

September 29, 2016

VIA ELECTRONIC FILING

Honorable Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 16-G- _____ – Petition of The Brooklyn Union Gas Company d/b/a National Grid NY for Waiver of its Annual Reconciliation of Gas Costs Mechanism

Dear Secretary Burgess:

Enclosed for filing with the Commission please find a petition of The Brooklyn Union Gas Company d/b/a National Grid NY (“KEDNY”) for a waiver of certain tariff provisions and Section 720-6.5(g) of 16 NYCRR to allow KEDNY to suspend collection of the annual reconciliation of gas costs mechanism in its Gas Adjustment Clause.

Also enclosed is a proposed notice for publication in the State Register under the State Administrative Procedure Act.

Please contact the undersigned with any questions regarding this letter or the enclosures.

Respectfully submitted,

/s/ Philip A. DeCicco

Philip A. DeCicco

cc: Department of Public Service Staff (via email)

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

-----X
In the Matter of the Petition of :
The Brooklyn Union Gas Company : **Case 16-G-_____**
d/b/a National Grid NY for Waiver :
of Its Annual Reconciliation of :
Gas Costs Mechanism :
-----X

Petition of
The Brooklyn Union Gas Company
d/b/a National Grid NY
For Waiver of Its Annual
Reconciliation of Gas Costs Mechanism

THE BROOKLYN UNION GAS COMPANY
d/b/a NATIONAL GRID NY
Philip A. DeCicco
One MetroTech Center
Brooklyn, NY 11201
Ph: (929) 324-4543
philip.decicco2@nationalgrid.com

Dated: September 29, 2016

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

-----X
In the Matter of the Petition of :
The Brooklyn Union Gas Company : **Case 16-G-_____**
d/b/a National Grid NY for Waiver :
Of Its Annual Reconciliation of :
Gas Costs Mechanism :
-----X

**Petition of
The Brooklyn Union Gas Company d/b/a National Grid NY
For Waiver of Its Annual
Reconciliation of Gas Costs Mechanism**

Pursuant to Section 66 of the Public Service Law¹ and Section 3.3(c) of the New York State Public Service Commission’s (“Commission”) Rules of Procedure,² The Brooklyn Union Gas Company d/b/a National Grid NY (“KEDNY” or “Company”) hereby petitions the Commission for a temporary waiver of certain tariff provisions and Section 720-6.5(g) of 16 NYCRR to allow KEDNY to suspend collection of the annual reconciliation of gas costs surcharge/refund mechanism in its Gas Adjustment Clause (“GAC”). Temporarily suspending the annual reconciliation of gas costs surcharge will allow the Company to manage the customer bill impacts associated with recovering \$43 million of unbilled gas commodity costs set to be recovered through the annual reconciliation beginning January 1, 2017, thereby avoiding a sharp increase in the commodity portion of customers’ bills that would coincide with an anticipated increase in base delivery rates. Specifically, KEDNY requests authority to suspend the annual reconciliation of gas costs surcharge for three months, from January 1, 2017 through March 31, 2017, and to reinstate the surcharge beginning April 1, 2017. The Company would address any

¹ PSL §66.
² 16 NYCRR §3.3(c).

gas commodity costs not recovered through the annual reconciliation of gas costs in 2017 in the following year's reconciliation (beginning January 1, 2018).

The Company believes this temporary waiver is appropriate to mitigate customer bill impacts by smoothing recovery of prior period commodity costs over several months after the winter heating season, which will prevent financial harm to customers and is consistent with the Commission's policy favoring rate gradualism. Accordingly, KEDNY respectfully requests that the Commission grant the waiver requested in this petition.

Background and Discussion

Pursuant to the Company's tariff, KEDNY performs an annual reconciliation of its actual gas commodity costs and actual commodity revenues collected from customers. An annual surcharge or credit is then established to recover/return any over or under collection through a reconciliation filing made no later than October 15th of the year prior to the year the surcharge becomes effective.³ KEDNY's current annual reconciliation of gas costs surcharge is \$0.08922 per dekatherm. KEDNY will file by October 15, 2016 its annual reconciliation of gas costs reconciliations to establish the surcharge/credit to be effective during the twelve months beginning January 1, 2017. Because KEDNY under collected commodity costs during the 2016 GAC Year, application of the tariff's commodity reconciliation provisions would increase the surcharge to \$0.51 per dekatherm, which would collect approximately \$43 million of gas costs from KEDNY's customers in calendar year 2017. Absent action by the Commission, this gas costs surcharge will become effective January 1, 2017.

The impact of the 2017 gas costs surcharge on the commodity portion of a typical residential heating customer's winter bill would be an increase of approximately 12 percent for

³ KEDNY's annual reconciliation of gas costs mechanism is set forth in Section II.36.B of its tariff (PSC No. 12 Gas), Leaf 79.7. This reconciliation mechanism is consistent with Subpart 720-6-5(g) of the Commission's regulations.

KEDNY's customers as compared to currently forecast bills for 2017. This equates to an approximately 4 percent increase in the total typical bill for residential heating customers (including the impact of anticipated delivery rate increases), 6 percent for non-residential, non-heating customers, 5 percent for non-residential heating customers, and 6-7 percent for multi-family dwelling customers.

As the Commission is aware, KEDNY filed its base rate case on January 29, 2016, with new rates anticipated to go into effect January 1, 2017. Because it has been nearly a decade since KEDNY has had its base rates reset, the Company requires a significant revenue increase to permit it to recover its costs of providing service. Under the Joint Proposal ("Joint Proposal") filed in Case 16-G-0059 on September 7, 2016, a typical KEDNY residential heating customer in 2017 would see an increase of \$9.40 per month, or 9.4 percent, on the total bill (15.2 percent on delivery rates). The 12 percent increase in commodity rates (4 percent total bill increase) from the 2017 annual reconciliation of gas costs surcharge would be in addition to these delivery rate increases.

The Company believes it is not in the best interest of its customers to increase commodity cost by approximately 12 percent at the same time the new delivery rates go into effect in January 2017. Significant increases in both the commodity and delivery rates, especially during the winter months, could create a financial hardship for KEDNY's customers. To mitigate the financial impact of the rate increases for its customers, KEDNY requests authority to suspend collection of its annual reconciliation of gas costs mechanism from January 1, 2017 through March 31, 2017.⁴ KEDNY would then implement a new surcharge for the remainder of calendar year 2017, from April 1, 2017 to December 31, 2017, with the balance of the under-recovery

⁴ The Joint Proposal provides for a new Mid-Year Adjustment to the annual reconciliation of gas costs that allows the Company to adjust the surcharge/credit to reflect any residual balances from the prior year. The Company proposes to suspend application of the Mid-Year Adjustment during this period.

collected through the 2018 reconciliation filing that KEDNY will make by October 15, 2017. KEDNY projects that its proposal would defer the collection of approximately \$21 million not recovered through the annual reconciliation of gas costs in January to March 2017, plus carrying costs, until calendar year 2018. The bill impacts for the Company's proposal is included in Appendix A.

The Commission's authorization of the requested waiver will assist customers by mitigating an otherwise significant financial impact while also ensuring that the Company is made whole for commodity costs already incurred on behalf of those customers. KEDNY submits that its proposal is consistent with the Commission's longstanding policies that favor gradual revenue changes over abrupt ones⁵ and encourage utilities to reduce commodity price volatility.⁶ In addition, the Commission has permitted utilities to modify their annual commodity revenue adjustments to mitigate the rate impacts of those adjustments on customers.⁷ Recently, the Commission granted a waiver to KEDNY's affiliate, Niagara Mohawk Power Corporation, to mitigate for its full service mass market customers adverse financial impacts anticipated from a significant and unusual increase in electric commodity prices.⁸

The Company proposes to apply carrying costs to the unrecovered commodity costs at the other customer capital rate. The Commission has recognized that carrying charges

⁵ Case 06-G-1185 *et al.*, *The Brooklyn Union Gas d/b/a KeySpan Energy Delivery New York and KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island*, "Order Adopting Gas Rate Plans For KeySpan Energy Delivery New York and KeySpan Energy Delivery Long Island" (Issued and Effective December 21, 2007) at p. 65.

⁶ *See e.g.* Case 97-6-0600, *In The Matter Of The Commission's Request For Gas Distribution Companies To Reduce Gas Cost Volatility And Provide For Alternate Gas Purchasing Mechanism*, "Statement of Policy Concerning Gas Purchasing Practice" (Issued and Effective April 28, 1998).

⁷ Case 00-G-0235, *In The Matter of the Filing of Annual Reconciliation of Gas Expenses and Gas Cost Recoveries*, (December 20, 2000) (Order authorized special treatment of annual refunds/surcharges by three utilities to help ameliorate bill impacts of gas commodity cost increases during the 2000-2001 heating season).

⁸ Case 14-E-0026, *Petition of Niagara Mohawk Power Corporation d/b/a National Grid for Waiver of Tariff Rule 46.3.2*, "Order Adopting Emergency Rule as a Permanent Rule and Allowing Recovery of Deferral Costs" (Issued and Effective April 25, 2014).

adequately and reasonably compensate shareholders and customers for the time value of money when policy considerations support deferral of refunds or unrecovered costs.⁹

In essence, the requested waiver seeks to mitigate the financial impact of a substantial increase in customer bills by delaying the commodity rate increase to smooth rate impacts for KEDNY's customers in a manner consistent with the Commission's policies of fostering gradual rate increases and protecting New York customers from financial strain. While the Company will eventually recover the 2016 GAC Year commodity cost under collection from customers, delaying the increased annual reconciliation of gas costs surcharge will help mitigate the impacts of the anticipated base rate increases that will take effect January 2017 and allow customers to manage the bill increases in smaller increments over a longer period.

Miscellaneous

Communications and correspondence concerning this petition should be sent to the following individuals:

THE BROOKLYN UNION GAS COMPANY
d/b/a NATIONAL GRID NY
Philip A. DeCicco
One MetroTech Center
Brooklyn, NY 11201
Phone: (929) 324-4543
philip.decicco2@nationalgrid.com

Attached hereto is the following appendix:

Appendix A - Bill Impacts for KEDNY's proposed annual reconciliation of gas costs surcharge computation

⁹ Case 12-M-0447, *In The Matter of Approval, Pursuant to 16 NYCRR §89.3 of a Sales Tax Refund between Niagara Mohawk Power Corporation and Ratepayers*, "Order Allocating Sales Tax Refund" (February 24, 2014) (A refund allocated to customers through a deferral mechanism that accrues carrying charges from the date of receipt until the deferred amounts are used for customers ensures that neither customers nor the Company are disadvantaged); *See also*, Case 09-M-0311, *Implementation of Chapter 59 Of The Laws of 2009 Establishing A Temporary Annual Assessment Pursuant To Public Service Law §18a(c)*, "Order Denying Alternative Surcharge Methodology" (Issued and Effective October 15, 2009).

In accordance with Section 17.2 of the Commission's regulations,¹⁰ KEDNY states that to the best of its knowledge its certificate of incorporation is on file with the Commission.

Conclusion

For the foregoing reasons, KEDNY respectfully requests that the Commission (i) grant KEDNY's request for a waiver of its annual reconciliation of gas costs mechanism set forth at Section II.36.B of its tariff (PSC No. 12 Gas), Leaf 79.7, as well as Section 720-6.5(g) of the Commission's regulations, to allow the Company to suspend its annual reconciliation of gas costs surcharge from January 1, 2017 to March 31, 2017 and to implement a new annual reconciliation of gas costs surcharge commencing April 1, 2017, (ii) authorize recovery of the remainder of any under-recovered commodity costs for the 2016 GAC Year in the Company's supply cost adjustment to be effective January 1, 2018, and (iii) grant such other and further relief as may be required for the benefit of KEDNY and its customers.

Respectfully submitted,

The Brooklyn Union Gas Company
d/b/a National Grid

/s/ Philip A. DeCicco
Philip A. DeCicco
One MetroTech Center
Brooklyn, NY 11201
Ph: (929) 324-4543
philip.decicco2@nationalgrid.com

Dated: September 29, 2016

¹⁰ 16 NYCRR §17.2.

The Brooklyn Union Gas Company d/b/a National Grid New York (KEDNY)
Summary of Typical Monthly Bill Impacts (Implementation of GAC Reconciliation)
Rate Year (CY 2017)

	Annual Use (Therms)	Monthly Bill Impacts - 8/29/2016 NYMEX				Monthly Bill Impacts - 8/29/2016 NYMEX			
		Rate Year (CY 2017) @ Proposed Rates w/o GAC Reco	Scenario 1 (with GAC Annual Reco- same rates Jan-Dec)	Difference	%	Rate Year (CY 2017) @ Proposed Rates w/o GAC Reco	Scenario 2 (Jan-Mar @ \$0 rates, Apr - Dec @ full rates)	Difference	%
SC 1B- Residential Heat	1,000								
Total Delivery Charge		\$778.35	\$778.35	\$0.00	0.0%	\$778.35	\$778.35	\$0.00	0.0%
Total Supply Charge		\$430.70	\$480.90	\$50.20	11.7%	\$430.70	\$457.68	\$26.99	6.3%
GRT		\$47.97	\$49.27	\$1.30	2.7%	\$47.97	\$48.67	\$0.70	1.5%
Total Monthly Charge		\$1,257.02	\$1,308.52	\$51.50	4.1%	\$1,257.02	\$1,284.71	\$27.69	2.2%
SC 2-1 - Non Residential Non Heat	5,460								
Total Delivery Charge		\$2,483.85	\$2,483.85	\$0.00	0.0%	\$2,483.85	\$2,483.85	\$0.00	0.0%
Total Supply Charge		\$2,351.60	\$2,625.69	\$274.09	11.7%	\$2,351.60	\$2,498.95	\$147.35	6.3%
GRT		\$125.10	\$132.20	\$7.09	5.7%	\$125.10	\$128.92	\$3.81	3.0%
Total Monthly Charge		\$4,960.55	\$5,241.73	\$281.18	5.7%	\$4,960.55	\$5,111.71	\$151.16	3.0%
SC 2-2 - Non Residential Heat	2,616								
Total Delivery Charge		\$1,625.85	\$1,625.85	\$0.00	0.0%	\$1,625.85	\$1,625.85	\$0.00	0.0%
Total Supply Charge		\$1,126.70	\$1,258.02	\$131.32	11.7%	\$1,126.70	\$1,197.30	\$70.60	6.3%
GRT		\$96.96	\$103.35	\$6.40	6.6%	\$96.96	\$100.40	\$3.44	3.5%
Total Monthly Charge		\$2,849.51	\$2,987.23	\$137.72	4.8%	\$2,849.51	\$2,923.55	\$74.04	2.6%
SC 3 - Heating and/or Water Heating Service (Multi-Family Buildings)	20,436								
Total Delivery Charge		\$6,937.86	\$6,937.86	\$0.00	0.0%	\$6,937.86	\$6,937.86	\$0.00	0.0%
Total Supply Charge		\$8,801.69	\$9,827.58	\$1,025.89	11.7%	\$8,801.69	\$9,353.21	\$551.52	6.3%
GRT		\$556.02	\$582.56	\$26.54	4.8%	\$556.02	\$570.29	\$14.27	2.6%
Total Monthly Charge		\$16,295.57	\$17,348.00	\$1,052.43	6.5%	\$16,295.57	\$16,861.36	\$565.79	3.5%

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION
PROPOSED RULE MAKING
NO HEARING(S) SCHEDULED**

PURSUANT TO THE PROVISIONS of the State Administrative Procedure Act, NOTICE is hereby given of the following action:

Proposed Action: The Public Service Commission is considering whether to approve or reject, in whole or in part, a petition filed by The Brooklyn Union Gas Company d/b/a National Grid NY (“KEDNY”) for a temporary waiver of certain tariff provisions and Section 720-6.5(g) of 16 NYCRR to allow KEDNY to suspend collection of the annual reconciliation of gas costs mechanism in its Gas Adjustment Clause (“GAC”).

Statutory authority: Public Service Law Sections 4(1) and 66(1).

Subject: Temporary waiver of KEDNY’s tariff provisions and 16 NYCRR 720-6.5(g).

Purpose: To approve or reject KEDNY’s petition for a temporary waiver of its tariff provisions and certain provisions in the Commission’s regulations.

Substance of the proposed rule: The Public Service Commission is considering a petition by KEDNY for a waiver of its annual reconciliation of gas costs mechanism set forth at Section II.36.B of its tariff (PSC No. 12 Gas), Leaf 79.7, as well as Section 720-6.5(g) of the Commission’s regulations, to allow the Company to suspend its annual reconciliation of gas costs surcharge from January 1, 2017 to March 31, 2017 and to implement a new supply cost surcharge commencing April 1, 2017, and to authorize recovery of the remainder of any under-recovered commodity costs for the 2016 GAC Year in the Company's supply cost adjustment to be effective January 1, 2018. The Commission may approve, reject or modify, in whole or in part, KEDNY’s request.

Text of proposed rule and any required statement an analysis may be obtained by filing a Document Request Form (F-96) located on our website

<https://www.dps.state.ny.us/f96dir.htm>.

For questions, contact: Elaine Agresta, Public Service Commission, 3 Empire State Plaza, Albany, New York 12223-1350, (518) 486-2660, email: Elaine.Agresta@dps.ny.gov

Data, views or arguments may be submitted to: Kathleen H. Burgess, Secretary, Public Service Commission, 3 Empire State Plaza, Albany, NY 12223-1350, (518) 474-6530, e-mail: secretary@dps.ny.gov

Public comment will be received until: 45 days after publication of this notice.

Regulatory Impact Statement, Regulatory Flexibility Analysis, Rural Area Flexibility Analysis and Job Impact Statement

Statements and Analysis are not submitted with this notice because the proposed rule is within the definition contained in Section 102(2)(a)(ii) of the State Administrative Procedure Act.