



Jeffrey A. Rosenbloom
General Counsel

May 26, 2022

VIA ELECTRONIC FILING

Honorable Michelle L. Phillips
Secretary
State of New York
Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 22-E-_____ - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of New York State Electric & Gas Corporation for Electric Service

Case 22-G-_____ - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of New York State Electric & Gas Corporation for Gas Service

Case 22-E-_____ - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Electric Service

Case 22-G-_____ - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Gas Service

Dear Secretary Phillips:

By this filing, we¹ submit rate cases allowing us to proactively address an increasingly complex energy environment coupled with a pressing need to make important core investments in the grid to support safe and reliable service for customers.

I. Overview

The investments proposed in our rate cases are necessary to address increasing system-wide exposure to equipment failure driven by aging infrastructure and to address growing exposure to tree-related outages, particularly given the increase in weather events and heightened expectations around outage restoration times.

¹ New York State Electric & Gas Corporation (“NYSEG”) and Rochester Gas and Electric Corporation (“RG&E” and together with NYSEG, the “Companies”)

They also allow us to continue to evolve from a traditional one-way power delivery model to a more complex two-way power flow version incorporating multiple distributed energy resources (“DERs”) while meeting increasing customer expectations and important public policy objectives, including the Climate Leadership and Community Protection Act (“CLCPA”).

We have identified the resources and investments necessary to carry out these important objectives in a cost-effective manner for our customers, while confronting the realities of residual rate impacts from our last rate cases, the impacts of the Covid Pandemic and current macro-economic conditions, including inflation at levels not seen in decades.

To develop these rate cases, we analyzed what needs to be done to improve our service to customers and to meet the State of New York’s clean energy objectives. We then balanced those needs against customer affordability. For example, in some cases, the Companies identified capital investments that while necessary, could be temporarily delayed or deferred. In addition, we voluntarily utilized other moderators, such as the use of excess depreciation reserve to mitigate the rate increase impact to our customers.

The result is proposed rates reflective of what is needed to meet the challenges to our networks and systems today and to reliably and safely provide service to customers during the transition to New York’s clean energy future. We are committed to all CLCPA goals, including the efficiency targets set forth in the Commission’s New Efficiency: New York proceeding, and the commitments we previously made at the conclusion of the 2019 Rate Cases. In this case, we seek approval of the resources and investments necessary to carry out these important objectives in a cost-effective manner for our customers.

While we filed traditional one-year rate cases, the Companies strongly support a settlement process to achieve a multi-year settlement. Multi-year settlements often benefit customers and the Companies by providing enhanced rate predictability and opportunities to shape or levelize rates over time, while spreading rate case expenses over a longer period.

II. Context: Residual Rate Pressure from the Last Rate Cases And Historic Inflation

In addition to reliability, customer service, storm response, and CLCPA-driven business needs, there is also significant residual rate pressure deferred from the Companies’ last rate cases. The Companies and parties to the 2019 Rate Cases, in response to the Covid Pandemic and its impacts on our customers, incorporated substantial rate mitigation into the final Joint Proposal presented to the Commission. In its approval order, the Commission further modified the Joint Proposal to include the addition of new customer assistance programs and various approaches to further mitigate rates.

The Companies, the Commission, and the parties did the right thing at that time. We needed to assist customers by minimizing bill impacts during the height of the Covid Pandemic. At the same time, implementation of the rate moderation and mitigation changes that helped customers during the term of the current rate plan, now result in significant upward pressure on the revenue requirement and proposed delivery rates in these cases for costs that cannot be avoided.

We are also experiencing macro-economic pressures including higher rates of inflation, higher interest rates, and restrictions in supply that have substantially increased costs beyond the Companies' control for essential business items like labor, benefits, materials and contractor costs. In addition, due to the CLCPA-driven commitments set forth in the Companies' 2019 Rate Cases, as well as the impact of Covid on small commercial customers, we are anticipating a reduction in gas unit sales, which increases rates for our gas customers as there are fewer unit sales over which to spread the costs of doing business.

III. Companies' Approach to Developing the Rate Filings

To develop our rate filings, we analyzed all that needs to get accomplished in the next few years for our customers and the State of New York, considering what it would take from an investment and people standpoint while keeping in mind overall rate impacts. To help prioritize, we grouped our identified costs into five categories:

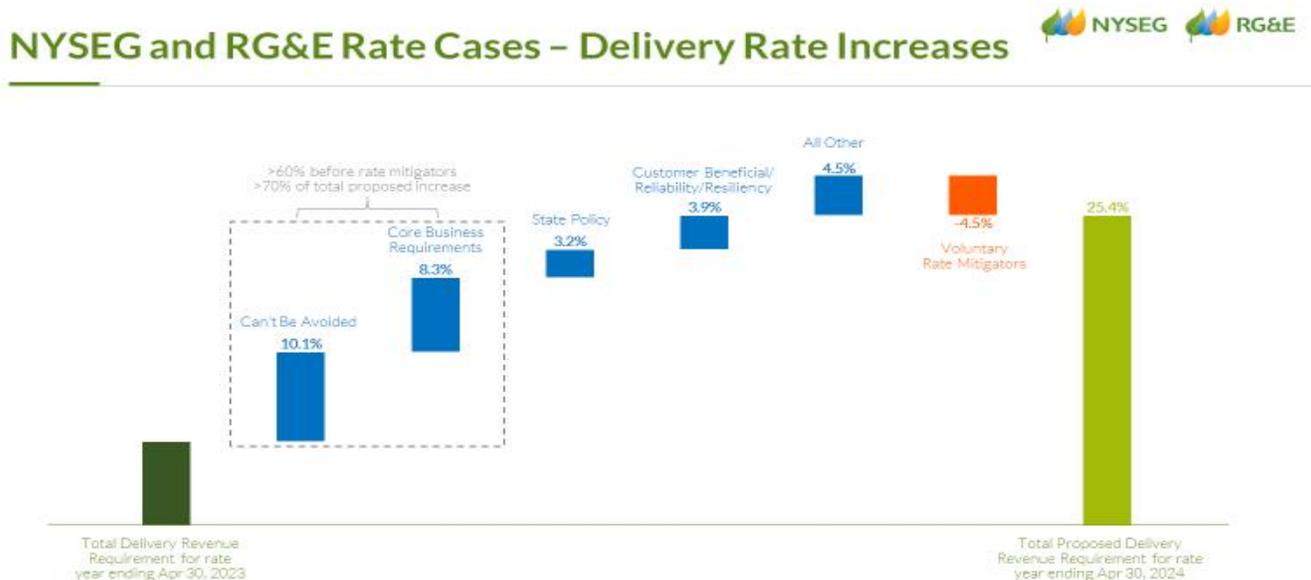
Category	Description of Costs	% of Delivery Rate Increase (averaged across Companies and customer classes)
Residual Rate Pressure from 2019 Cases	Expiring tax credits, full amortization of other regulatory liabilities, ending of shaping/levelization, and plant investment necessary for reliability reasons but not included in 2019 rate plans	~10%
Costs Necessary to Support Core Business	Property tax increases, impacts of inflation on labor, outside contractors, and baseline needed investments	~8%
State Policy Costs	Increase in energy efficiency spend, EVs, battery storage and other CLCPA-related offerings, and shortened depreciable lives for gas assets	~3%
Reliability & Resiliency	5-year trim cycle, reliability capital investments, and cyber security	~4%
Other	ROE and Equity Ratio increases to reflect market conditions, tracking adjustments, new amortizations	~5%

We balanced the identified costs against customer affordability. In some cases, we put off capital investments that, while necessary, could be temporarily deferred or delayed. As detailed by the Electric and Common Capital panel, the Five Year Plan filed by the Companies in April of this year identified a total NYSEG plus RG&E Electric, Gas, and Common capital

spend of \$12.2 billion which reflected the overall needs of the Companies' business areas to address existing and known needs across our systems, including transmission needs in support of CLCPA. These investments are considered to be critical for the Companies to continue to provide safe, secure, reliable, and resilient service to customers and help New York State reach its environmental and clean energy goals. However, recognizing the impact that this level of capital spend would have on customer rates, the Companies are proposing as part of these rate filings a reduced five-year capital spend of \$9.8 billion. We also found ways to defer certain activities and their related labor needs to mitigate cost impacts to customers and have voluntarily employed various rate moderators that were still available to help blunt the rate increase impact to our customers.

For example, the Companies' rate filings reduce the Companies' calculated inflation adjustment by two percent while proposing a symmetrical inflation reconciliation mechanism. In addition, the current rate filings utilize a portion of available Excess Depreciation Reserve in NYSEG Electric, RG&E Electric and RG&E Gas to moderate rates. Each of these had a significant downward impact on the Companies' revenue requirement and rates. They also have a deleterious impact on cash flows and corresponding credit metrics for the Companies. We closely monitor these metrics as negative impacts to them will result in an increase to customers in debt costs. Our rate cases include our attempt to balance the need for cash recovery, to support healthy credit metrics, with the impact on rates, recognizing the challenging economic atmosphere that currently exists.

The chart below depicts the rate drivers just described:



IV. Overview of the Companies' Rate Case Filings

The Companies' rate filings are based on test year 2021 financial results adjusted to the rate year May 1, 2023 – April 30, 2024 ("Rate Year"). Since the Companies are submitting these rate case filings on May 26, 2022, the effective date of new rates, assuming an approximately 11-month suspension period, will be May 1, 2023.

Our filings demonstrate the need and provide support for delivery rate increases for each business. Table 1 below provides a summary of the proposed delivery rate increases, delivery revenue percentages and total revenue percentages for all four businesses.²

Table 1: Rate Increase Amounts and Revenue Percentages

Company	Requested Increase / (Decrease) \$000	Delivery Percentage	Overall Percentage
NYSEG Electric	\$ 273,906	31.2%	16.8%
RG&E Electric	93,795	19.0%	11.3%
NYSEG Gas	43,353	20.7%	9.8%
RG&E Gas	37,663	20.9%	9.7%

Table 2 below illustrates the monthly average residential customer bill increases being proposed in these rate case filings. The average residential customer bill increase percentages differ from the revenue increase percentages because of revenue allocation that is guided by cost of service studies and the Companies' proposed rate design.

Table 2: Monthly Average Residential Customer Bill Increases³

Business	Monthly Average Bill Increase	Total Bill Percentage
NYSEG Electric	\$18.31	22.2%
NYSEG Gas	\$14.94	15.6%
RG&E Electric	\$12.95	15.0%
RG&E Gas	\$9.62	12.8%

² Total revenue reflects the inclusion of Supply Revenue provided by each business and Energy Service Companies ("ESCOs"). The ESCO supply revenue is based on the 2021 average costs of supply provided by each business times the energy units served by ESCOs.

³ Average electric residential customer bill impacts are based on 600 kwh per month. Average gas residential customer bill impacts are based on 83 therms per month.

V. Key Elements of the Rate Case Filings

Notable key elements include:

1. Customer Experience

- offering mobile-friendly payment pages, digital options for completing transactions, and access to Webchat for communication with contact center representatives;
- offering Energy Manager to help customers reduce energy usage to support New York in achieving its energy efficiency goals;
- enhancing our ability to support billing options tied to community distributed generation necessary to hit the CLCPA target of 70% renewable generation by 2030;
- converting the existing MV90 system to use AMI functionality (thereby leveraging all AMI benefits for customers);
- offering payment notifications for payment-challenged customers to proactively avoid disconnections for non-payment;
- offering 24x7 internal resource support for customer emergencies to improve customer experience; and
- increasing enrollment in outage notifications.

2. Emergency Response

- entering into a retainer agreement with a vendor to provide storage and set up of “base camp” facilities in or near the Companies’ service territory and in proximity to the location of an emergency event to proactively address scarcity of lodging resources during storm events;
- implementing a municipal portal that would provide immediate situational awareness to municipal partners during emergency events in the areas of interruption, critical facility, and other key data points that would complement the current, personal outreach conducted by the Companies’ Government and Community Relations personnel and public liaisons;
- entering into a right-of-first refusal retainer agreement with a storm line contractor that would provide line resources during emergency events to proactively ensure adequate staffing during storm events; and
- developing an automated system designed to track and enhance the Companies’ ability to contact life support equipment (“LSE”) customers within required timeframes during emergency events.

Climate Action and Innovation

- Beneficial Transportation Electrification Programs to support New York’s goal of over 850,000 electric vehicles (“EVs”) in the State by 2025, including:
 - 2,000 additional charge ports for medium and heavy duty EVs, including school and transit buses;

- 100 new chargers in disadvantaged communities (with the goal of driving down the cost of charging to costs comparable to in-home charging); and
- a new fast charging hub that will bank as many as 80 fast chargers in a strategic location;
- an Electric Heat Make-Ready Program to assist customers with electrical upgrades necessary to electrify heating sufficient to increase the number of homes heating with electricity in the Companies' service territories by 300% and to support Governor Hochul's stated target of two million electric heat-ready homes in the State by 2030;
- a Low-Income Clean Generation Program to ensure that disadvantaged communities receive the benefits of distributed generation investment through electric bill credits and increasing the amount of installed solar capacity in the Companies' service territory by eight percent;
- continued progress on two existing energy storage projects and a proposal for three new projects (consisting of 29 MWs of new storage capacity and resulting in a 47% increase to installed energy storage capacity in the Companies' service territories) that will serve customers by addressing multiple distribution system needs via direct integration into the Companies' operations and processes; and
- Innovative Collaborations, Partnerships, and Pilot Projects including a geothermal district energy pilot project to support the City of Ithaca's electrification efforts and a Hydrogen Blending Pilot in the RG&E service territory.

Operations and Reliability

- replacement of aging infrastructure in poor condition as the network matures to address increasing system wide exposure to equipment failures;
- addition of incremental full-time equivalents ("FTEs") to strengthen operational integrity and to support the growing construction, maintenance, and compliance programs impacting electric and gas operations and reliability for customers; and updating NYSEG's SAIFI targets to ensure they appropriately reflect current conditions and the efforts being made to mitigate the Company's unique and acute tree exposure.

Vegetation Management

- expanding NYSEG Electric's distribution system Reclamation Program from \$17.2 million per year to an annual five-year average of \$24.2 million per year, which would allow NYSEG to reclaim its entire system within five years (bringing NYSEG in line with all other major New York electric utilities, including RG&E);
- maintaining RG&E's current, successful five-year full-cycle distribution vegetation management program via inflationary adjustments;
- continuing the Companies' Danger Tree Removal Programs (with an inflationary adjustment) due to the demonstrable improvements in SAIFI for circuits included in the programs; and

- investing an incremental three million dollars at NYSEG for transmission corridor widening and danger tree purposes, and an additional one million dollars at RG&E for transmission danger tree purposes, focusing strategically on those transmission sections that have experienced the highest SAIFI impact historically.

Gas Operations

- continuing all gas business commitments agreed to as part of the 2019 Rate Cases;
- continuing our best in class leak prone pipe replacement programs;
- in order to support our existing gas customers with safe and reliable service, maintaining the Companies' Incremental Maintenance Programs (including public awareness, bridge corrosion control inspection and maintenance, conversion of paper records to an electronic format, installation of residential methane detectors, and the creation of a quality assurance/quality control for excavations and field support);
- moving programs from the Incremental Maintenance Program into Reconcilable Gas Programs, including initiatives related to fire department outreach, damage prevention, leak surveys, and outside and inside residential meter inspections;
- continuing gas vegetation management programs;
- continuing Integrity Management Programs to address Pipeline and Hazardous Materials Safety Administration ("PHMSA") Gas "Mega-Rule" requirements, as well as enhancements related to software, the robotic in line inspection program, the pipeline rehabilitation program, the pipeline safety management system, and a meter relocation pilot program; and
- increasing research and development ("R&D") program spending to reflect forecasted New York State Energy Research and Development Authority ("NYSERDA") surcharge expenditures.

VI. Proposed Rate Plan Term

These rate filings reflect one-year rate cases for NYSEG and RG&E electric and gas service. The Companies believe that multi-year settlements can be in the public interest by allowing effective long-range planning, while spreading rate case expense over a longer period. The Companies are interested in engaging in settlement discussions and will be providing additional multi-year data to support the settlement process.

VII. Information Accompanying This Rate Filing

The Companies are contemporaneously transmitting revised Tariff Leaves electronically to the Commission. The Tariff Leaves have an issue date of May 26, 2022 and an effective date of June 24, 2022. The Companies expect that the Commission will suspend the effective dates of the proposed Tariff changes such that the proposed rates and other charges will become effective on May 1, 2023.

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VIII. Conclusion and Public Notice

The written testimony and exhibits constitute the Companies' direct case in support of these rate filings. The testimony, exhibits and tariffs submitted with these filings explain the reasons for and the nature of the Companies' proposed changes to their rates and services.

Assuming the normal suspension period for consideration of the rate filings, the Companies respectfully request that, in the absence of agreement of the parties, the Commission approve the proposed rate changes to become effective on and as of May 1, 2023. Newspaper publication will be made in accordance with §66(12) of the Public Service Law and 16 NYCRR §720-8.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Jeffrey A. Rosenbloom".

Jeffrey A. Rosenbloom
General Counsel