NEW YORK STATE
PUBLIC SERVICE COMMISSION

Case 21-G-0577 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Liberty Utilities (St. Lawrence Gas) Corp. for Gas Service

SUMMARY OF JOINT PROPOSAL

On March 30, 2023, Liberty Utilities (St. Lawrence Gas) Corp. (Liberty SLG or the Company), Staff of the Department of Public Service (DPS Staff), and Multiple Intervenors (MI, which represents large commercial, industrial, and institutional customers) entered into an unopposed Joint Proposal (Joint Proposal), which proposes a three-year rate plan for Liberty SLG from November 1, 2022 through October 31, 2025 (Rate Plan). Besides the Company, DPS Staff, and MI (collectively, the Signatory Parties), the only other party to this proceeding, the Utility Intervention Unit of the Division of Consumer Protection of the New York State Department of State (UIU), has not signed the Joint Proposal but does not oppose it. If adopted by the New York State Public Service Commission (Commission), the Joint Proposal will resolve all contested issues in Case 21-G-0577. The key provisions of the Joint Proposal are summarized below.

Revenue Requirement: The revenue requirement increase for Rate Year 1 is $2,579,086; for Rate Year 2 is $647,278; and for Rate Year 3 is $809,922. The Signatory Parties worked to minimize the revenue increases needed to allow the Company to continue to provide customers with safe and adequate service and recommend mitigating the impact on customers by levelizing total revenue impacts (including base delivery rates, changes to a surcredit, and recovery of the costs of discounts provided to low-income customers), and thus customer bill impacts, as follows: for Rate Year 1 is $1.380M, for Rate Year 2 is $1.926M, and for Rate Year 3 is $1.943M – which will result in a 2.97% total bill increase in all three Rate Years. As Commission action regarding the Joint Proposal will occur after the start of Rate Year 1, the Joint Proposal includes a provision to put the Company and customers in the same financial position they would have been in had rates gone into effect on January 1, 2023.

Low-Income Program: With a goal of limiting the energy cost burden on residential gas customers consistent with the 3% energy burden target using the Commission's methodology, the Joint Proposal recommends a bill discount program for low-income residential customers. The Low-Income Program funding will be $351,459 in Rate Year 1, $399,708 in Rate Year 2, and $452,674 in Rate Year 3. This discount program will employ a four-tiered approach based on the Commission's recognition of varying levels of need that correlate with the Home Energy Assistance Program (HEAP):

	Bill Discounts			
	RY1	RY2	RY3	Criteria
Tier 1	$5.00	$5.00	$5.00	Regular HEAP recipients
Tier 2	$10.07	$11.49	$13.05	Regular HEAP with one add-on* recipient
Tier 3	$22.54	$25.72	$29.21	Regular HEAP with two add-on* recipient
Tier 4	$16.97	$19.36	$21.99	Direct Voucher

* HEAP add-ons increase the amount of a HEAP grant and are based on gross income and the presence of a vulnerable individual in the household. A HEAP recipient can qualify for one or both add-ons

Return on Equity (ROE) and Capital Structure: The cost of capital for the Company during the term of the Rate Plan shall be based on a common equity ratio of 48.00%, an ROE of 9.20%, and a long-term debt cost rate of 4.33%. This equates to an overall after-tax rate of return (ROR) of 6.66% and an overall pre-tax ROR of 8.22% for the term of the Rate Plan.

Rate Design: The Joint Proposal recommends adopting rates designed so each service class receives increases close to the system average increase in each Rate Year. The proposed rates also reduce the existing differential between the rate blocks for the Company's service classifications over the three-year Rate Plan.

Climate Leadership and Community Protection Act (CLCPA) Goals: The Joint Proposal contains several provisions that are intended to further New York State's ability to meet the goals of the CLCPA, including:

(1) a mechanism requiring Commission review and approval of any proposed non-mandatory gas main extension projects for which the Company seeks rate recovery;
(2) for any potential mandatory gas main extension projects over 500 feet, requiring the Company consult with DPS Staff on potential alternatives, provide information to the prospective customer(s) on the consistency of the project with the CLCPA, and refer prospective customers to clean heat programs conducted by applicable electric utilities;
(3) requiring the Company to continue encouraging energy efficiency and gas conservation through messaging to existing customers;
(4) implementation of a Residential Methane Detector Pilot Program;
(5) implementation of a Behavioral Demand Response program to encourage customers to reduce their gas usage during times of peak usage, which benefits customers by lowering utility bills and reducing gas consumption;
(6) requiring the Company to provide annual reporting of its greenhouse gas emissions;
(7) provisions to encourage the continued replacement of any leak prone pipes; and
(8) continuation of the Company's Outreach & Education program.

Service Territory Consolidation: The Joint Proposal recommends consolidating the Company's "Legacy Area" (primarily St. Lawrence and Lewis Counties) and "Expansion Area" (primarily Franklin County) into a single service territory for ratemaking and all other purposes. The Joint Proposal results in a reduction to Expansion Area rate base for ratemaking purposes of $4.49M, which leaves a self-supporting rate base of $3.083M.

Capital Investment Plan Reporting: Starting on July 1, 2023, the Company will file a three-year capital investment rate plan with the Commission annually, which will include (1) a high-level schedule of major capital investments that the Company plans to make over the three-year period; and (2) a description of the capital projects, as well as details explaining any major shifts in the previously filed capital investment plan.

Gas Safety: The Company will maintain its current targets and associated revenue adjustments with respect to gas safety performance metrics in the areas of emergency response, leak management, and pipeline safety regulatory compliance. The Company will implement more stringent targets and associated revenue adjustments for the damage prevention metric.

Customer Service: The Company will continue to monitor customer service through a renamed Customer Service Performance Indicators, which will include metrics, performance thresholds, and associated revenue adjustments based on the Overall Customer Satisfaction Rate and the Commission Complaint Rate.