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Philip A. DeCicco
Vice President &
Deputy General Counsel

April 28, 2023

Honorable, Michelle L. Phillips Secretary
New York State Public Service Commission
Office of the Secretary, 19th Floor
Three Empire State Plaza
Albany, New York 12223

Dear Secretary Phillips:

The Brooklyn Union Gas Company d/b/a National Grid NY ("KEDNY") and KeySpan Gas East Corporation d/b/a National Grid ("KEDLI") (collectively, "National Grid" or the "Companies") submit these rate 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. The proposed rate structure will enable the Companies to continue providing safe and reliable service, expand and enhance customer programs, and support New York's energy policies.

National Grid's vision is to be at the heart of a clean, fair, and affordable energy future, while ensuring the safety and reliability of our energy networks. These rate filings demonstrate National Grid's commitment to continuing its broad support of New York's energy goals and meeting the challenges of climate change, while also ensuring the overall reliability, resiliency, and affordability of the energy system. In these rate filings, the Companies are proposing numerous programs that will reduce emissions and advance the clean energy goals of the Climate Leadership and Community Protection Act ("CLCPA"). Among the specific programs are targeted main replacement, a new leak repair program, extending an unprecedented ramp-up in energy efficiency, and promotion of weatherization. Taken together, the Companies estimate these investments and programs have the potential to reduce greenhouse gas ("GHG") emissions by more than a million metric tons of CO_2e over the course of the proposed four-year rate plan.

As the stewards of energy networks serving two million customers in downstate New York, the Companies are first and foremost focused on providing customers with safe and reliable energy service. We have seen the results of that focus over the term of the current rate plan, which featured the following performance highlights:

- ***Expanded Energy Efficiency***: In 2022, the Companies delivered 50% more energy efficiency savings than just two years earlier. We launched new weatherization programs in 2021 and are reducing peak gas usage through expanded demand response programs that

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Received: 04/28/2023

saw a 250% increase in participation levels since 2019. More than 18,000 residential customers have enrolled in our smart thermostat program.

- ***Leak and Emissions Reductions*:** Since 2013, we have retired more than 1,500 miles of leak-prone main in downstate New York – including nearly 500 miles during the current rate plan. Our main retirement and leak reduction programs have dramatically reduced the backlog of system leaks, while steadily lowering fugitive emissions over the same period (an estimated reduction of 28% at KEDNY and 32% at KEDLI).

- ***Ensure Safety and Reliability*:** Years of investment to upgrade the gas networks are reflected in our system performance and reliability, which were put to the test during severe cold weather events this past winter. Importantly, the Companies have met their gas safety performance metrics in every year of the current rate plan. We are conducting more safety inspections and leak surveys, and recently implemented industry leading pipeline safety standards.

- ***Focused on Customer Affordability*:** We have met or exceeded our customer service quality metrics every year since 2015. The energy affordability programs have reduced bills for customers by approximately $50 million/year, while also directing $150 million in financial relief to 133,000 customers struggling through the COVID-19 pandemic.

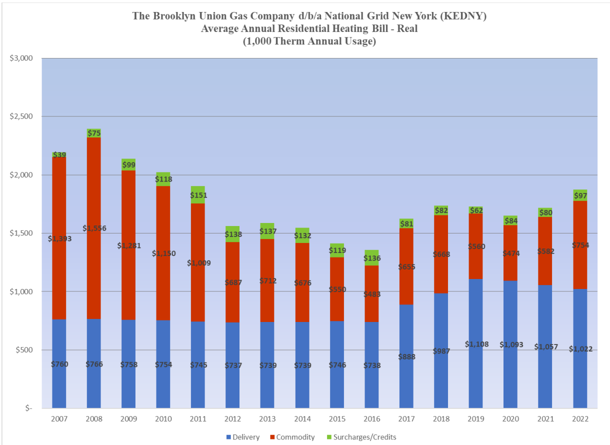
- ***Advancing Our Shared Energy Vision*:** The Companies have delivered on their commitments to implement new projects, programs, and ways of working to support New York's clean energy priorities, including targeting gas usage reductions through greater reliance on demand-side solutions. We also ceased gas marketing activities and conversion incentives and are instead promoting non-gas alternatives.

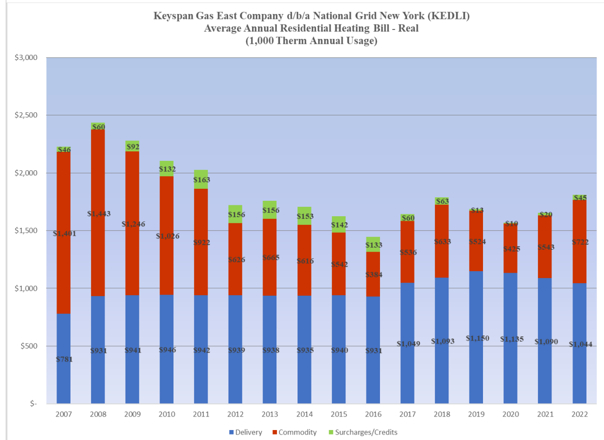
As we approach the end of the current rate plan, and to help achieve the broad and critical energy priorities for New York, we must update delivery rates to reflect the Companies' true cost of providing service. The proposed rate increases are vital and necessary to enable continued safe and reliable service, as well as to fund the projects and programs necessary to deliver the safer and more reliable energy future our customers expect and deserve over the next four years and beyond.

The Rate Filings

As a result of our overall commitment to affordability, the Companies' efficiency initiatives and relatively low commodity costs in recent years have contributed to an extended period of energy price stability. **Adjusted for inflation, typical residential customers paid less this past winter for gas service than they did 15 years ago,** during which time the Companies have invested billions of dollars to upgrade infrastructure, expand energy efficiency and customer programs, and comply with new safety mandates.

Received: 04/28/2023





Notwithstanding the Companies' efforts to keep the cost of delivering energy as flat as possible during the current rate plan, there are several factors prompting the need for the requested rate relief, including the macro-economic factors that every business is grappling with, most notably: (i) the rising cost of materials due, in part, to global inflation and supply chain shortages, (ii) increases in contractor costs, and (iii) property tax increases. Specific to our business, cost drivers include federal and state pipeline safety mandates requiring critical system investments and upgrades, which now account for nearly 70% of the capital portfolio, as well as the associated costs to deliver expanded energy efficiency and other demand reduction offerings.

In these rate filings, KEDNY and KEDLI seek to increase revenues by $414 million and $228 million, respectively, for the twelve months ending March 31, 2025 ("Rate Year"). This equates to an overall increase in delivery revenue of 28% for KEDNY (17% of total revenue) and 24% for KEDLI (14% of total revenue). A typical KEDNY residential heating customer will see a $30.95 monthly increase, equating to a 17.2% increase in their total bill (26.1% on delivery rates). A typical KEDLI residential heating customer will see a $28.52 monthly increase, equating to a 16.3% increase in their total bill (25.1% on delivery rates). The effect on an individual customer's monthly bills will vary depending on usage and service classification.

KEDNY	Residential Non-Heat	Residential Heat	Commercial Heat	Multi-Family
Delivery %	34.5%	26.1%	23.5%	27.2%
Total %	29.9%	17.2%	13.5%	12.5%
Monthly $	$12.35	$30.95	$78.69	$227.46

KEDLI	Residential Non-Heat	Residential Heat	Commercial Heat	Multi-Family
Delivery %	29.9%	25.1%	18.2%	25.9%
Total %	24.8%	16.3%	10.8%	11.4%
Monthly $	$15.41	$28.52	$70.55	$300.80

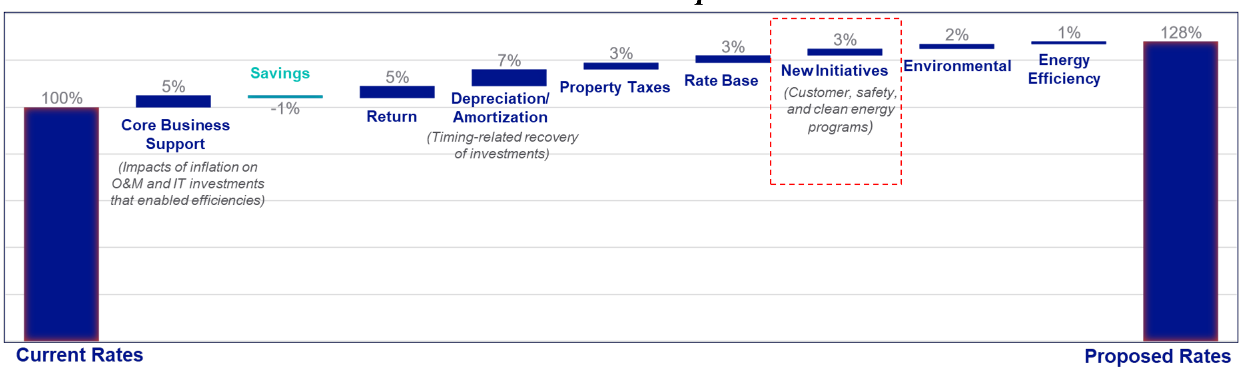
Bill impacts represent the average usage for a customer in the service class.

Received: 04/28/2023

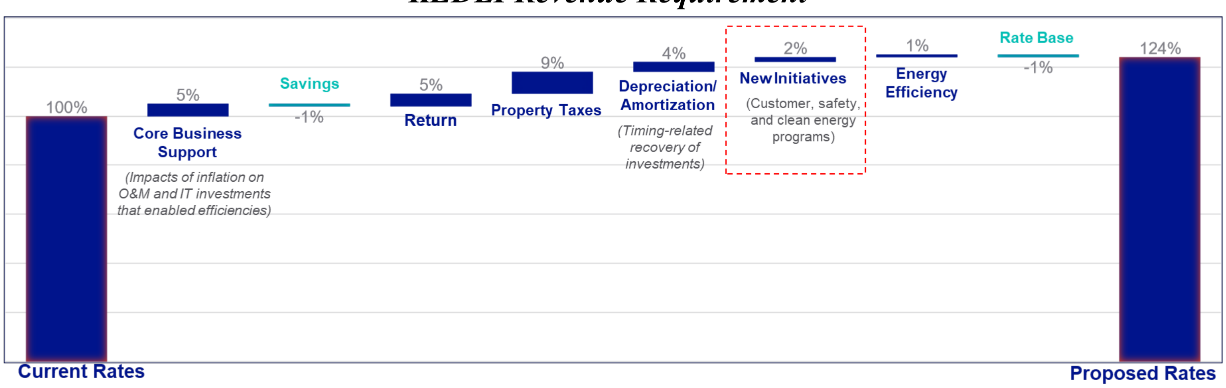
Significant Impact of Inflation & Rising Costs

As depicted in the charts below, the proposed bill increases are largely driven by a combination of inflation and cost factors beyond National Grid's immediate control, including core business cost increases, safety and compliance mandates, property taxes (accounting for nearly 37% of KEDLI's required increase), environmental remediation, energy efficiency, market conditions (return and interest rates), and other non-controllable costs. It is important to recognize that new initiatives, such as new customer programs, account for a relatively small portion of the proposed increases. To help offset the need for rate relief and mitigate the bill impacts of the proposed increases, the Companies are doing their utmost to manage controllable costs in a high-inflation environment and have implemented various saving measures. For example, our work to identify efficiencies has reduced the Companies' combined revenue requirements by more than $70 million in the Rate Year alone.

KEDNY Revenue Requirement



KEDLI Revenue Requirement



<u>Key Priorities of the Rate Filings</u>

As part of our commitment to build a safer, more reliable energy system for New York, we are focused on three critical priorities for these rate filings. First, continuing to meet our core obligation to deliver safe, reliable energy service to our nearly two million customers. Second, enabling customers to affordably meet their energy needs, especially for our financially vulnerable customers, while also improving the customer experience. Third, supporting the clean energy transition and advancing the goals in the CLCPA.

Received: 04/28/2023

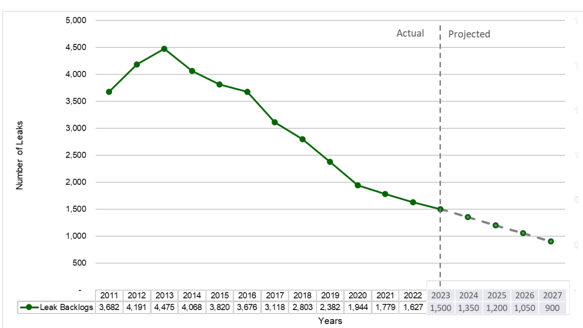
<u>Priority #1</u>: Delivering Safe, Reliable Service

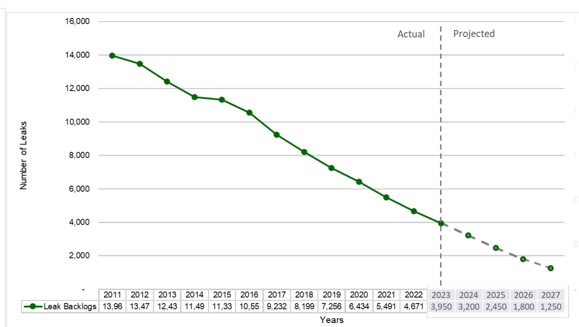
The Gas Infrastructure and Operations Panels discuss the proposed investments necessary to ensure the continued delivery of reliable energy in downstate New York to meet customer needs. The panels also discuss the Companies' efforts to reduce capital costs from planning and budgeting through construction, as well as efforts to identify non-pipes alternatives.

Leak Reduction and Main Replacement. New York has among the highest concentrations of aging, leak-prone pipe ("LPP") in the country – much of which is found in the Companies' service territories. Our LPP retirement program prioritizes the highest-risk, highest-emitting pipeline segments to ensure we are directing resources to the projects that will provide maximum value when considering safety, reliability, and emissions reductions. At the same time, we are also determined to help mitigate the impacts of our capital investments on customer bills by adopting new cost-effective strategies, while maintaining our commitment to safety and reliability. Specifically, we are proposing moderated programs that will effectively maintain the current pace of retirements and enable continued progress through a more deliberate, targeted replacement strategy.

As part of our commitment to improved system performance and reducing GHG emissions, we are also proposing to aggressively repair gas leaks to drive further emissions reductions, including a new program that will deploy advanced leak detection technology to identify and prioritize the repair of high-emitting leaks. **By the end of the proposed rate plan, KEDNY projects that it will have reduced its leak backlog by 80 percent and KEDLI by more than 90 percent compared to the peaks experienced in 2011-2013.**

KEDNY and KEDLI Leak Backlog 2011 to 2027





Received: 04/28/2023

Resiliency and Storm Hardening. Weather events such as Superstorm Sandy (2012), the Polar Vortex (2014), and Winter Storm Elliott (December 2022), and the expectation that similar events will occur with increasing frequency, highlight the need for more reinforcement and resiliency projects to ensure the continued provision of safe and reliable service to customers. To this end, these filings include investments in system automation, safety valves, pipeline integrity, and storm hardening projects to increase the resiliency of critical energy infrastructure.

Priority #2: Meeting the Needs of Our Customers

Being at the heart of a clean, fair, and affordable energy future requires us to maintain our longstanding focus on our customers and do all we can to keep energy affordable. The initiatives we are proposing are designed to ensure energy affordability, improve the customer experience and maintain high levels of customer satisfaction:

- ***Empowering Energy Affordability Programs*:** These rate filings will fund approximately $86 million in annual bill credits for low-income customers through the Companies' Energy Affordability Programs. Funding is critically important, as is identifying and enrolling eligible customers in available assistance programs. To address this challenge, the Companies are proposing an expanded marketing and outreach plan for these programs.

- ***Expanding Support for Disadvantaged Communities*:** To enable a fair and equitable energy transition for all, the Companies are enhancing their outreach in disadvantaged communities, deploying additional resources focused on supporting customers with bill assistance and targeted efficiency programs, implementing an energy efficiency language access pilot to facilitate adoption of energy-saving technologies among non-English speaking customers, and reframing our economic development programs to target businesses in disadvantaged communities.

- ***Increasing Consumer Advocates*:** Our advocates support the Companies' most vulnerable customers by connecting them with programs and services offered by the Companies, government agencies, and local services organizations. Additional Consumer Advocates are needed to support the growing number of customers who are having trouble paying their bills by enabling outreach to thousands of additional households.

- ***Eliminating Credit Card Fees*:** We are proposing to implement a "no-fee" model for residential customer payments using debit or credit cards, which will help meet customers' expectations for improved electronic payment options, lower fees to customers, and avoid using customers' public assistance benefits to pay administrative transaction costs.

- ***Improving the Customer Experience*:** The Companies are proposing customer service enhancements responsive to evolving demands and heightened customer expectations through technology and process upgrades that will enable more self-service options.

Received: 04/28/2023

***Priority #3*: Advancing the CLCPA**

For National Grid, these rate cases represent an opportunity to advance and support the goals of the CLCPA. Specifically, the Climate Action Council's *Scoping Plan* and the Commission's orders on CLCPA implementation have helped focus our filings on improving core gas service while also advancing well-supported public policies in the areas of emissions reduction, demand-side management, vehicle electrification, and fuel decarbonization. In addition to reducing GHG emissions through leak reductions, the Companies' CLCPA-supporting initiatives include:

- ***Promoting Energy Efficiency and Demand Response*:** Energy efficiency investments provide immediate GHG reduction while empowering customers to take control over energy consumption and reduce costs. These rate filings propose more than $70 million/year in energy efficiency offerings, as well as new programs that will reach more customers and increase participation in disadvantaged communities.

- ***Targeting Gas Usage Reductions*:** The Companies are again committing to operate their businesses with the goal of reducing billed gas usage against forecast levels through energy efficiency and other demand reduction programs.

- ***Targeted Non-Pipes Alternatives*:** The Companies have conducted non-pipes alternative assessments as part of the engineering and capital planning for the projects proposed in these cases, and reaffirm their commitment to annually identify leak-prone pipe segments that can be retired using non-pipes alternatives.

- ***Continued Electrification Referrals and Geothermal Projects*:** Both KEDNY and KEDLI propose to continue their existing program to refer prospective gas customers to electrification programs (*i.e.*, heat pump programs) to support increased adoption in our service territories. The Companies are also advancing geothermal projects enabled by the Utility Thermal Energy Network and Jobs Act.[1]

- ***Decarbonizing the Gas Supply*:** The Companies believe a balanced approach to the energy transition must leverage the existing energy networks to provide continued value and emissions benefits. To this end, the Companies propose to interconnect four renewable natural gas projects planned in their service territories, and a unique opportunity to use an existing green hydrogen facility for blending in a closed system on Long Island.

- ***Fleet Electrification*:** We are proposing to replace nearly 650 internal combustion engine vehicles with electric vehicles ("EVs"). The Companies are proposing to deploy the largest number of EVs at operating yards located within the boundaries of disadvantaged communities, which will improve air quality and ambient noise in those neighborhoods.

[1] Although the Companies discuss their geothermal efforts as part of this filing, the specific projects are being separately considered by the Commission in the Utility Thermal Energy Network Proceeding (Case 22-M-0429).

Received: 04/28/2023

Proposed Term of Rate Plan

While the Companies' filings propose new rates for the Rate Year only, cost data for three additional years have been included to facilitate a potential multi-year settlement. The Companies believe that a multi-year settlement would allow for a phase in of the revenue increases and the ability to better manage customer bill impacts and affordability.

Information Accompanying this Rate Filing

The rate plans proposed in this filing 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:

Attachment A – Revised tariff leaves for KEDNY's tariff, P.S.C. No. 12 – Gas[2]
Attachment B – Revised tariff leaves for KEDLI's tariff, P.S.C. No. 1 – Gas
Attachment C – Summary of Written Testimony and Exhibits Supporting Filing
Attachment D – Notices of Proposed Rulemaking under the State Administrative Procedure Act
Attachment E – Method of Service Forms Consenting to Electric Service of Documents

The revised tariff leaves are proposed to be initially effective June 3, 2023. However, the Companies understand that, after customary suspension periods, the leaves will likely become effective April 1, 2024.

Conclusion and Notice Requirements

National Grid's core responsibility is providing safe and reliable service to the millions of customers and communities who rely on us for life-sustaining energy, while building and maintaining the delivery networks that will support the energy future for the next generation of New Yorkers. The proposals in these rate cases will modernize the Companies' infrastructure, reduce system emissions, improve safety, enhance and improve customer service, and deliver aggressive energy efficiency and other non-infrastructure programs. To achieve these critical energy priorities, it is necessary to update our delivery rates to ensure we meet the energy needs of millions of customers, maintain financial stability and enable access to debt capital that will fund needed investments. Recognizing the imperative to manage customers' bills, these filings balance the need for continued investment with the need to maintain affordability and protect our most vulnerable customers.

The prepared written testimony and exhibits of the Companies' witnesses, as identified in Attachment C, 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' respectfully request that, in the absence of agreement of the parties, the Commission approve the changes to become effective on April 1,

[2] 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.

Received: 04/28/2023

2024. Newspaper publication will be made in accordance with §66(12) of the Public Service Law and 16 NYCRR §720-8.

The Companies look forward to working with Department of Public Service Staff and other interested parties to implement the new rate plans and work towards investments that will provide a safe, reliable energy future for customers.

Respectfully submitted,

/s/ Philip A. DeCicco
Philip A. DeCicco

Attachments

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