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April 30, 2019

VIA ELECTRONIC FILING

Honorable Kathleen H. Burgess, Secretary
New York State Public Service Commission
Office of the Secretary, 19th Floor
Three Empire State Plaza
Albany, New York 12223

Dear Secretary Burgess:

The Brooklyn Union Gas Company d/b/a National Grid NY ("KEDNY") and KeySpan Gas East Corporation d/b/a National Grid ("KEDLI") (collectively, the "Companies") submit these filings in accordance with the requirements of the New York State Public Service Commission ("Commission") to set revised rates for gas service in their service territories. As explained in more detail in the supporting testimony and exhibits, the proposed rates will enable the Companies to provide safe and reliable gas service and continue to meet the expectations of our customers by investing in our natural gas networks, improving service to our customers, and moving toward a cleaner energy future.

Need for New Rates

KEDNY and KEDLI seek to increase revenues by $236.8 million (19.3%) and $49.4 million (6%), respectively, for the twelve months ending March 31, 2021 ("Rate Year").[1] The proposed increases are needed to deliver safe and reliable service in a rising cost environment. Indeed, federal, state, and local regulatory requirements account for more than 60 percent of total capital expenditures. Increasing property taxes, environmental remediation, and other operating costs are also driving the Companies' rate increase requests, especially for KEDNY, where the costs of working in the urban environment of New York City are amplified. While KEDLI is experiencing similar cost increases, the cost pressures are less pronounced in its Long Island service territory.

In response to rising costs, these filings were developed with a keen focus on balancing the need for investment with the need to maintain affordability and protect our most vulnerable customers. To that end, in advance of the rate filings, National Grid embarked on an efficiency initiative aimed at improving both the quality and cost-effectiveness of its services to customers.

[1] The revenue increases presented in these rate filings build off KEDNY and KEDLI's calendar year ("CY") 2019 revenues, including levelization revenues of approximately $108 million and $29 million, respectively. The Companies believe this approach appropriately presents the proposed revenue increases in comparison to the rates that customers are currently paying and the revenues that those rates are currently providing.

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This initiative, along with other efficiency efforts, is reflected in the rate filings and have reduced the Rate Year revenue requirements by almost $50 million.

Key Highlights

The filings propose to invest over $1.5 billion in the Rate Year to modernize the Companies' gas infrastructure by replacing aging pipelines, implementing safety improvements, enhancing storm hardening and resiliency, and reducing methane emissions. The filings also include proposals to enhance gas safety – including many programs responsive to regulatory feedback. As the energy providers to nearly two million customers in downstate New York, the Companies are conscious of the need to promote a sustainable and affordable path toward a low-carbon energy future. These filings include proposals to implement green gas tariffs to promote customer choice, projects and programs to facilitate the increased use of renewable natural gas, expansion of existing demand response and geothermal programs to advance non-pipeline alternatives, and other programs to advance energy technologies that support New York State's energy vision. The Companies are also focused on improving customer service, particularly for our most vulnerable customers. These rate filings include proposals to deploy a modern customer information system, as well as expand the Companies' energy efficiency, affordability, and economic development programs, and provide low-to-moderate income customers with access to programs that will assist them with realizing lower energy bills from less carbon intensive heating sources. Specific proposals include:

Upgrading infrastructure and enhancing safety

- Replacing at least 930 miles of aging pipeline at KEDNY and KEDLI over four years.
- Major system reliability projects, such as KEDNY's Metropolitan Reliability Infrastructure (MRI) project, that will provide increased supply diversity, pressure support, outage contingency, and operational flexibility.
- An aggressive goal of reducing total network methane emissions 60 percent by 2035 through targeted main replacements, identifying and repairing system leaks, and implementing new work procedures.
- Upgrading information technology systems to better monitor, manage, and optimize network performance, address emerging utility and market trends, meet evolving customer and business demands, and stay ahead of emerging security threats.
- Investments and programs to improve training, oversight, inspections and quality control over our expanding capital portfolio, including a modern work/asset management platform.
- A program to distribute 90,000 residential methane detectors to customers, together with expanded customer education and outreach on gas safety issues.

Improving our customer service

- Implementing a new Customer Information System that will support new customer programs and rate options, incorporate digital and emerging technology solutions, improve customer choice, and reduce billing issues.
- Upgrading customer service offices and eliminating credit card fees.
- Providing further support for energy efficiency and economic development.
- Enhancing our energy affordability programs and services.

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Proposals to stimulate clean energy alternatives and the future of heat

- A green gas tariff that will give downstate customers the choice to supplement their natural gas supply with renewable natural gas (RNG).
- A program to facilitate RNG interconnections by lowering the cost to connect RNG facilities to our network.
- A power-to-gas pilot project to create RNG by converting excess renewable electricity to hydrogen, as well as study to assess how hydrogen can safely be blended into the network.
- An enhanced gas demand-response program that will give customers the choice to modify their gas consumption in response to price signals.
- An expanded geothermal pilot that will test a utility-ownership business model and customer adoption in our service territory, as well as geothermal technology's ability to complement gas network operations and serve as a non-pipe alternative.

Importantly, the Companies' filings are designed to address the priorities shared among the Companies, customers, and key stakeholders. The Companies held more than 200 outreach meetings with customers, state agencies, local governments, and other key stakeholders prior to making these filings. These meetings provided valuable feedback, which was used to shape our proposals.

Bill Impacts and Rate Mitigation Efforts

A typical KEDNY residential heating customer[2] will see a $16.66 monthly increase, equating to a 11.99% increase in their total bill. A typical KEDLI residential heating customer will see a $7.14 monthly increase, equating to a 5.15% increase in their total bill.[3] The effect on individual customer's monthly bills will vary depending on the customer's usage and service classification. To help mitigate these proposed increase, the Companies included cost projections for three additional years (including projections of future efficiencies) to facilitate a possible multi-year settlement. The Companies believe that a multi-year settlement would provide the ability to better manage customer bill impacts and affordability.

Information Accompanying this Rate Filing

The rate plans proposed in these filings require increases to the Companies' charges for gas service and changes to other provisions of the Companies' tariffs. The Companies provide revised tariff leaves and descriptions in the following attachments[4]:

Attachment A – List of Revised Tariff Leaves for KEDNY's Tariff, P.S.C. No. 12 – Gas
Attachment B – List of Revised Tariff Leaves for KEDLI's Tariff, P.S.C. No. 1 – Gas
Attachment C – KEDNY's Pro Forma Statements for the Green Gas RNG Cost of Gas, Green Gas RNG Annual Cost of Gas Imbalance, Non-Firm Demand

[2] Typical residential heating customer using 83 Therms per month.
[3] The proposed delivery rate increases for typical residential heating customers are 17.78% for KEDNY and 6.92% for KEDLI.
[4] The revised tariff sheets are being transmitted electronically to the Commission contemporaneously with this filing in accordance with applicable procedures. Copies are included with this transmittal letter.

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Response Sales and Transportation Rates, and Earnings Adjustment Mechanism
Attachment D – KEDLI's Pro Forma Statements for the Green Gas RNG Cost of Gas, Green Gas RNG Annual Cost of Gas Imbalance, Non-Firm Demand Response Sales and Transportation Rates, and Earnings Adjustment Mechanism
Attachment E – Summary of Written Testimony and Exhibits Supporting Filings
Attachment F – Notices of Proposed Rulemaking under State Administrative Procedure Act
Attachment G – Method of Service Forms Consenting to Electric Service of Documents

The revised tariff leaves are proposed to be effective June 1, 2019. However, the Companies understand that, after customary suspension periods, the leaves will likely become effective April 1, 2020.

Conclusion and Notice Requirements

The prepared written testimony and exhibits of the Companies' witnesses, as identified in Attachment E, constitute the Companies' direct case in support of these rate filings. The testimony, exhibits, and tariff leaves submitted herein explain the need for the Companies' proposed changes to rates and services. The Companies look forward to working with Department of Public Service Staff and other interested parties to implement the new rate plans and advance investments that will provide a safe, reliable, and efficient energy future for the Companies' gas delivery systems.

The Companies' respectfully request that, in the absence of agreement of the parties, the Commission approve the changes to become effective on April 1, 2020. Newspaper publication will be made in accordance with §66(12) of the Public Service Law and 16 NYCRR §720-8.

Respectfully submitted,

/s/ Philip A. DeCicco
Philip A. DeCicco
Vice President
New York Regulation and Pricing

Attachments

cc: New York State Department of State, Utility Intervention Unit