

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

- CASE 15-G-0382 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of St. Lawrence Gas Company, Inc. for Gas Service.
- CASE 13-G-0076 - Petition of St. Lawrence Gas Company, Inc. for Permission to Defer Certain Expenses Related to In-Line Inspection of a 12” High Pressure Gas Main.

SUMMARY OF JOINT PROPOSAL

On April 12, 2016, St. Lawrence Gas Company, Inc. (“St. Lawrence” or “Company”), Staff of the Department of Public Service, and Multiple Intervenors submitted a Joint Proposal to resolve the issues raised in the above captioned cases. The Joint Proposal sets forth a three year rate plan, with the pertinent terms described below. The Company consented to extend the maximum suspension period, and thus the Joint Proposal provides that the Company will be “made whole,” such that even if the Commission does not set rates until after June 1, 2016, the Company should receive revenues as if the new rates went into effect on June 1, 2016.

Term: Rate Year (RY) 1 6/1/16 – 5/31/17; RY2 6/1/17 – 5/31/18; RY3 6/1/18 – 5/31/19

Aggregate non-commodity bill impacts (compared to current bills) for Company customers other than those in its expansion area of Franklin and St. Lawrence County (“Expansion Area”): \$0 for RY1; \$304,648 for RY2; and \$608,896 for RY3. These bill impacts are achieved by using a number of built up credits to offset revenue requirements for RY1 – RY3 as well as the operations and maintenance (“O&M”) expense portion of the System Reliability Surcharge (“SRS”). Note that, as customers in the Expansion Area generally did not contribute to the built-up credits, those customers will not receive the benefit of the credits.

Revenue Requirements: \$484,987 for RY1; \$434,847 for RY2; and \$307,322 for RY3

The Joint Proposal will institute an SRS to provide for recovery of capital and O&M expenses related to inline inspection of segments of St. Lawrence’s gas mains. The Company will collect \$214,600 in O&M expenses over the next five years, and will also collect carrying charges on capital expenses related to work required to prepare the mains for inspection.

The Joint Proposal includes the following provisions which affect the overall rate level:

- A 9.0% return on equity, with a mechanism to share any Company earnings above 9.5% with ratepayers.
- An increase in the imputed amount of interruptible sales from \$1.8 m to approximately \$2.4 m.
- A payroll reserve to provide for training of new hires who will be replacing expected retirees.
- A proposed resolution of Case 13-G-0076, in which the Company had requested authority to defer \$216,379.57 related to inline inspection work completed in 2012. The Joint Proposal provides for recovery of 80% of that amount, or \$173,102.86.

- A return of unspent System Benefit Charge (SBC) funds, \$189,418 in each rate year, to customers in classes that paid the SBC in the past. This does not apply to customers in the Franklin County Expansion area.
- A productivity adjustment of \$60,031 capturing, for customers, expected productivity gains resulting from the enhanced capital and operations programs.
- A limited allowance for rate recovery of Enbridge, Inc. intercompany charges and measures to ensure that such charges reflect services.
- An adjustment to property taxes capturing, for customers, the benefit of economic obsolescence filings the Company did, or should have, pursued. This reduced rate year property tax expense and also increased the credit for customers resulting from the property tax reconciliation under the previous rate plan adopted in Case 08-G-1392 by \$311,834.
- Projected capital expenditures of \$2,991,200 for RY1; 3,318,400 for RY2 and \$1,943,700 for RY3.
- A continuation of a downward-only true up of net plant, to ensure that customers receive a credit if the Company does not meet its capital expenditure projections.
- The development of improved capital budget processes, and a new mechanism to incent the Company to efficiently pursue its capital expenditure projects.

The Joint Proposal furthers the Commissions goals through the following provisions:

- Updated and enhanced gas safety performance targets with associated potential negative revenue adjustments.
- Enhanced communications with First Responders during emergency events, and enhanced training for first responders.
- An enhanced Low Income Assistance Program which provides a \$5 reduction to the monthly bill for a regular HEAP [Home Energy Assistance Program] recipient, and a \$10 reduction for a HEAP recipient with add-ons. The program will provide assistance to approximately 2,600 customers at an aggregate annual cost of \$283,920.
- Updated customer service quality performance targets, with associated potential negative revenue adjustments.
- Aggregate customer incentives of \$35,000 annually to encourage conversions to natural gas from alternative fuels.
- Incentives for the Company to add new residential and commercial customers.
- The enhancement of the Company's outreach to encourage individuals in the job market to consider careers in the natural gas distribution industry.
- An evaluation of the potential for the use of compressed natural gas and liquid natural gas in the North Country.
- Training for and research into the potential for increased natural gas vehicle usage in the Company's service territory.