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John B. Rhodes, Chair

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PSC Reduces O&R's Rate Request by 80 Percent

— Utility Regulator Cuts $26.2 Million from Total Revenue Request of $32.2 Million; O&R to Pursue Energy Efficiency Initiatives; Update Aging Infrastructure, and Implement Important Electric Reliability and Gas Pipeline Safety Programs —

ALBANY — The New York State Public Service Commission (Commission) today 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 80 percent. Under its last proposal, the utility sought a total electric revenue increase of $30 million, or 3.3 percent, and a $2.2 million gas revenue increase, or about 1 percent. Instead, the Commission approved a first-year electric rate increase of $8.6 million, or 0.4 percent, and a first-year gas rate decrease of $5.9 million, or negative 2.5 percent. In the second year, electric revenues will increase $12.1 million, or 1.9 percent, and will increase $12.2 million, or 1.9 percent, in the third year. Gas revenues in the second year will increase $1 million, or 0.4 percent, and will increase $1 million in the third year, or 0.4 percent.

Under the new rate plan, a typical residential electric customer would see a total monthly bill increase of $2.90 or 2.4 percent in the first year starting in January 2019, $3.07 or 2.5 percent in the second year starting in January 2020, and $3.04 or 2.4 percent in the third year starting in January 2021. A typical residential heating customer would see an average monthly bill decrease of $1.99 in the first year, or -1.5 percent, an $0.83 increase in the second year, or 0.6 percent, and a $1.07 increase in the third year, or 0.8 percent. Eligible low-income electric customers will see an electric bill reduction of up to 44 percent.

"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 Reforming the Energy Vision initiative, or REV, 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.

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.

Parties who have signed the joint proposal include the company; Department of Public Service staff; the New York Power Authority; the New York Department of State, Consumer Protection Division, Utility Intervention Unit; the Pace Energy and Climate Center; the Environmental Defense Fund; the Public Utility Law Project of New York, Inc.; the Towns of Clarkstown, Haverstraw, Orangetown, Ramapo, and Stony Point; the Rockland County Solid Waste Management Authority; the New York Geothermal Energy Organization; and others.

Today's decision may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Numbers 18-E-0067 or 18-G-0068 in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission documents may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.

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