolerance for violations of its gas safety standards,"* ***Commission Chair John B. Rhodes said.*** *"Backed by tougher, more significant penalties for safety violations implemented by Governor Andrew M. Cuomo, we will hold utilities strictly accountable when they do not comply with our rigorous gas safety rules. Compliance is one of the most important ways that utilities make gas service safe as required by our statute."*

On February 11, 2015, an explosion occurred at 21 Old Country Road in Water Mill, Suffolk County. The explosion destroyed the property and seriously injured two people inside the residence, who had to be air-lifted to the hospital. No one had been living at the residence at the time of the explosion. The incident was caused when the workers, who were performing demolition inside the home, struck a gas pipe in the basement through which gas service had been provided by National Grid's gas subsidiary.

After the gas explosion, Department of Public Service's investigation identified two violations of the PSC's regulations.

The first regulation required National Grid to disconnect or lock the service to 21 Old Country Road when the customer asked that gas service to the building be discontinued; the second required the company to follow its own procedures for discontinuing gas service. Based on this investigation, the Commission commenced an enforcement proceeding to assess a penalty against National Grid. However, rather than litigate the issue, the company negotiated a settlement, which offers specifically identified benefits for customers.

Because this was the second National Grid gas incident within one year that was attributable to an unlocked gas service, the settlement included a $500,000 penalty against National Grid. Six months before the Water Mill incident, in August 2014, there was a gas explosion at a house on Paige Street in Schenectady caused by an unlocked gas service; no one was injured in that explosion.

The settlement funds, to be paid for entirely by company shareholders, will be used for two programs that will improve gas safety. First, $1.48 million will be used to install excess flow valves (EFVs) with locations chosen pursuant to a risk-based analysis. EFVs began to be installed in the 1990's because they restrict the flow of gas on the services on which EFVs are installed if/when the service is damaged. If one had been in place at 21 Old Country Road, the impacts of the explosion would likely have been reduced or avoided altogether.

The remaining $500,000 will be used to educate small contractors and homeowners completing inside renovations. Small contractors and homeowners are not otherwise the specific target of gas safety education, like outside excavators are; therefore, directed education on the importance of contacting utilities prior to renovations and demolition work will improve gas safety. The unprecedented program being created will include a direct mail campaign to individual residents and small contractors as well as in-person training/education sessions.

The direct notice to homeowners reminding them of the need to turn off utilities before major inside renovations begin aims to inform them and their contractors of potential dangers that can result during the demolition and renovation process. If this program proves successful, staff may look to expand the program beyond the Long Island area.

$25.5 Million East Harlem Settlement

Con Edison Shareholders Pay to Improve Gas Leak Detection; Provide Training for Firefighters; Give Out Hundreds of Methane Detectors to Residential Customers; Make Gas Infrastructure More Resilient, Stronger; Create Safety Education Program for Children and Summer Internships for Teenagers

In July 2018, the Commission approved a $25.5 million spending plan that Con Edison shareholders will pay as part of a settlement stemming from the Commission's investigation into the East

Harlem gas explosion in 2014. The spending plan is part of the overall $153.3 million settlement first announced by Governor Andrew M. Cuomo on Feb. 16, 2017.

"Our stringent gas safety regulations — among the strictest in the nation — ensure that the infrastructure, the underground pipes that transport and deliver gas to consumers, are properly maintained and secured, to protect New Yorkers," ***Commission Chair John B. Rhodes said.*** *"Utilities face stiff regulatory action if they fail to adhere to these safety regulations. Our decision ensures that the community that suffered the most from the utility's past mistake will receive the relief they deserve."*

With this decision, Con Edison shareholders will provide $11.3 million to improve detection of and response to gas leaks, which includes providing first responders with remote methane detection equipment and high-powered blower aerators, train fire fighters in natural gas emergency response, and distribute hundreds of residential methane detectors.

The company will also provide $11.8 million to improve infrastructure in the East Harlem neighborhood where the incident occurred, and it will provide $2.4 million for gas-safety education programs, specifically, creating gas safety curricula for school-aged children and teens in East Harlem's Technical High School and throughout the City, along with summer internships for Technical High School teens.

The overall settlement agreement announced in 2017 remains the largest gas safety-related settlement in New York history. The landmark action was designed to send a strong signal to utilities of their responsibility to maintain safety first and foremost. It demonstrated the stronger penalty powers of the regulator to hold utilities accountable to the highest standards, and it enforced the requirement that the utilities need to place life and safety before any other consideration.

Under the terms of the global settlement, Con Edison's shareholders paid for the inspection and repair of gas pipes in the utility's natural gas distribution system that evidenced poor workmanship. The company also implemented measures that improved the safety of its distribution system by reducing the time needed to complete an emergency shut-down of parts of the system.

Con Edison also took and continues to take other actions, including: conducting additional system-wide gas leakage surveys; ensuring that the pipe-fusing regulations are being adhered to; improving worker qualifications and inspections; replacing leak prone pipes; working more closely with City agencies to ensure the safety of all New Yorkers; and launching a pilot program to evaluate residential methane detectors.

The settlement approved by the Commission was a result of a 2015 Department of Public Service report that found that Con Edison had violated State and federal safety regulations and failed to follow its own procedures which contributed to the natural gas explosion that occurred on March 12, 2014 in East Harlem, New York. The violations included the failure to properly qualify employees and contractors to perform plastic gas pipe fusions and supervise their work, inadequate record-keeping, and installing valves capable of shutting down the gas system during emergencies. Eight people died and at least 48 people were seriously injured in the explosion.

The Department of Public Service investigation found that Con Edison had failed to adhere to nearly a dozen State gas safety requirements, many of which contributed to the explosion in 2014. The Department's investigation echoed similar findings by the National Traffic Safety Board in 2015, but the Department's analysis was much more extensive. In addition, the NTSB did not have the authority to issue financial penalties against Con Edison.

To settle the Commission's proceeding, Con Edison agreed not to seek reimbursement from its customers for the more than $127.8 million spent on gas leak response-related activities since the East Harlem explosion. Additionally, the settlement did not resolve civil actions brought by individuals against Con Edison related to the explosion.

The historic settlement was made possible by reforms put in place by Governor Cuomo in 2013. The reforms strengthened the Commission's enforcement mechanisms to ensure that major electric and gas utility companies are held accountable first and foremost to the safety of New Yorkers. The settlement costs are the responsibility of utility shareholders, ensuring the monies come out of the bottom line of the corporation instead of utility customers.

Con Edison provides gas service to approximately 1.1 million customers in Manhattan, the Bronx, parts of Queens, and Westchester County. It also provides electric service to approximately 3.4 million customers in New York City and Westchester County; and operates a steam distribution system that produces and delivers steam to approximately 1,700 customers in parts of Manhattan.

Enforcement Actions For Natural Gas Safety Violations

National Grid's Long Island Gas Business Faces Potential Financial Penalty

Penalty Considered for Repeated Failures to Protect Gas Pipelines from Corrosion

In November 2018, the Commission ordered National Grid's Long Island gas business to explain why the Commission should not commence a penalty action against the company for repeated violations of gas safety regulations that are designed to ensure that underground gas pipelines are protected from corrosion and why the Commission should not appoint a third party to monitor National Grid safety procedures.

The Commission acted after its pipeline safety investigators identified continued low cathodic protection levels on pipes at National Grid's Northport Regulator Station, along with other regulator stations on Long Island. Cathodic protection is required on steel pipe to prevent corrosion; if corrosion is not prevented, the integrity of the pipe may be compromised, and, among other problems, an incident is more likely to occur. To compound the problem, while National Grid was in the process of correcting the cathodic protection problem at Northport, investigators learned of similar cathodic protection problems at the Commack Regulator Station, also on Long Island.

Staff's investigation, which included a review of operations and maintenance records associated with delivery points for the Iroquois Pipeline system at the Northport Regulator Station, the Commack Regulator Station, and one, specifically identified pipeline segment, found that underground control lines and a pipeline segment, subject to specific cathodic protection requirements, did not demonstrate adequate or compliant cathodic protection levels. Moreover, despite assurances to the contrary, National Grid has not taken sufficient remedial action to correct its own findings of inadequacy within the required time period specified in pipeline safety regulations.

The gas transmission line to the Northport Regulator Station is a high-pressure transmission pipe system. A failure of any high-pressure line due to corrosion, which cathodic protection is intended to prevent, could cause a catastrophic explosion that would jeopardize public safety and, since Northport is a power plant, cause numerous customer electric outages.

The initial investigation found that although company inspectors had revealed and recorded substandard cathodic protection conditions on segments of pipes at Northport, the company had not taken the required corrosion maintenance corrective action for three years even though it should have done so within one year after discovery of the problem on each segment. While the cathodic protection at this site has not yet experienced through-wall corrosion, cathodic protection levels were so low as to be essentially non-existent.

National Grid Faces Potential Financial Penalty Enforcement Action

Alleged Failures Related to Residential Natural Gas Explosion

In December 2018 the Commission ordered National Grid to explain why the Commission should not commence a penalty action against the company for alleged violations of the Commission's gas safety regulations that led to a natural gas explosion that injured three people and damaged several homes in Little Falls, Herkimer County earlier this year. If National Grid fails to adequately respond to the allegations gas safety investigators have confirmed, staff will ask the Commission to commence a penalty action.

On February 14, 2018, a natural gas explosion and resulting fire occurred at 383 W. Main Street in Little Falls, Herkimer County. The explosion resulted from an unintended release and accumulation of natural gas, which had apparently migrated into the basement. Three people sustained minor injuries because of this incident and 383 W. Main Street. In addition, several other neighboring properties were destroyed.

The Department Staff's investigation identified the cause to be a buried gas service line, which pulled away from the curb shut-off valve most likely allowing natural gas to enter the building through an unsealed hole in the foundation where the service line enters the building. A sealant in the hole where the service line entered the building, which is required, could have prevented the gas migration into the building.

As part of their investigation, staff identified three potential violations of the Commission's gas safety rules: failure to seal the foundation wall to prevent leakage into the building; failure to ensure that individuals performing covered tasks are qualified; and failure to ensure that individuals performing covered tasks have the necessary knowledge and skills to perform the tasks in a manner that ensures the safe operation of pipeline facilities.

National Grid had 45 days to respond to the Commission's order. In its response, the company was required to demonstrate why a penalty action should not be commenced against National Grid and, thereafter, a penalty assessed against it for the alleged failures to comply with regulations.

Con Edison Faces Possible Financial Penalty in Enforcement Action

Investigation Started by Anonymous Tip Finds New York's Largest Utility Failed to Adequately Train Gas Pipe Installers; Investigation Focusing on National Grid's Downstate Gas Operations Continues

In March 2019 the Commission after a lengthy and detailed investigation by the staff of the Department of Public Service, ordered Con Edison to explain why the Commission should not commence a penalty action after the utility failed to comply with the Commission's gas safety rules related to gas infrastructure work in New York City. In addition, the investigation found that the company failed to inspect work completed by its contractors during construction and at sufficient intervals to ensure compliance, and that it allowed work to be completed by plastic fusers and plastic fusion inspectors who were not qualified to do the work.

The Commission determined that the Department's investigation presented credible information to warrant Commission action requiring Con Edison to formally respond to the investigation's findings. As a result, Con Edison was ordered to respond within 45 days and explain why a penalty action should not be commenced and why a penalty should not be assessed against Con Edison for multiple and continuing failures to comply with gas safety rules. The Commission is also considering a prudence proceeding against Con Edison to ensure that all costs incurred to correct hundreds of construction deficiencies will not be borne by ratepayers. This order started an enforcement proceeding; it is not a final determination by the Commission concerning the allegations.

After Department of Public Service staff confirmed allegations received in a 2016 anonymous letter claiming utility contractors had cheated on operator qualification exams, Staff immediately directed gas companies to confirm the operator qualification of their workers and contractors and to reinspect the work completed by anyone whose qualifications were in question. Con Edison found evidence of cheating at two contractors, Network Infrastructure and Bond Brothers. In addition to finding violations of construction requirements during re-digs of the work completed by Network and Bond, in August 2017, Con Edison discovered that three plastic fusers and 21 plastic fusion inspectors had completed work with lapsed operator qualifications. Staff's Con Edison investigation resulted in finding at least 644 regulatory violations.

Meanwhile, the Department staff continues to investigate National Grid's downstate gas operations. The anonymous tipster alleged specific violations had occurred during National Grid's Northern Queens Pipeline Project involving work by Network Infrastructure, a contractor working on behalf of National Grid.

The Commission may consider a potential enforcement action involving National Grid's actions in an upcoming session. The Department also recently issued for public comment and Commission review an operator qualification white paper, recommending changes in training and testing practices intended to improve contractor and utility worker performance. In the meantime, the two utilities have tested the gas systems to ensure their safety.

The Department's investigation was the direct result of a November 29, 2016 letter that alleged that Network employees had been given the answers to online operator qualification tests. In one instance, the letter alleged, high schoolers took the tests, and snapped cell phone pictures of test questions from which answer sheets were then created. The anonymous letter included copies of the answer sheets that had been circulated to workers. The allegations specified that Network was a contractor that worked on behalf of Con Edison and National Grid.

Whether the case against Con Edison is resolved by settlement or a penalty, such potential costs — including at least $2 million Con Edison spent to re-dig work to correct any problems found — will be the responsibility of utility shareholders, not customers. These actions were made possible by reforms to the Public Service Law put in place by Governor Cuomo in 2013. The reforms strengthened the Commission's enforcement mechanisms to ensure that major electric and gas utility companies are held accountable first and foremost to the safety of New Yorkers before utility failures cause any damage.

"This Commission has zero tolerance for violations of its rigorous gas safety standards," ***said Commission Chair John B. Rhodes.*** *"We will hold utilities strictly accountable when they do not comply with our gas safety rules, designed specifically to protect life and property."*

Ensuring Affordability and Access to Services

Utility services are essential to the economic welfare of all customers and the State. Ensuring universal access at an affordable price is always a focus of the Commission. After thoroughly scrutinizing proposed rate increases, the Commission reduced the amount sought by electric and gas utilities by 80 percent, while continuing to ensure safe, reliable service. We expect to continue those efforts thru 2019 and beyond.

We have revitalized our complaint handling process and our public outreach efforts to maximize public involvement in our proceedings. In FY 2019, our agency answered more than 66,000 complaints, including more than 52,000 calls. We received and reviewed nearly 8,300 written public comments — nearly 160 a week on average. We held 45 public statement hearings that were attended by hundreds of people. Transparency and public involvement remain an integral component of our work.

	FY 2018	**FY 2019**
Document	Filed/Issued	Filed/Issued
Petitions	2,954	3,403
Orders	974	789
Public Notices	368	474
Rulings	677	432

Compensation Expanded to Clean-Energy Technologies Beyond Solar

Incentivizing Clean-Energy Technologies Such as Battery Storage and Biomass Generation is Vital to Meet the State's Clean Energy Standard

In September 2018, the Commission expanded the types of clean renewable energy systems that are eligible for compensation based upon the benefits they generate for society and the electric grid. Distributed Energy Resources (DER) offer tremendous value to the electric grid, not only in reduced carbon emissions, but also reducing peak load, and creating greater grid resilience and reliability.

"New York's Clean Energy Standard laid the groundwork to create enough renewable energy to meet half of the State's electricity needs by 2030," ***said Commission Chair John B. Rhodes****. "Energy efficiency and clean, locally produced power are central to a modern, reliable and efficient energy system. To sustain our progress, we must continue to reward utilities and energy developers for investment decisions based on the full value that all kinds of renewable energy facilities provide to our electric system."*

The Clean Energy Standard (CES) requires 50 percent of all electricity used in New York by 2030 be generated from renewable sources. This action represented another step to meet the

Commission's commitment to compensate all DER in a technologically-neutral, value-focused manner. This action was also the result of continued stakeholder engagement, including the input of environmental advocates, utilities, solar and DER providers, and consumer advocates.

Most significantly, stand-alone storage systems including regenerative braking, with a rated capacity of 5 MW or less, will be eligible to receive compensation. Additionally, tidal energy generators, biomass generators and certain food-waste digestion configurations that meet the CES requirements will be eligible for compensation under the Value Stack methodology. Prior to the value stack policy, these technologies were not eligible for compensation, hindering their development.

In September 2017, the Commission adopted the value stack policy to compensate the owners of solar projects for the value the solar systems provide. This began the transition to compensation methodologies that enable a distributed, transactive, and integrated electric system, while encouraging the location, design, and operation of DER in a manner that maximizes benefits and value to the customer, DER suppliers, the electric system, and society. That order enabled traditional renewable energy systems such as solar power, and other small, local clean-energy systems, to grow faster across New York, accelerating the opportunity for consumers to take control of their electricity costs and usage, supporting the clean energy economy. Extending value stack compensation to other clean generators and storage, as well as removing arbitrary and unnecessary restrictions, will result in more appropriate and accurate compensation for those resources as well.

To be eligible for value stack compensation, projects must interconnect to the utility system and have customers in the same utility territory. Compensation for new technologies will come in the form of bill credits. There will not be an adverse ratepayer impact as the bill credits are roughly the same as the cost reductions for the utilities. To reach the target of 50 percent renewables by 2030 the CES requires all electricity suppliers to purchase renewable energy from new projects at a small percentage of their total load. This action builds upon the State's commitment to expand access to clean energy for all New Yorkers and to support a robust, cost-effective and sustainable market for distributed energy resources.

New Cryptocurrency Electricity Rates for Upstate Utility

New Rates for Massena's Municipal Utility Balances Needs of Existing Customers, including Residential, with Potential Economic Development Opportunities Offered by Cryptocurrency Companies Such as Bitcoin

In July 2018, the Commission approved new electricity rates for Massena Electric Department that will allow high-density load customers, such as cryptocurrency companies, to qualify for service under an individual service agreement. The individual service agreement tariff included provisions to protect existing customers from increased supply costs resulting from the new service.

*"As part of our continuing effort to balance the needs of existing customers with the need to attract new companies, we must ensure that business customers pay a fair price for the electricity that they consume," **said Commission Chair John B. Rhodes.** "However, given the abundance of low-cost electricity in Upstate New York, there is an opportunity to serve the needs of existing customers and to encourage economic development in the region."*

Under the new rules, cryptocurrency customers and other high-density-load customers are eligible for service under an individual service agreement if their maximum demand exceeds 300 kW, and the customer provide benefits to the utility. The change allows Massena to recognize potential benefits associated with high-density-load customers, such as increased utilization of currently underutilized transmission and distribution facilities.

As a result, the potential exists for Massena to receive significant revenues if new cryptocurrency companies set up shop in the community. If that were to occur, the utility would be required to defer the revenues for the benefit of ratepayers. The Massena system in St. Lawrence County covers 131 square miles with more than 9,000 customers. Massena provides businesses and residents with electricity at rates that are in the lowest 10 percent nationally.

This is the second time the Commission ruled on cryptocurrency rates. Earlier in 2018, the New York Municipal Power Agency (NYMPA), an association of 36 municipal power authorities in New York ranging in size from 1.5 MW in the Village of Silver Springs, Wyoming County, to 122 MW in the City of Plattsburgh, Clinton County, petitioned the Commission regarding concerns that high-density load customers, such as cryptocurrency companies, were having a negative impact on local power supplies.

NYMPA represents customer-owned municipal electric systems that acquire low-cost power, typically hydro, and distribute the power to customers at no profit. The low-cost electricity is a significant reason that high-density load customers are locating in municipalities' service territories.

In recent months, several municipal power authorities had seen an increase in requests for new service from new commercial customers for disproportionately large amounts of power. These requests come mainly from similar types of potential customers: server farms, generally devoted to data processing for cryptocurrencies. As a direct result of the intense computer data-processing efforts, these companies are using extraordinary amounts of electricity — typically thousands of times more electricity than an average residential customer would use. While such a significant amount of electricity usage might go unnoticed in large metropolitan areas, the sheer amount of electricity being used is leading to higher costs for customers in small communities because of a limited supply of low-cost hydropower.

To mitigate the impact on existing customers, the Commission has allowed municipal power authorities, such as Massena, to create a new rate focusing on high-density load customers that do not qualify for economic development assistance and have a maximum demand exceeding 300 kW and a load density that exceeds 250 kWh per square foot per year, a usage amount far higher than traditional commercial customers. Under the new rates, existing customers were protected from increased cost associated with serving high-density load customers by allowing NYMPA members to directly allocate costs associated with serving the high-density load customers to such customers.

Due to the Commission's action, high-density load customers in Massena's territory may be eligible for service under an individual service agreement if the customer provide benefits to the utility which should lower costs for Massena's existing customers. Massena's tariff revisions will become effective July 17, 2018.

Deferred Payments Help Financially Struggling National Grid Customers

New Payment Process Helps Customers Facing Problems with Utility Bill

In October 2018, the Commission approved National Grid's proposal to implement an electronic deferred-payment agreement program. The upstate electric and gas utility was allowed to offer electronic deferred-payment agreements to residential electric and gas customers who might be struggling to pay their utility bill. Utilities are required to offer deferred-payment agreements to residential customers to allow for repayment of arrears over time. By allowing the utility to offer electronic deferred-payment agreements, National Grid will be able to provide greater access to the program, while maintaining compliance with state consumer protection laws and the Home Energy Fair Practices Act, or HEFPA.

"Customer expectations have changed during the past several decades, as they increasingly conduct business transactions electronically," ***said Commission Chair John B. Rhodes.*** *"Customers often prefer streamlined, convenient and prompt services in all aspects of their lives. Technology such as the electronic DPA can deliver on these customers' expectations. An electronic DPA process will help maintain continuous service, which is in the public interest."*

The Commission requires all utilities to offer such agreements to residential customers to allow for the repayment of arrears over time. These agreements allow residential customers with arrears to avoid service disconnection or to restore service by establishing reasonable payment terms. These agreements are required to be made available to customers, with limited exceptions, in situations where the utility notifies the customer of its intent to disconnect, or has disconnected service, due to nonpayment.

Deferred payment agreements allow residential customers with arrears to avoid service disconnection or to restore service by establishing reasonable payment terms. These agreements are required to be made available to customers, with limited exceptions, in situations where the utility notifies the customer of its intent to disconnect, or has disconnected service, due to nonpayment.

National Grid will be the second utility in the state to offer electronic deferred payment agreements; other utilities are expected to follow suit shortly. National Grid currently has approximately 55,340 customers who are benefitting from a deferred-payment agreement, or DPA, representing 3.7 percent of their overall upstate residential customer base.

A standard DPA in New York State typically requires a down payment up to 15 percent of the amount covered by the payment agreement; and monthly installments of one tenth of the balance. If the customer is unable to, or does not, agree to pay under the standard payment agreement terms, the customer may be required to complete a financial statement form so that National Grid can determine if an alternative agreement should be provided, and the appropriate terms of that agreement.

While remaining consistent with the requirements of HEFPA, an electronic DPA provides customers with an additional option and permits them to enter into legally valid DPAs with an electronic signature. This option grants customers the opportunity to avoid disconnections, potential delays in restoring service, and other unnecessary hardships. The electronic DPA can provide additional convenience for customers, and for those who prefer to sign electronically, its adoption will expedite and streamline the process. At the same time, customers retain the option of executing a paper DPA.

Electronic DPAs are a reasonable approach to providing customers with an additional option that enables them to enter into a legally valid DPA via an electronic signature. The implementation of an electronic DPA process will enable National Grid to achieve greater success in executing DPAs and provide greater ease of access to its customers, while maintaining compliance with HEFPA.

Bill Payments Streamlined for Con Edison Customers

Online Payment Agreements Help Customers Maintain Gas, Electric Service

In November, the Commission approved Con Edison's implementation of an electronic deferred payment agreement (e-DPA) program for residential electric and gas customers. This program was designed to enable Con Edison to achieve greater success in executing written DPAs and provide ease of access to its customers.

"Electronic deferred payment agreements are a sensible approach

*to modernizing these agreements for our digital times," **said Commission Chair John B. Rhodes**. "Providing customers with an easier and more convenient option to arrange a deferred payment agreement will help to maintain customers' utility service, which is beneficial to both the customer and the company."*

New York utilities are required to make reasonable efforts to contact customers or applicants by phone, mail, or in person to offer a DPA and negotiate terms tailored to the customer's financial circumstances. New York State's Public Service Law requires utilities to offer DPAs to residential customers to allow for repayment of arrears over time. Approving the use of electronic DPAs recognizes that customer expectations have evolved, and they have increasingly adapted to conducting electronic and online business transactions. The option of entering into an e-DPA allows customers to avoid disconnections or potential delays in restoring service, thereby avoiding unnecessary hardship.

The implementation of an e-DPA process will enable Con Edison to achieve greater success in executing written DPAs and provide ease of access to its customers, while maintaining compliance with the guidelines established in the Home Energy Fair Practices Act (HEFPA). Moreover, Con Edison has developed a risk assessment for the use of e-DPAs to provide adequate levels of security, authentication, integrity, and protection against repudiation, and reasonably balances the costs and convenience of the security measures with transactional risks.

Helping Hand for Furloughed and Unpaid Federal Employees

Added Benefits Made Available to Federal Employees Financially Squeezed by Federal Government Partial Shutdown

In January 2019, the Commission announced that New York's major electric and gas utilities were implementing special collection practices for customers furloughed and those working without pay due to the Federal government shutdown. The State's major utilities: National Grid, Consolidated Edison, Central Hudson, Orange and Rockland, New York State Electric and Gas, Rochester Electric and Gas, PSEG Long Island and National Fuel Gas have all committed to assist federal employees who may be experiencing a financial hardship that makes it difficult for them to pay their energy bills during the government shutdown. Importantly, these utilities have all committed to keeping these provisions in place for the duration of the shutdown and until they get paid.

*"The Federal Government shutdown is already taking a serious toll on many government workers and their families," **said Commission Chair John B. Rhodes**. "I want to thank New York's utilities for their prompt response and sensitivity to the growing hardships these families are facing. Their actions will help ensure that New York's Federal Government workers will not have to*

worry about keeping their homes warm and their lights on."

The major utilities provided this assistance to affected federal workers on a voluntary basis. The utilities' action came at just the right time as the Northeast entered into what is generally the coldest stretch of the winter season.

While the specific provisions varied by utility, some of these special practices included: suspending or waiving late payment fees; extending or deferring payment due dates; and, crafting deferred payment agreements tailored to each affected customer's financial circumstances. These special practices not only helped furloughed and unpaid working federal government employees avoid the possibility of having their energy services turned off but also helped these customers avoid lowering their credit ratings because of circumstances beyond their control.

New Homeless Shelter for Veterans in Utica

Commission Helps Reduce Costs to Build Critically Needed Mohawk Valley Facility

In January 2019, the Commission approved a request by Utica Center for Development Inc. to waive certain metering requirements for a veterans' outreach center in Utica that will provide 18 apartments for homeless veterans. Under Commission rules, residential buildings are required to have individual electric meters unless the rule is waived.

"The rules requiring individual meters in residential buildings makes perfect sense unless they cause unintended consequences," ***said Commission Chair John B. Rhodes.*** *"Without the waiver, the Utica Center would not be able to serve these veterans, and that is not acceptable. Therefore, the Commission finds that it is in the public interest to waive the Commission's individual residential living unit metering requirements so that shelter can be provided to these veterans."*

The Utica Center is renovating the third and fourth floors of its Central New York Veteran's Outreach Center at 726 Washington St., Utica to include 18 living units. The company requested the waiver of the individual metering requirements for this building, because the project is part of an effort to provide transitional housing for homeless veterans.

The building will include a total of 14 efficiency units and four family units. Each of the efficiency units are self-contained and consist of an accessible toilet room and living space with a small kitchenette and room for a bed. The family units have the same layout, but with a separate bedroom. The developer said that the residents will be transient and will be provided a variety of services, including case management, assistance with the United States Department of Veterans Affairs (VA) benefits, employment, legal aid, and other supportive services.

In its decision, the Commission noted that it has granted waivers of the individual metering requirement to facilities that provide financial support for a specific population in similar situations. The developer noted that the building utilizes high-efficiency gas boilers, not electric heat. The individual living units are not air conditioned.

As indicated by the Utica Center, the building is designed for use solely by homeless veterans, so a price signal from an individual meter is unlikely to produce a meaningful conservation response since the developer will not charge the homeless veterans for any of the benefits provided by it, including the cost of their stay at the facility, nor for the other assistance and programs offered at the facility.

In light of this, the installation of individual meters, whether direct utility meters or submeters, for each living unit would not advance the goals which underlie the Commission's policy that new individual living units in multi-family buildings be individually metered and would reduce the resources available to Utica Center to accomplish its mission to assist homeless veterans in getting shelter and obtaining critically needed benefits. Finally, the project will enhance economic activity in the surrounding community, both temporarily through its construction, and in the longer term through job creation at the facility and among the residents. Con Edison Suspends Gas Service to New Customers

Early in 2019, Con Edison decided to stop accepting new natural gas customers raising a number of concerns which the Commission took quick and diligent steps to address.

As a first step, Department staff led a comprehensive analysis and develop a report to review the changing market conditions that gave rise to Con Edison's decision and to develop recommendations to make certain that utilities across the state are able to meet customer needs in a manner consistent with the State's energy goals. As part of this analysis, the staff will focus on Westchester County and other areas of the state that may have issues related to natural gas supply and demand. To facilitate that process, DPS arranged for and hosted public hearings in Westchester beginning in February 2019 to ensure that the report's analysis and recommendations include robust feedback and input from all impacted stakeholders.

Specifically, staff analyzed short-term and long-term market conditions, along with the capacity of natural gas infrastructure and alternatives, and their role in aiding the transition to a clean energy economy. The report considered all options available to utilities to respond to changing market conditions. The report and recommendations will be submitted to the Commission and the State Energy Planning Board for their review and assessment of policies, programs, and regulations that can ensure safe, reliable, affordable, and clean sources of energy, while also supporting economic development and the state's transition to clean energy sources.

At the same time, the New York State Energy Research and Development Authority prioritized its programs, including programs targeted at Westchester County, to help consumers reduce their energy needs by installing technology that will reduce heating and cooling costs with clean energy solutions.

These steps complement the State's broader efforts to promote strategies to help lower gas demand and save consumers money. The Commission continues to use all available methods — including its rate-making authority — to push utilities to address changing market dynamics in a manner that promotes both the State's clean energy objectives and economic growth. Utilities, including Con Edison, must also do their part to expand and enhance their programs to help consumers conserve energy and to solicit for natural gas supply alternatives.

Water Rates and Services Legal Action Commenced Against NY American Water

Long Island Company Faces Lawsuit for Withholding Information in Rate Case

In July 2018, the Commission directed that a special proceeding, or action in the New York State Supreme Court, be commenced to stop and prevent future violations by New York American Water, Inc. of Commission regulations and orders after a Commission-initiated investigation revealed that company employees intentionally withheld information from the Commission that caused customer water rates to be set artificially high.

*"Regulated utilities in New York are expected to conduct themselves with honesty and integrity," **said Commission Chair John B. Rhodes.** "However, our staff's investigation into New York American Water's property tax errors revealed that this most basic standard was not met. Staff's review found that employees had intentionally withheld material facts from the Commission during last year's rate proceeding that would have resulted in substantially lower water rates for customers in the Sea Cliff area, which is clearly unacceptable."*

New York American reduced its rates to account for the error and staff recommend a further reduction to make customers whole. The company also implemented changes designed to address its shortcomings and prevent future mistakes. With the investigation into the cause of errors complete, the Commission is identifying further enforcement actions, including whether an independent monitor will be hired and whether costs associated with the company's failures should be paid for by shareholders rather than ratepayers.

In December 2017, the Department announced it was investigating New York American Water after the company came forward and admitted it failed to disclose that it had made errors in its property tax filings, resulting in inflated property tax expenses in its Sea Cliff service area. The company acknowledged that the incorrect tax filings were its own fault and committed to hold customers harmless.

American Water has about 124,000 customers systemwide, including about 120,000 on Long Island

The investigation uncovered serious failings and a lack of effective communication in three of the company's departments: utility plant accounting; the tax department; and the rates and regulatory team. According to the investigation report, the original error by the utility plant accounting department could have potentially been avoided with better written procedures, and controls to verify that the data is transferred properly. The information related to these acquired assets are critically important to the utilities' records and government filings and should be afforded proper care.

After an earlier investigation of New York American Water's property tax calculations affecting Sea Cliff customers, Department of Public Service staff found that the company's erroneous tax calculations have caused an overpayment over the past four years of $2.3 million, of which approximately $281,000 was over-collected from customers and will be refunded.

Staff recommended the overpayment be given to customers as a credit on future bills, which, after accounting for rate changes already implemented to protect customers, equals $65.50 per average customer. This recommendation was issued for public comment on May 4 and is expected to be acted on by the Commission on August 9.

Based on the corrected property tax levels and targets, customers will see a $2.4 million reduction in future forecasted rates related to property taxes, in addition to the $2.3 million retrospective correction. Staff notes that the actual property taxes in future rate years will vary from the revised targets, and ultimately be trued-up through the rate process.

Under Public Service Law, the Commission has the authority to set just and reasonable water rates. Further, the Commission may direct counsel to the Commission to commence enforcement proceedings in New York State Supreme Court.

Refunds for NY American Water's Sea Cliff Customers

$292,804 Returned to Customers as a Direct Result of the PSC's Investigation

In August 2018, the Commission ordered New York American Water Company, Inc. to refund $292,804 to its Sea Cliff customers, or $68.14 for each of the company's 4,300 customers in Sea Cliff, as a result of a Commission investigation into the company's gross mishandling of its property tax filings. With this decision, the Commission also reset the real property benchmarks of the company's rate plan to reflect the accurate property values, which will lower customer bills by $1.7 million over previous projections over the next two years.

*"Our decision refunds Sea Cliff customers what they are owed due to New York American Water's erroneous tax filings," **said Commission Chair John B. Rhodes.** "In addition, we are preparing to file an enforcement*

action in State Supreme Court to seek additional sanctions and injunctive relief to ensure customers are protected going forward."

Staff's investigation calculated that NY American Water's errors resulted in approximately $2.3 million in over-payments to the taxing authorities in its Sea Cliff District. In January 2018, the company adjusted bills by eliminating one surcharge and reducing the remaining surcharge, subject to further revisions following an accounting review by staff. After staff's review, accounting for the January bill adjustments changes, prior deferral balances, and the first rate-year reconciliation, staff determined the net amount that Sea Cliff customers ware owed is approximately $292,804.

With this decision, the incremental property tax surcharge for Sea Cliff was set at approximately 33 and 34 cents per 100 gallons for the 2019 and 2020 rate years, respectively, which will lower annual water bills for the average residential customer by 16 percent, or $170.88, in the 2019 rate year and by 15.6 percent, or $176.52, in the 2020 rate year from what was originally projected. In 2019, the average Sea Cliff customer will be paying $75.44 per month as a result of this change, comparable to other private water companies in the metro area suburbs.

Separate from the ongoing enforcement work, NY American Water received an influx of complaints from South Shore customers who received unexpectedly high bills. As of August 9, 2018 there were more than 800 complaints from various sources: directly from customers to the company, to the Commission, and from elected officials. Commission staff continued to monitor the company's progress in dealing with the complaints, and investigated whether there were trends or other systemic causes to explain the high bills. Staff also ensured that the company was accurately evaluating each and every customer complaint.

Commission Continues Legal Action Against New York American Water

Consent Order with Company filed with Supreme Court Will Provide Financial Relief for Customers; Process Underway to Appoint Independent Company Monitor

Consistent with the August 18, 2018 agreement reached with New York American Water Company Inc., the Commission filed a legal action in State Supreme Court in Albany County against New York American Water. The legal action was filed concurrently with a proposed consent order and judgment that would resolve the litigation and ensure that customers of the private water utility will receive the financial benefits promised in an agreement recently announced by Governor Andrew M. Cuomo. On August 18, 2018 Governor Cuomo unveiled an agreement that provided more than $11 million in lowered bills and other benefits for the company's 120,000 customers on Long Island. The agreement provided for accelerated rate relief to all customers, as well as the suspension of a conservation rate in the South Shore area that surprised many customers due to the company's insufficient advance notice of rate changes.

“At Governor Cuomo's direction, we acted quickly to investigate the high bill complaints in the company's Long Island service territory,” ***said Commission Chair John B. Rhodes.*** *"While our investigation continues, the court filing will provide for the customer refunds that have been promised. In addition, it will ensure that the company moves forward to address its past shortcomings, which includes failing to adequately inform their customers of the changes in rate design before the changes took effect so customers could have made informed decisions about water usage.”*

The legal motions filed included a consent and stipulation signed by the Commission and New York American Water and a proposed consent order and judgment for the court to review and approve, which details the recently announced agreement and makes those details enforceable by court order. Those details include:

- **Suspend Highest Conservation Rate:** To address the company's insufficient notice to customers about new conservation rates that were going into effect for high-usage South Shore customers, the company agreed to suspend the highest rate charged per gallon for high-usage customers for the remainder of the rate year ending March 31, 2019. Company shareholders will bear the estimated $2.5 million cost of the rate suspension.
- **Bill Credits:** To expeditiously address the high-water bills that surprised many customers on Long Island this year, the company agreed to accelerate filings to the Commission that will reduce rates by approximately $6.4 million for all customers. The bill credits should appear on bills by early 2019.
- **Water Conservation:** Company's shareholders were directed to spend $1 million on a new water conservation study that will include a rebate program designed to lower future water bills and consumption.
- **Internal Controls:** The company agreed to implement new internal controls to reduce the likelihood of tax filing errors and ensure appropriate information sharing with the PSC and other stakeholders.
- **Property Sale:** To company offered the Village of Sea Cliff $1 million toward the sale of Sea Cliff property to the Village and credited the proceeds from the property, including the $1 million that the company contributed, back to Sea Cliff customers.

In addition to the more than $11 million that will be returned to customers, an important aspect of the agreement was the appointment of an independent monitor paid for by the company shareholders, but responsible to the Department of Public Service, and approved by the Commission. This monitor was hired to oversee the company's new internal controls, tax filing accuracy, and improved customer outreach and communications. In the short-term, the independent monitor also oversaw the company's handling of more than 1,300 complaints that the company has received in recent weeks.

New York American Water petitioned the Commission to accelerate the allocation to ratepayers of the Town of Hempstead garbage district settlement recovery of approximately $8 million. The company contributed the entire company shareholder retention from the garbage settlement (anticipated to be $1 million, based on past Commission authorizations) to a conservation study and rebate program designed in consultation with regulators. Further, the company accelerated the payment of customer credits arising from the Federal Income Tax rate change recently approved by the Commission. This will result in an estimated savings of $2.3 million to customers. The two petitions provided accelerated rate relief and offset a planned surcharge that was going to take effect in November, resulting in a net benefit to customers of approximately $6.4 million, in addition to the conservation study and rebate program.

Independent Monitor for New York American Water

Monitor Will Examine Company's Handling of Bill Complaints and Other Issues

In October 2018, the Commission announced that it had approved the selection of an independent monitor to review New York American Water Company, Inc.'s handling of property tax issues, general rate case filing processes, and several aspects of the company's operations in relation to customer billing.

> *"The monitor will ensure the company remains firmly on the path to providing the best possible customer service and prevent backsliding,"* ***said Commission Chair John B. Rhodes.*** *"The monitor will provide quarterly reports that will be made publicly available to ensure full and complete transparency, and any corrective actions that are needed will be taken."*

The selection of an independent monitor followed the August 2018 agreement that provided more than $11 million in lowered bills and other benefits for the company's 120,000 customers on Long Island. That agreement provided for accelerated rate relief to all customers, as well as the suspension of a conservation rate in the South Shore area that surprised many customers due to the company's insufficient advance notice of rate changes.

The Commission approved the selection of PA Consulting Group, an internationally known consulting company, as monitor and to review two principal areas of the company's operations. First, it will review American Water's controls related to filing New York State property taxes and special district taxes and review implementation of recommendations. Second, the consultant will evaluate the cause of the elevated number of bill complaints from customers. The monitor will be paid by company shareholders, not customers. PA Consulting was selected based on its in-depth property tax knowledge as well as having a strong background regarding customer service and billing issues, including New York-specific property tax issues.

A portion of the monitoring will include a review of American Water's billing system, determining if inaccurate or faulty metering has led to inaccurate bills, reviewing the company's communication plan for notifying customers of rate structure changes, and various other aspects of how the company has handled customer complaints.

$7.2 Million Approved for New York American Water Customers

120,000 Water Company Customers Will Obtain Bill Credits, Other Benefits Announced by Governor Cuomo

In December 2018, the Commission approved $7.2 million in credits and other financial benefits for New York American Water Company, Inc. customers, a decision consistent with the agreement announced by Governor Andrew M. Cuomo on August 18, 2018 that lowered bills and provided other benefits for the company's 120,000 customers on Long Island.

"These decisions provide accelerated rate relief to all New York American Water customers and tracks the announcement by Governor Cuomo in August," ***said Commission Chair John B. Rhodes.*** *"This is a fair and equitable decision to ensure just and reasonable rates for the company's customers on Long island."*

The Commission's action included approving the allocation and disposition of property tax refunds to customers and accelerating the disposition of customer credits relating to the Tax Cuts and Jobs Act (TCJA), net of the revenue adjustment clause and property tax reconciliation surcharge balance, totaling $6.2 million. In addition, the company will contribute $1.01 million to fund a conservation study and rebate program for the benefit of customers.

These customer benefits are in addition to October rate reductions related to current TCJA savings and refunds/rate reductions related to the suspension of the highest rate tier in Lynbrook service district, for usage over 15,000 gallons per month. Also, the company will offer the Village of Sea Cliff $1 million toward the sale of Sea Cliff property to the village and credit the proceeds from the property, including the $1 million that the company contributed, back to Sea Cliff customers. If the sale does not occur by the end of 2019, the company will pay $1 million to customers in the Sea Cliff district.

Indian Point

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

The State has extensively and proactively planned for the eventual closure of Indian Point by making sure more than enough replacement power is available to ensure reliability, mitigate electricity price impacts and achieve environmental objectives. Already, 730 megawatts of transmission improvements and energy efficiency are in-service via the Commission's Indian Point Contingency Plan, and more generation resources are slated to come online in the near future.

Indian Point Closure Task Force

In February 2017, the Governor charged the Department with the responsibility of convening the Indian Point Closure Task Force. The task force was created to ensure compliance with the agreement to close the aging Indian Point nuclear power plant in Westchester County and to provide guidance and support to affected local municipalities and employees. Critical goals of the 23-member task force include identifying ways to respond to potential local tax and workforce impacts while closing the plant in a safe and responsible manner. By evaluating site reuse options, identifying new local economic development and workforce retraining opportunities, and advocating for appropriate decommissioning timelines, the task force seeks to assist the region overall for a prosperous and sustainable future during and after the decommissioning of the facility. The task force will also monitor compliance with the closure agreement, coordinate ongoing safety inspections and review reliability and environmental concerns, among other issues.

The task force continued its work in FY 2019 holding two well-attended public meetings.

- April 12, 2018: The Indian Point Closure Task Force met to publicly discuss and identify initiatives to help the local community prepare for the facility to cease power generation operations and shut down by 2021, reviewed the findings of an independent consultant on Indian Point site reuse and reutilization options, evaluated annual reporting requirements, and continued discussions with local labor unions on employee support services.
- September 20, 2018: The Indian Point Closure Task Force met to continue its work with local Governments to address employment and property tax impacts and to monitor compliance with the closure agreement.

Indian Point Closure Task Force Reports

Task Force Accomplishments Include Local Tax Assistance, Employment Agreements, Addressing Reliability Concerns, and Issuing Reuse Study for Indian Point Upon Closure

In May 2018 the New York State Indian Point Closure Task Force released two key studies regarding the pending closure of the Indian Point Energy Center in Buchanan, Westchester County. The studies include an annual report on Task Force activities and a study detailing possible reuses for the facility upon closure.

"The Task Force is pleased to issue its first Annual Report that documents significant progress is being made to plan a smooth transition to a future without Indian Point," ***said Task Force Chair Thomas Congdon.*** *"Over the last year, the Task Force conducted a thorough analysis of impacts related to the closure; commissioned an independent analysis of site reuse and reutilization options; assessed needs and strategies related to employment, taxing jurisdictions, and energy supply; and inventoried federal, state, and local resources."*

The Task Force's work-has provided the foundational information and support that will help mitigate the impacts to the communities affected by the plant's closure. Input from public meetings of the task force contributed to these reports.

The draft Annual Report noted the following:

- **Local Taxes:** Governor Andrew M. Cuomo and the Legislature, led by local representatives Senator Terrence Murphy and Assemblywoman Sandy Galef, expanded the State's Electric Generation Facility Cessation Program to ensure state funding assistance will be available to the affected taxing jurisdictions when Indian Point closes. Legislation was also enacted authorizing the Hendrick Hudson School District to establish a Reserve Fund that will allow the District to smooth out reductions in payments in lieu of taxes (PILOT) post-closure.
- **Employment:** The UWUA Local 1-2 reached a 4-year agreement with Entergy, affecting hundreds of workers at the plant. The agreement provides for a retention incentive to maintain full employment through closure, and resulted in ongoing discussions about UWUA's role in preparing the site for decommissioning post-closure. In addition, the Department of Labor is in the process of working with all employees to develop career transition plans, and will be identifying retraining opportunities for affected workers.
- **Energy Reliability:** On December 13, 2017, the New York Independent System Operator issued a report on system reliability impacts of Indian Point closure in 2021 and concluded

that the plant can close on schedule without negatively impacting reliability.

- **Decommissioning and Reuse:** While Entergy has not yet filed its plans for decommissioning, the State contracted with DL English Consulting, a firm with expertise in nuclear licensing and decommissioning, to develop a Reuse Study, which was issued along with the Annual Report. The report provides substantial background information on the decommissioning process and identifies three parcels of the IPEC property that could potentially be made available for redevelopment in the near-term concurrent with the decommissioning of the plant. The Reuse report will be a valuable resource to the State and host communities when discussing decommissioning and future use of the property with Entergy and the Nuclear Regulatory Commission (NRC).

The Task Force will continue focusing on new economic development opportunities in the affected taxing jurisdictions that can help to replace lost PILOT revenue. It will also examine in-depth the decommissioning process so that State agencies and host communities can effectively work with NRC and Entergy to ensure a timely and safe decommissioning of the plant. The Reuse Study will be foundational to that process. The Department of Labor will continue to work with the workforce to develop individualized transition plans and will identify retraining opportunities.

On the federal level, the State is actively participating in the NRC-rulemaking process advocating for strong safety standards post-closure. The Task Force will also work with representatives in Congress, including Rep. Nita Lowey, to identify federal actions that will be needed to assist the affected region.

2018 State Budget Authorizes $24 Million for Power Plant Closure Fund

The 2018 State Budget provided $24 million for communities affected by power plant closures. Westchester County. Leaders representing the host communities of the Indian Point Energy Center applauded Governor Andrew M. Cuomo and legislative leaders for championing these funds. The nuclear plant, located in the Village of Buchanan, will close in 2021 pursuant to an agreement between New York State and Entergy announced in January 2017.

The New York State Electric Generation Facility Cessation Mitigation Program (also known as the power plant cessation fund) is administered by the Empire State Development Corporation. The program provides financial assistance to municipalities and school districts that experience a 20 percent loss in tax collections directly due to a power generating facility closing, and thereby being unable to continue paying taxes. Awards from the program are over seven years, starting at 80 percent of the tax loss in the first year and declining by 10 percent every year over the seven-year period. The next power plant scheduled to close in New York State that will trigger host community assistance under this program is Indian Point in 2021.

***Indian Point Closure Task Force Chair Thomas Congdon said**, "Governor Cuomo created the Indian Point Closure Task Force because he recognized that the State needed to work collaboratively with local leaders to plan for a future without Indian Point. This budget agreement demonstrates that the Governor will continue to stand with affected communities and their representatives in the Legislature to ensure a smooth transition."*

Siting: Electric Generation

As a result of Governor Cuomo's Clean Energy Standard initiative, applications to site, construct, and operate major renewable electric generation facilities have accelerated. As of March 31, 2019, there were 29 active renewable projects in some phase of the Article 10 review process before the Board on Electric Generation Siting and the Environment in addition to the 126 MW project approved by the Commission in November 2018. (see below). Specifically, there were 13 active wind cases totaling 2,733.6 megawatts and 17 solar cases totaling 1674.5 megawatts. Our process gives local communities opportunities to be heard and our siting rules ensure negative siting impacts are addressed.

Cassadaga Wind

126 MW Clean Energy Wind Farm in Chautauqua County Gets Green Light to Build

In November 2018 the Commission approved the construction and operation of the Cassadaga Wind Farm, a utility-scale wind farm in Western New York that will generate enough electricity for more than 36,000 average-sized residential homes.

*"We approve construction of this appropriately sited wind farm that can deliver on Governor Andrew Cuomo's clean energy goals," **said Commission Chair John B. Rhodes.** "This step demonstrates that New York can build clean energy projects and deliver clean energy economy jobs in a responsible and balanced manner."*

The 126 MW Cassadaga wind farm will consist of up to 48 high-capacity wind turbines, together with associated transmission lines, both underground and above ground collection lines, access roads, meteorological towers, operation and maintenance building, collection and point of interconnect substations, and related facilities, located in the Towns of Cherry Creek, Charlotte, and Arkwright, and would interconnect to the state's electrical grid along the Dunkirk-Moon 115 kV transmission line.

To secure Commission approval, Cassadaga demonstrated that it obtained all necessary municipal consents to construct and operate its facility. Further, evidence in the proceeding demonstrated that the project is financially viable. Given the fact that the wind generation facility will be developed and operated on a merchant basis and will participate in the wholesale energy markets, the project was granted a lightened ratemaking regulatory regime like other, similar merchant generators.

The decision was one of the last regulatory approvals the project developer needed before actual construction could commence. There remains a number of Article 10 compliance filings required before construction can begin. On January 17, 2018, the New York State Board on Electric Generating Siting and the Environment (Siting Board) issued Cassadaga a certificate authorizing development of the facility. The Commission's action determined that Cassadaga was financially able and ready to construct and operate the facility.

In making its determination, the Siting Board studied the environmental impacts of the construction and operation of the facility, including impacts on ecology, air, ground and surface water, wildlife, and habitat, as well as public health and safety, along with other criteria. The Siting Board examiners determined that the wind farm will be a beneficial addition to the electric generation capacity of the State, and is consistent with the State's energy policy and planning objectives. The facility will also serve the goals of improving fuel diversity, grid reliability, and modernization of grid infrastructure.

This decision is a testament to how New York is working to achieve its New York's Clean Energy Standard, the most comprehensive and ambitious clean-energy mandate in the state's history. The Clean Energy Standard requires 50 percent of New York's electricity to come from renewable energy sources like wind and solar by 2030. By 2030, the 50 percent renewable mandate will be a critical component in reducing greenhouse gas emissions by 40 percent and by 80 percent by 2050.

Telecommunications

Verizon Service Quality Improvement Plan

In July 2018 the Commission approved a joint proposal filed by Verizon, Commission staff, the company's union, and a leading consumer advocacy group, which would commit Verizon to improve customer service quality, including expanding broadband service, make repairs to existing copper service, and eliminate 64,000 existing double telephone poles.

"The joint proposal strikes the appropriate balance for consumers, Verizon, and its employees," ***Commission Chair John B. Rhodes said.*** *"The joint proposal builds upon and expands important customer protections previously approved by the Commission and it requires Verizon to expand its fiber network and invest in its copper network, both of which will result service improvements."*

Under the terms of the joint proposal, Verizon committed to expand its fiber and hybrid fiber-copper networks in areas of upstate New York, the Hudson Valley, and on Long Island. Verizon will also upgrade its existing copper system in numerous locations within New York City. These changes and others will result in the availability of higher quality, more reliable landline telephone service to currently underserved communities and will increase Verizon's competitive presence in several economically important telecommunications markets in New York State.

The successful joint proposal was the result of two years of discussions between Verizon, Commission staff; the company's union, Communication Workers of America; and the Public Utility Law Project of New York, Inc. Other parties in the proceeding, the Utility Intervention Unit of the Department of State; the City of Syracuse, and the Connect New York Coalition, did not oppose the joint proposal.

In 2015, Governor Andrew M. Cuomo established the $500 million New NY Broadband Program, the nation's largest and most ambitious state investment in broadband expansion. When the New NY Broadband Program was launched, 30 percent of New Yorkers — approximately 2.42 million locations — lacked access to broadband.

Through implementation of the joint proposal, Verizon will extend its high-speed broadband network to pass approximately 32,000 additional premises. This build out will be divided between upstate areas for which Verizon was awarded Broadband Program Office (BPO) funding, and areas in Long Island and the Hudson Valley. Significantly, none of this new investment will be funded by BPO awards. Verizon has been an active participant in Governor Cuomo's broadband buildout plan. Earlier this year, the company received a state broadband grant of $70.7 million to extend its service coverage to 15,515 addresses in the Capital Region, Central NY, North Country, Southern Tier areas.

The Commission has also encouraged Verizon to deploy fiber and fiber-copper hybrid networks throughout its footprint. These hybrid fiber networks are more reliable and less prone to weather-related outages than traditional copper networks. They also provide high-speed broadband services (over 100 Mbps), that the traditional, often older vintage, copper networks cannot achieve or support reliably.

The joint proposal required Verizon take steps to remediate problems within its aging copper network in areas where Verizon has indicated it will not currently be extending fiber network. In addition, Verizon will make investments to improve service quality in New York City. Verizon commits to identify 100 copper-fed buildings in New York City that have a high incidence of repair visits by technicians and will replace the existing copper facilities serving those locations with fiber optics, or hybrid fiber/copper equipment. These investments will ensure that some of New York City's most chronically underperforming system elements are replaced and that customers gain access to more reliable network and services.

Adoption of the joint proposal will result in Verizon removing 64,000 double pole conditions over a four-year period. While not strictly limited to service quality, the removal of double poles, including moving facilities to new poles which are likely stronger and more resistant to weather events will likely result in an improvement to service quality and provide less of a safety threat.

Verizon also committed to inspect and replace, as needed, batteries at remote terminal locations serving critical customers, such as hospitals, police and fire stations. This remediation will serve to improve service quality at the remote terminal, and for those customers served from such remote terminals, for which a battery replacement is necessary. Extended battery life mitigates the duration of outages caused by commercial power failure.

5G

In March 2019 the Commission established a new process to make it easier and less costly for telecommunication companies to attach state-of-the-art wireless communications facilities to existing utility poles. As a result, wireless companies will be able to improve broadband capabilities and roll-out of the new generation of cellular mobile communications that will provide greater data service functions, higher system capacities, and better device connectivity.

"This decision is timely and necessary in order to deploy the most useful wireless solutions for New Yorkers as fast and effectively as possible," ***said Commission Chair John B. Rhodes.*** *"And it is in full accord with Governor Andrew M. Cuomo's initiative to expand broadband coverage throughout the state."*

Wireless carriers said they were on the cusp of deploying their next generation of wireless networks, known as 5G, and access to poles is essential to that deployment, as well as to improving coverage and capacity for existing 4G networks. However, without the certainty of a clear regulatory framework, the wireless industry and the consumers it serves have been left with a patchwork of inefficient procedures regarding the right to attach these facilities to poles, which has stalled wireless deployment.

The wireless industry petitioned the Commission to ensure wireless attachments receive the same just, reasonable, and non-discriminatory access as their wireline counterparts. With regulatory certainty, the wireless industry predicts New York State would see thousands of jobs created as a result of the rollout of 5G technology, as well as an economic boost valued at more than $17.3 million. Without action by the Commission, the industry says 5G network deployment and investment in New York would lag the behind other states that have taken steps to improve the pole attachment process.

To encourage wireless development, the Commission: established an interim rate methodology for wireless pole attachments; established timelines for entering into access agreements, completing the permitting and make-ready review processes; and, extended the established dispute resolution process to wireless attachment applicants. Further, the Commission pledged to move forward with consideration of other improvements to further streamline the process by which wireless companies can attach equipment to utility poles, including a potential one-touch-make-ready process.

Industry members design, build, own, monitor, and maintain small cell and distributed antenna system networks in New York. These networks are constructed and used by Federal Communications Commission licensed wireless carriers to serve the public in many areas of the State.

Broadband

Greenlight Networks Sold to Grand Oaks GLN

In May 2018 the Commission approved the sale of Greenlight Networks, LLC to Grand Oaks GLN, LLC. The sale gave Greenlight access to financial capital and allowed it to construct its high-speed broadband fiber network and facilities and to optimize capital structure required for long-term success in the competitive telecommunications industry.

"In today's economy, high-speed broadband access is a necessity, not a luxury," ***said Commission Chair John B. Rhodes.*** *"With this decision, Greenlight can access much-needed capital and managerial resources that will allow it to expand its high-speed broadband fiber network and facilities and compete more effectively in the market."*

On April 13, 2018, Greenlight and Grand Oaks requested Commission approval to allow Grand Oaks to acquire a controlling interest in Greenlight. The Rochester-based Greenlight owns and operates a fiber optic network located in Monroe County and provides high-speed broadband services to residential and commercial customers. The company was in the process of extending its fiber optics network in Monroe County and is exploring additional locations in New York. Grand Oaks is a private investment firm in Pittsford, New York.

This decision complemented other efforts underway in New York State to ensure broadband access for all New Yorkers.

According to the companies, Greenlight is at a critical juncture in constructing its high-speed broadband fiber network and facilities and that the proposed transactions will satisfy the company's immediate need for working capital and optimize Greenlight's capital structure. Greenlight expects that the changes to its capital structure will enable it to secure additional debt financing or other capital. Petitioners also state that Greenlight will have access to Grand Oak's financial resources to support its fiber network expansion plan and organizational growth.

Since 2012, Greenlight had provided internet service in eastern Monroe County, providing customers an alternative to giants Charter/Spectrum and Frontier Communications.

Greenlight served Irondequoit, Henrietta, West Henrietta, Pittsford, Penfield, East Rochester, the City of Rochester, Brighton, Fairport and Webster. The sale allowed Greenlight to keep up with the demands for its fiber-optic internet services and customer demand, with the potential to expand into other parts of the state.

Rural Low-Income Broadband

In August 2018 the Commission designated three telecommunication companies eligible to provide Lifeline service to their communities. Lifeline is a federal program designed to make telephone and broadband services more affordable for low-income consumers. The three companies approved to participate in the program are SLIC Network Solutions, Inc., Valstar, Inc. and Armstrong Telecommunications, Inc.

> *"Lifeline provides low-income families a discount on monthly telephone service purchased from participating providers,"* ***said Commission Chair John B. Rhodes.*** *"The discounts, which can be applied to stand-alone broadband, bundled voice-broadband packages — either fixed or mobile — and stand-alone voice service help ensure that low-income consumers can afford 21st-century broadband and the access it provides to jobs, education and opportunities."*

SLIC, Valstar and Armstrong are participants in the New NY Broadband Program, a broadband initiative established by Governor Andrew M. Cuomo. SLIC was named an eligible carrier in Clinton, Essex, Franklin, Rensselaer, St. Lawrence, Warren, and Washington counties, Valstar in Columbia County and Armstrong in the census blocks in Verizon New York Inc.'s franchise area that were made available as part of the New NY Broadband Program.

As eligible carriers, SLIC, Valstar, doing business as GTel, and Armstrong provide additional choices for discounted basic service to meet the needs of New York's Lifeline-eligible consumers. In addition, since these three carriers will also offer broadband services, many Lifeline-eligible customers will have the opportunity to receive more advanced telecommunications services than those available from currently designated carriers. It is the Commission's responsibility to determine whether a telecommunication company may be declared an eligible telecommunications carrier in the state, which, among other things, authorizes the company to offer Lifeline service.

Charter

On Jan. 8, 2016, the Commission approved Charter's acquisition of Time Warner. To obtain approval, Charter agreed to a number of conditions required by the Commission to advance the public interest, including delivering broadband speed upgrades to 100 Mbps statewide by the end of 2018, and 300 Mbps by the end of 2019, and building out its network to pass an additional 145,000 un-served or under-served homes and businesses in the State's less densely populated areas within four years of the closing of the transaction.

In approving the transaction, the Commission stated that the merger must yield positive net benefits, after balancing the expected benefits properly attributable to the transaction offset by any risks or detriments that would remain after applying reasonable mitigation measures. Since that time, however, not only has Charter's performance been wholly deficient and its behavior before the Commission contrary to the laws of New York State and regulations of the Commission, but it has also repeatedly claimed not to be bound by the terms of the Commission's approval. Such egregious conduct cannot be condoned and the only reasonable remedy that remains is for the Commission to revoke the 2016 merger approval and order Charter to plan for an orderly transition to a successor provider(s) to serve its New York State customers.

Charter in Violation of Buildout Requirement

Cable Company Ordered to Pay $2M for Missing Network Expansion Milestones; PSC Demands Company Unconditionally Accept Conditions Set Forth in 2016 Merger Order or Face Additional Sanctions, Including Potential Revocation of Merger Approval

In June 2018 the Commission ordered Charter Communications Inc., known as Spectrum, to pay $2 million to the State treasury after the company failed to meet its obligations to expand its cable network, which provides high speed broadband, cable and telephone services, in the time allotted. In addition, the Commission — concerned about Charter's insistence that it is not bound by the terms of the Commission's 2016 approval of the company's acquisition of Time Warner Cable — ordered that Charter unequivocally accept the terms set forth in that approval order or face the risk of having the merger revoked.

"As a condition of our approval of Charter's merger two years ago, we required Charter to make significant investments in its network," ***said Commission Chair John B. Rhodes.*** *"Our investigation shows that Charter failed to meet its obligations to expand the reach of its network to unserved and underserved customers at the required pace and that it failed to justify why it wasn't able to meet its obligations. Furthermore, since the company has taken the unfortunate position of refusing to adhere to all conditions set forth in our initial decision two years ago, we now demand the company unconditionally accept all of the conditions as the Commission unambiguously required in 2016 or run the risk of more severe consequences."*

In its order regarding Charter's failure to meet its buildout obligations, the Commission rejected 18,363 addresses — including 12,467 in New York City and 4,096 in the cities of Buffalo, Rochester, Syracuse, Schenectady, Albany, and Mt. Vernon — to which Charter claimed it expanded network as part of its required buildout requirement. The Commission found that these addresses were already passed by Charter or another company providing high speed broadband, or that Charter was separately required to pass the addresses pursuant to state regulations and/or franchise agreements. As a result, Charter must revise its overall 145,000 addresses-buildout plan to remove the rejected addresses and file a revised buildout plan for going forward within 21 days.

In its initial 2016 order approving Charter's acquisition of Time Warner Cable, the Commission required that Charter extend its network to pass within its statewide service territory, an additional 145,000 unserved and underserved residential housing units and/or businesses within four years. About a year later, it became evident that Charter had failed to meet its May 2017 target. To get the company back on track, the Commission approved a settlement under which Charter was required to pass 36,771 eligible premises by December 2017 and meet regular six-month milestones or else pay up to $1 million for each miss, and up to $1 million should the company fail to correct any miss within three months.

Earlier in 2018, Commission staff audited Charter's compliance filing of proposed passings to be counted toward its December 2017 target, and determined that 14,522 passings should be disqualified, which meant that the company failed to meet its required target. In its May response to the Commission, Charter argued that not all of the Commission's 2016 merger order applies to the company as part of its rationale for including ineligible addresses. Given the company's continued intransigence, the Commission ordered that the company unconditionally accept all of the conditions and requirements spelled out in its 2016 order or face subsequent Commission action.

With this decision, the Commission ordered Charter to pay $1 million in accordance with the settlement agreement for failing to satisfy the December 2017 target and failing to demonstrate that it missed the target due to circumstances beyond its control. The Commission similarly found that Charter did not "cure" this miss by March 16, 2018, nor did it demonstrate that it had good cause for its failure to do so, requiring an additional $1 million payment to the State.

Spectrum Condemned for False Advertising

Concerns Over Charter's Conduct Referred to Attorney General and SEC for Appropriate Actions

In June 2018 the Department of Public Service sent a letter to Charter CEO Thomas Rutledge condemning the company's false advertising and misleading of New York consumers. The letter demanded that the cable company, doing business in New York as Spectrum, immediately cease and desist from making certain continued false advertisements and publications about its compliance with its obligations to New York State and its efforts to provide New Yorkers with critical broadband access. These misrepresentations, coupled with Spectrum's overall pattern of unacceptable conduct in New York, called into question the continued viability of Spectrum as a regulated telephone/cable company in the state.

"The situation regarding Charter/Spectrum is getting more serious with each passing day," ***Department CEO John B. Rhodes said.*** *"Not only has the company failed to meet its obligations to build out its cable system as required, it is now making patently false and misleading claims to consumers that it has met those obligations without in any way acknowledging the findings of the Public Service Commission to the contrary. Access to broadband is essential for economic development and social equity. Charter/Spectrum's intentional deception of New Yorkers must end now."*

In its letter to CEO Rutledge, the Department said the company knew full well that it was not meeting its commitment to expand the company's broadband network in New York to "pass" additional unserved and underserved residences and businesses. Nevertheless, Spectrum continued to assert in advertisements and publications that it has complied with — and even exceeded — its commitment to New York. These representations were demonstrably and materially false.

It was not the first time Spectrum had engaged in false advertising. The Appellate Division, First Department allowed to move forward a claim by the New York Attorney General that Spectrum had engaged in systematic false advertising about the speed of its internet service. Spectrum's conduct raised significant concerns for the company's customers, shareholders, and New Yorkers in underserved areas that Spectrum had blatantly disregarded.

The Department's letter directed Spectrum to stop deceptive advertising. In addition, the Department referred the matter to the New York Attorney General for further action in light of Spectrum's misrepresentations to New Yorkers and to the United States Securities and Exchange Commission in light of the company's failure to provide appropriate disclosure to its investors and the market about its failings to honor its commitments to New York and the possibility that the approval of its acquisition of Time Warner may be revoked. In advance of a possible penalty action by the Commission against the company directly, the Department further demanded that Spectrum produce records regarding its false representations and preserve all documents, including email, text messages, voice mail, recordings, and other documentation relating to its advertising claims.

According to a Department investigation and a Public Service Commission order, Spectrum missed its required December 16, 2017 build-out commitment to extend its network to pass additional residences and businesses by 12,245 passings. Spectrum also failed to cure, as required, its earlier failure by March 16, 2018. For these two failures, Spectrum was ordered by the Public Service Commission to forfeit $2 million. These failures came on top of earlier failures by Spectrum to meet its commitments.

Indeed, Spectrum has not met a single build-out deadline since the approval of its acquisition of Time Warner Cable in 2016.

The Department stated that, instead of working to meet its commitment to New York, Spectrum ignored the State's interests and knowingly continued to advertise and publish knowingly false claims that the company is exceeding its mid-December 2017 commitment made to New York by more than 6,000 locations and is on track to extend the reach of advanced broadband network to 145,000 unserved or underserved locations by May 2020. Both claims are patently false.

Spectrum's failure to meet its build-out commitments hurts unserved and underserved New Yorkers, leaving them without a key public utility service crucial to their future success and well-being. Spectrum's publication of claims that it knows are false harm all consumers who rely on honest and accurate information in choosing suppliers from among competitors. And when Spectrum continues to advertise and publish false claims even after being directed not to by its governmental regulator, it demonstrated deliberate disregard and lack of respect for the Public Service Commission, the rule of law, and regulation in New York State. Accordingly, in the name of customers and potential customers, the Department called on Spectrum to set the record straight by advertising and publishing the truth that the company has been found by the Public Service Commission to have failed to keep its buildout commitment to New York State.

New York's goal has been to have 100 percent broadband coverage by the end of the year, which included a commitment by Charter/Spectrum to provide broadband coverage to a specified number of homes. By its actions, Charter not only violated its regulatory obligations to the State, it has deceived and continues to deceive the public.

Additional Enforcement Actions Against Charter

In July 2018 Chair John B. Rhodes proposed that the Public Service Commission take stronger enforcement actions against Charter Communications, Inc. d/b/a Spectrum. Charter has continually failed to meet its commitments to the state, including its obligation to timely extend its high-speed broadband network to 145,000 unserved and underserved homes and businesses. Charter has also continued to make the false claim in advertisements and other public statements that it is exceeding its obligations to New York State, notwithstanding that the Commission has previously directed Charter to cease its misleading campaign and has referred the matter to the New York Attorney General for appropriate action. Charter's claims are simply false and the Commission will not stand idly by while Charter deceives the public and its shareholders. Charter's own data showed a gaping hole between its commitments and its performance. New York will not tolerate Charter's gas lighting its own customers into believing it is meeting its promises.

"Not only has the company failed to meet its obligations to build out its cable system as required, it continues to make patently false and misleading claims to consumers that it has met those obligations without in any way acknowledging the findings of the Public Service Commission to the contrary," ***said Chair John B. Rhodes.*** *"Our patience with Charter has come to an end and now we must move to take much stronger actions."*

Chair Rhodes said that a suite of enforcement actions against Spectrum are in development, including additional penalties, injunctive relief, and additional sanctions or revocation of Spectrum's ability to operate in New York State.

Charter Merger Approval Rescinded

PSC Takes Swift Action to Address Persistent Non-Compliance and Failure to Live Up to Promises; Seeks Financial Penalties for Charter's Past Failures

On July 27, 2018 the Commission revoked its approval of the 2016 merger agreement between Charter Communications, Inc. and Time Warner Cable, Inc. because Charter, doing business as Spectrum, had — through word and deed — made clear that it has no intention of providing the public benefits upon which the Commission's earlier approval was conditioned. In addition, the Commission directed Commission counsel to bring an enforcement action in State Supreme Court to seek additional penalties for Charter's past failures and ongoing non-compliance. That enforcement action was in State Supreme Court in Albany.

With its decision, the Commission determined that Charter failed to deliver the benefits to New Yorkers that were at the core of the merger approval. The various instances of misconduct include:

- The company's repeated failures to meet deadlines;
- Charter's attempts to skirt obligations to serve rural communities;
- Unsafe practices in the field;
- Its failure to fully commit to its obligations under the 2016 merger agreement; and
- The company's purposeful obfuscation of its performance and compliance obligations to the Commission and its customers.

These recurring failures led the Commission to the broader conclusion that the company was not interested in being a good corporate citizen and that the Commission could no longer in good faith and conscience allow it to operate in New York.

"Charter's repeated failures to serve New Yorkers and honor its commitments are well documented and are only getting worse. After more than a year of administrative enforcement efforts to bring Charter into compliance with the Commission's merger order, the time has come for stronger actions to protect New Yorkers and the public interest," ***said Commission Chair John B. Rhodes.*** *"Charter's*

non-compliance and brazenly disrespectful behavior toward New York State and its customers necessitates the actions taken seeking court-ordered penalties for its failures and revoking the Charter merger approval."

Subsequent to the 2016 merger, Charter repeatedly failed to meet its commitments to the State, including its obligation to timely extend its high-speed broadband network to 145,000 unserved and underserved homes and businesses in less densely populated areas of the State. As a result of Charter's adamant refusal to abide by the conditions of the merger approval, the Commission ordered Charter to develop a transition plan. To ensure that Charter's customers are not negatively affected during that process, the Commission further ordered the company to maintain service to the company's more than 2 million customers in New York until an orderly transition occurs.

By its own admission, Charter failed to meet its commitment to expand its service network that was specifically called for as part of the Commission's decision to approve the merger between Charter and Time Warner Cable. Its failure to meet its June 18, 2018 target by more than 40 percent is only the most recent example. Rather than accept responsibility Charter has tried to pass the blame for its failure on other companies, such as utility pole owners, which have processed tens of thousands of pole applications submitted by Charter.

The Commission rejected Charter's "good cause" claims as part of the orders. Consequently, the Commission directed that Charter pay $1 million to the State Treasury for missing the June milestone, bringing the total amount of payments ordered by the Commission to $3 million, and directed the Commission's counsel to bring an enforcement action in State Supreme Court to seek additional penalties for Charter's past failures and on-going non-compliance.

Charter was ordered to file within 60 days a plan with the Commission to ensure an orderly transition to a successor provider(s). During the transition process, Charter must continue to comply with all local franchises it holds in New York State and all obligations under the Public Service Law and the Commission regulations. Charter must ensure no interruption in service is experienced by customers, and, in the event that Charter does not do so, the Commission will take further steps, including seeking injunctive relief in Supreme Court in order to protect New York consumers.

Charter is the largest cable provider in the State. It provides digital cable television, broadband internet and VoIP telephone service to more than two million subscribers in New York State in more than 1,150 communities, with a potential customer base of five million households in its franchise areas. The company provides cable television, Internet and telephone service in the major metropolitan areas of the State: Buffalo, Rochester, Syracuse, Albany and the boroughs of Manhattan, Staten Island, Queens and parts of Brooklyn.

"The PSC continues its action against Charter/Spectrum for failing to adhere to its original franchise agreement committing them to bring high speed Internet access to underserved areas in the state. As a related issue, Charter started running television ads on their news and regular programming touting Charter's public service contribution to the people of the state. This was in direct contradiction to the PSC findings and facts, and Charter agreed to pull the ads. Several weeks ago, Charter started to run similar advertisements touting their "investment in the community." The PSC found these ads were also misleading and contacted Charter, and the company has also agreed to remove these advertisements."
Statement from Chair of the Public Service Commission John B. Rhodes on the Removal of Misleading Charter Ads (August 31, 2018)

COMMISSION RATE MAKING PROCESS

Under New York State Law, the Commission must consider a utility's proposal and may adopt, reject or amend any part, or all, of it. The Office of General Counsel assists in the review of specific rate and service proposals by the utilities. Most proposals for competitive price or service offerings are limited to individual customers or service classifications, but more extensive proposals have also been presented.

A Department of Public Service Administrative Law Judge is assigned to preside over the gathering of public comment and all evidence relating to the proposal. The Administrative Law Judges preside over trial-type hearings or mediate disputes informally. The judge exercises the same authority as a Commissioner in deciding disputes about procedures and the admissibility of evidence. In all types of proceedings, the judge ultimately is responsible for seeking out the most efficient way to conduct the case and then holding the parties to the established schedule. This process ensures that cases are handled at each stage by a judge who is thoroughly familiar with the record.

The judges are trained continually in substantive technical and legal issues, to maintain their expertise as the regulated utilities evolve into a competitive industry. In addition, to maximize the potential efficiencies of completing cases through means other than litigation, the office requires all of its judges to be trained in alternative dispute resolution methods so they can help parties negotiate settlements of individual issues or entire proceedings.

The Commission may hold public statement hearings on a proposal to ensure that public comments and concerns become a part of the official case record, along with all other evidence, that it considers in analyzing the proposal. The purpose of the public statement hearings is to provide an opportunity for the general public to comment on the proposal.

Active public involvement can provide the Commission with a more comprehensive record reflecting a broad spectrum of views from all interested parties.

Evidentiary hearings may be scheduled to allow an opportunity for the parties in the case to cross-examine witnesses, including the company, on the merits of the proposal, including the company. The public may attend these open sessions to observe the questioning of the witnesses.

After all the evidence and public comments have been gathered, the judge will present the record of information, including his recommendations, to the Commission.

The Commission will formally consider the case at a regularly scheduled public meeting in either Albany or New York City. The meetings are designed to allow the Commission members to discuss a large number of utility-related matters pending before it. The public is invited to listen to these sessions.

After the Commission decides the issues, the judge is responsible for drafting a legally sustainable opinion and order that clearly explains the Commission's conclusions. The Commission will make its decision based on the record and issue a written order.

Major Rate Case Decisions

A rate case is the formal process used to determine the amounts to charge customers for electricity, natural gas, private water and steam service provided by regulated utilities.

Rate cases are a primary instrument of government regulation of these industries. Interested persons may intervene and become parties in a utility company's rate case. Typical intervenors include: industrial, commercial and other large-scale users of electricity; public interest groups; representatives of residential, low-income and elderly customers; local municipal officials; and, dedicated advocacy groups.

The PSC is required to set just and reasonable rates for utility customers. The Commission's policy to maintain universal, affordable service is a critical driver of the REV initiative. This is accomplished through thorough assessment of utility rate filings, as well as through management and

operations audits which are designed to ensure that utilities are operating efficiently, and we have been successful.

In FY 2019, the Commission decided two major rate cases and it cut the proposed rate increases by 80 percent — approving only $22.7 million versus the $113.6 million requested. A large percentage of these rate increases goes toward the maintenance of an aging energy infrastructure – a systemwide and statewide problem that is estimated to cost nearly $30 billion.

Major Rate Filings - 4/1/18 - 3/31/19				
Company	Case #	Final Amount Requested	Final Amount Approved	Rate Reduction
Central Hudson – Electric	17-E-0459	66,200,000	13,725,000	(79%)
Central Hudson – Gas	17-G-0460	22,200,000	3154000	(85.8)
O&R – Electric	18-E-0067	22,500,000	13,382,000	(40.5%)
O&R - Gas	18-G-0068	$2,700,000	($7,520,000)	
TOTAL:		113,600,000	22,741,000	(80%)

Central Hudson

Company's $88.4 Million Request Cut by $71.5 Million or Nearly 81%; Stakeholder-Supported Plan Lowers Bills for 25,000 Low-Income Customers; Significantly Improves Energy Efficiency, Renewable Energy, Gas Safety & Infrastructure Resiliency

In June 2018 the Commission adopted a joint proposal supported by Department staff, the company, and parties representing customer, municipal, and environmental interests regarding new electric and natural gas rates for Central Hudson Gas & Electric Corporation customers. The decision established a three-year electric and gas rate plan that limits the overall revenue increases to only $13.7 million for electric customers, and only $3.2 million for natural gas customers. This decision represented a far better outcome for customers than the company's initial request for a $66.2 million revenue increase in electric rates and a $22.2 million increase of delivery revenue in natural gas rates.

"The progressive plan that was adopted — endorsed with complete stakeholder support by environmental groups, large business customers, and the largest municipality in the region — includes a nation-leading affordability policy that substantially lowers bills for most low-income customers," ***said Commission Chair John B. Rhodes.*** *"Not only was it better than the plan submitted by the utility, but it advances the State's climate agenda, expands energy efficiency investments, and funds non-wire*

alternatives and other cleaner, more resilient energy initiatives."

The Commission's decision provided funding for technology upgrades, expanded tree-trimming, and the low-income discount program. It allowed the company to pursue the development of a training center and co-located primary control center. It provided for the continuation and enhancement of existing gas and public safety programs.

The Commission's decision accounted for issues and concerns raised in public comments. Other benefits provided by the adopted joint proposal which also support the REV Initiative, to build a cleaner, more resilient and affordable energy system, include:

- **Low-Income Programs:** Low-income customers will see a sharp increase in benefits totaling more than $31 million over the three-year period, all in keeping with the Commission's policy to limit energy costs for low-income households to no more than 6 percent of household income. These funding levels will result in bill discounts for electric heating and non-heat customers of between $19 and $39 per month, gas heating customers of between $30 and $50 per month, and gas non-heating customers of $3 per month. These discounts are much greater than the current monthly discounts of $5.50 for non-heating gas and non-heating electric customers, $17.50 for electric heating customers, $5.50 for gas heating customers, $23 for heating customers utilizing both electric and gas, and $11 for non-heating customers utilizing both electric and gas.
- **Customer Service:** Fees associated with payments made by credit/debit card or at walk-in locations will be eliminated and the company agreed to study the feasibility of implementing an electronic deferred payment agreement program.
- **Rate Design:** Customer charges for residential electric and gas service customers will be reduced by $3 a month in the first year, $1 a month in the second year, and $0.50 in the third year. By the third year, the customer electric charge will fall to $19.50 a month, down from $24 currently, and the gas rate charge will drop to $24.25 per month, down from $26 a month currently.
- **Vegetation Management:** More than $60 million will be provided for vegetation management, a much-needed increase in part because of the greater storms the region is experiencing. The funding level will allow Central Hudson to improve reliability by reducing tree-related outages on distribution and transmission lines.
- **Geothermal Credit:** Central Hudson will provide a $264 annual credit to customers who install qualified geothermal systems. The program will reduce the upfront cost of investment in this energy-efficient alternative to the

more carbon-intensive heating and cooling methods currently utilized by many of Central Hudson's customers.

- **Energy Efficiency:** Central Hudson's yearly energy efficiency program budgets will be increased. This shift is consistent with Commission policy because it promotes a more comprehensive approach to energy efficiency, which can be combined with peak-reduction and system-efficiency activities, as cohesive components of the company's core business.
- **Energy Efficiency Incentives:** Central Hudson will be incentivized to improve the efficiency of the electric and gas systems and of customers' electric and gas usage, to promote development of the market for distributed energy resources, and to shift usage to cleaner technologies. All these actions advance State policies to reduce emissions of greenhouse gases and other pollutants while improving the reliability and resiliency of our energy infrastructure.
- **Natural Gas Safety and Reliability:** Central Hudson will be incentivized to replace leak-prone infrastructure and accelerate its repair of non-hazardous leaks. The company is being encouraged to pursue non-pipes alternatives to meet demand for heating fuels. The company has committed to pursuing natural gas efficiency and demand response programs and will issue a request for proposals focused on non-pipes alternatives that can displace traditional infrastructure projects.
- **Training Center:** Central Hudson was authorized to begin development of an integrated facility dedicated to providing hands-on and scenario-based learning and indoor/outdoor electric and gas training. The training center would be used to educate its workforce in a safe and controlled environment that simulates real-life field conditions, and it would allow Central Hudson to conduct drills with first responders; provide training on pipeline operation and maintenance in response to changes in gas safety regulations; and conduct electric progression training under simulated conditions. In addition, Central Hudson will begin development of an integrated transmission and distribution system operations center.
- **Future Initiatives:** Central Hudson is encouraged to petition the Commission for approval of initiatives that advance goals established under the State's REV strategy. Under REV, New York seeks to lower the costs of and speed up the achievement of the State's energy policy goals through accelerating the deployment and scale of solutions that create the most economic value for both consumers and the State's energy system, drawing

on innovation and investment from all sectors.

Since the beginning of the case, Department staff has worked tirelessly to minimize cost increases by advocating progressive outcomes regarding affordability, energy efficiency, and the environment. The Commission's decision also reflects the impact of changes to the federal corporate tax rate and bonus depreciation prospectively, with a net first-year benefit for customers totaling $18 million.

Parties signing the joint proposal include the company, Department of Public Service staff, Multiple Intervenors, Pace Energy and Climate Center, New York Geothermal Energy Organization, the Utility Intervention Unit of the Department of State, Division of Consumer Protection, Dutchess County, Acadia Center, the Public Utility Law Project of New York, Inc., the Natural Resources Defense Council (NRDC) (partial); Bob Wyman, and the U.S. Army Legal Services Agency, representing the U.S. Department of Defense and other Federal agencies. No party opposed the joint proposal.

Under the rate plan adopted by the Commission, Central Hudson will add 48 new jobs over three years. Central Hudson distributes electricity to approximately 300,000 customers and natural gas to about 80,000 customers in the Mid-Hudson River Valley region of New York.

Orange and Rockland

Utility Regulator Cuts $19.3 Million from Total Revenue Request of $25.2 Million; O&R to Pursue Energy Efficiency Initiatives; Update Aging Infrastructure, and Implement Important Electric Reliability and Gas Pipeline Safety Programs

In March 2019 the Commission established a three-year rate plan for electric and gas service for customers of Orange and Rockland Utilities, Inc. by adopting the terms of a joint proposal much more favorable to customers than the company's original request, reducing the rate request by nearly 77 percent. The utility sought a total electric revenue increase of $22.5 million, and a $2.7 million gas revenue increase. Instead, the Commission approved an electric rate increase of $13.4 million, and a gas rate decrease of $7.5 million.

"The progressive plan we have adopted — endorsed with stakeholder support by environmental groups, large business customers, and municipalities in the region — benefits customers and includes provisions that further important state and Commission objectives," ***said Commission Chair John B. Rhodes.*** *"O&R is required to pursue important energy efficiency initiatives and non-wires alternatives, update aging infrastructure, and implement important electric reliability and gas pipeline safety programs, while mitigating the potential economic impact of the recommended rate increases on ratepayers, including a nation-leading affordability policy that substantially lowers bills for most low-income customers."*

Major drivers associated with the electric delivery rate increase include the additional return requirement associated with rate base growth, and increases in depreciation expense, labor and benefits, energy efficiency expense, decreased forecasted revenue, environmental site remediation expenses and storm reserve funding. Major drivers for the gas delivery rate increase include additional return requirement associated with rate base growth along with increases in depreciation expense, operations expense, along with labor and benefits costs.

The Commission's decision accounted for issues and concerns raised in public comments. The decision also supports the REV initiative, which aims to build a cleaner, more resilient and affordable energy system; highlights of the decision include:

- **Major Storm Costs:** The Commission's decision improved the ability of the company to prepare for and expedite restoration efforts after major storms.
- **Advanced Metering Infrastructure:** AMI is an integrated system of meters, communications networks, and data management systems that enable energy usage communications between a utility and its customers. The Commission's decision allows O&R to recover costs associated with the implementation of the company's AMI program which was first approved in the 2016 and later expanded. The Commission reaffirmed the application of an opt-out fee for customers who choose not to use an AMI meter.
- **Energy Efficiency:** The Commission's decision increased O&R's electric energy efficiency budget by approximately $6 million over the three-year period to save a minimum total of 134,544 megawatt hours, enough electricity for 18,700 average-sized homes. The Commission also increased O&R's gas energy efficiency budget by approximately $498,000 over the three-year period to save a minimum total of 68,559 dekatherms, equal to enough gas to heat 1,300 average-sized homes.
- **Non-Wires Alternatives:** The Commission agreed to provide a financial incentive for the company to develop alternatives to traditional transmission and distribution infrastructure expansion and related capital costs, an important REV initiative. The company will continue the existing, previously authorized projects and incentives as well as the previously approved NWA framework. O&R will be encouraged to plan for and engage in projects that will replace, defer, or delay traditional capital-intensive projects and infrastructure with customer-sited distributed energy resources (DER) and other market-based solutions. These provisions are in the public interest because NWAs can provide cost savings and

environmental benefits for customers while maintaining system reliability and resiliency.

- **Specific REV Initiatives:** O&R's electric revenue requirements will include expenditures for REV initiatives to be amortized over 10 years, including carbon reduction and platform service revenue programs for electric service. The Commission's decision provides funding for electric vehicle and heat pump programs, with a deferral for customer benefit of the differences in actual program costs and the level provided in rates.
- **Geothermal Rates:** The Commission created a new, lower rate available to residential customers who use geothermal technology, subject to certain technological requirements, and to other residential customers without qualifying geothermal units, capped at 500 participants during the three years covered by the rate plan.
- **Performance Mechanisms:** The Commission established performance metrics to measure activities in the areas of electric reliability and gas safety. For electric and gas reliability, if the company fails to meet the established metrics, it will incur negative revenue adjustments. If the company exceeds the metrics, it will incur a positive revenue adjustment.
- **Leak-Prone Pipe:** The Commission will require that a minimum of 20 miles of leak-prone pipes be removed from service in 2019, 2020 and 2021, with a cumulative total of 66 miles removed by December 31, 2021, a substantial increase from the previous rate case.
- **Customer Service Performance Metrics:** The Commission established improved customer service performance metrics for both electric and gas service that measure and enhance the company's interactions with its customers. Consistent with staff recommendations, it strengthens metrics for residential terminations and uncollectibles, customer complaint rates, customer satisfaction surveys, and call answer rates.

Appendix: Budget Highlights

The FY 2019 Enacted Budget totaled $95.4 million for the Department, a decrease of $6 million from the FY 2018 budget levels. The decrease reflected a reduction in the need for one-time Fringe Benefit funding included in the previous year. The Enacted Budget supported a workforce of 520 employees for the Department, unchanged from FY 2018 levels.

ALL FUNDS APPROPRIATIONS (Dollars)

Category	Available	Appropriations	Change	Reappropriations
	2017-18	2018-19		2018-19
State Operations	$95,672,000	$89,672,000	($6,000,000)	$5,500,000
Aid to Localities	$5,750,000	$5,750,000	0	$5,750,000
Total	$101,422,000	$95,422,000	($6,000,000)	$11,250,000

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

Program	2017-18 FTES	2018-19 FTES	FTE Change
Administration			
Special Revenue Funds-Other	68	68	0
Regulation of Utilities			
Special Revenue Funds-Federal	25	25	0
Special Revenue Funds-Other	427	427	0
Total	520	520	0

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