



# Natural Gas Long-Term Capacity — Third Supplemental Report

for Brooklyn, Queens, Staten Island  
and Long Island (“Downstate NY”)  
August 2021

## Summary

# 1. Introduction

This is National Grid's Third Supplemental Downstate New York Long-Term Capacity Report ("Third Supplemental Report"), the fourth report in a series that began on February 24, 2020, when National Grid ("National Grid" or the "Company") released the Natural Gas Long-Term Capacity Report (the "Original Report") for its service territories in Brooklyn, Queens, Staten Island and Long Island ("Downstate NY") to address forecasted gaps between gas supply and customer demand over a fifteen-year horizon.

The Original Report provided a detailed analysis of the natural gas capacity constraints in the region and the available options for meeting long-term demand. In addition, National Grid held a series of six public meetings and received thousands of written comments on the Original Report and the options.

After reviewing the extensive feedback and public engagement on the Original Report and compiling additional detailed content, National Grid published the Natural Gas Long-Term Capacity Supplemental Report on May 8, 2020 (the "Supplemental Report"). In that report, the Company responded to the public's comments on the Original Report, including on the options presented to address the long-term capacity constraint, and recommended two solutions as the best among all the options presented—an interstate pipeline option or a portfolio of targeted distributed infrastructure and non-gas infrastructure options. Soon thereafter, the state permit applications for the large-scale pipeline project were denied, and National Grid has been executing the other recommended solution—identified in the Supplemental Report as "Option A: LNG Vaporization and Iroquois Gas Transmission System, L.P. ("Iroquois") enhancements to existing infrastructure, combined with incremental energy efficiency (EE) and demand response (DR)." National Grid is focused on implementing this "Option A" solution, which has been augmented since first introduced. This solution now involves an even more aggressive set of incremental demand-side management ("DSM") programs to help customers reduce their natural gas usage, the size of which is unprecedented in New York. The Company is also developing additional portable compressed natural gas ("CNG") capacity and has continued to progress development and seek permits for the proposed LNG vaporization enhancements at its existing Greenpoint facility. The Company is also supportive of the ExC

project being pursued by IGTS. Altogether, these programs, projects and additional contracts are collectively referred to as the "Distributed Infrastructure Solution."

National Grid has also made significant corporate commitments that align with New York's ambitious climate change goals as laid out in the Climate Leadership and Community Protection Act ("CLCPA"). In October 2020, National Grid refined its plan to achieve New York's net zero greenhouse gas ("GHG") emissions by 2050 goal ("Net Zero") via its "Net Zero by 2050" plan and updated its Responsible Business Charter to include those ambitions.<sup>1</sup> Measured against these goals, National Grid believes its Distributed Infrastructure Solution substantially advances CLCPA goals, the Company's Net Zero plan, and a clean energy future.

This Third Supplemental report serves two primary purposes: to offer updates to and respond to stakeholder feedback on the Second Supplemental Report.

The Company is committed to keeping a dialogue open with our customers. The Commission initiated the Proceeding to Improve Transparency of Natural Gas Planning and Investments in New York (Case No. 20-G-0131) in March 2020 after the Company had prepared and filed its Original Report. The various gas utilities and stakeholder groups in NY, along with DPS Staff, have been filing comments and proposals for review by the Commission on topics such as gas constraints, gas planning, non-pipe solutions, gas moratoria standards, and demand-side resources. While there is much work to be done and decisions to be made in the proceeding, the Commission and New York's gas utilities will ensure stakeholders have a seat at the table as we make important decisions together about the future of our gas business and our customers' energy needs. National Grid looks forward to working with customers and other stakeholders to fully realize the clean energy transition.

In addition to filing the Third Supplemental Report with the New York Public Service Commission, we will be publishing this report on our website and will deploy other options for sharing the report with stakeholders, including a reader friendly summary and web content.

<sup>1</sup> <https://www.nationalgridus.com/media/pdfs/our-company/netzeroby2050plan.pdf> and <https://www.nationalgridus.com/media/pdfs/our-company/usnationalgridresponsiblebusinesscharter2020us.pdf>

## 2. Executive Summary

This is National Grid's Third Supplemental Downstate New York Long-Term Capacity Report ("Third Supplemental Report"), the fourth report in a series, that began on February 24, 2020, when National Grid ("National Grid" or the "Company") released the Natural Gas Long-Term Capacity Report (the "Original Report") for its service territories in Brooklyn, Queens, Staten Island and Long Island ("Downstate NY" or "DNY") to address forecasted gaps between gas supply and customer demand over a fifteen-year horizon. In the Natural Gas Long-Term Capacity Second Supplemental Report ("Second Supplemental Report") released on June 30, 2021, National Grid presented updates on the progress it has made implementing its Distributed Infrastructure Solution, which combines targeted enhancements to existing infrastructure with groundbreaking demand-side management programs to lower peak demand for natural gas. The Distributed Infrastructure Solution will help New York achieve the emissions targets set by New York's landmark Climate Leadership and Community Protection Act ("CLCPA"). This Third Supplemental report summarizes and provides responses to stakeholder feedback on the Second Supplemental Report.

**Based on extensive public and stakeholder feedback in 2020, the Company identified a viable solution that combines aggressive demand-side management with enhancements to existing infrastructure.**

In last year's reports, the Company presented several options to close the projected Design Day Demand-Supply Gap. After extensive public engagement and feedback consisting of six public meetings and over 7,000 public statements, the Company recommended two solutions. Following rejection of the permit applications for the large infrastructure solution, National Grid focused on implementing the other of the two recommended solutions—the Distributed Infrastructure Solution.

Specifically, for the Distributed Infrastructure Solution, National Grid recommended combining: (1) incremental demand side management ("DSM") programs comprising an aggressive set of incremental Energy Efficiency ("EE") programs over and above the growth in demand reduction required by New Efficiency: New York ("NE:NY") as well as new gas Demand Response ("DR") programs; (2) the Liquefied Natural Gas ("LNG") Vaporization Option ("LNG Vaporization Project"), which adds two LNG vaporizers at National Grid's

Greenpoint Facility; (3) the Iroquois Gas Transmission System ("IGTS") Enhancement by Compression option ("ExC Project"), which adds compression capability at existing locations to increase capacity on the Iroquois Gas Transmission System; and (4) incremental portable Compressed Natural Gas ("CNG") capacity.

**The Distributed Infrastructure Solution remains the best available option to eliminate the Demand-Supply Gap and help NY achieve its clean energy goals.**

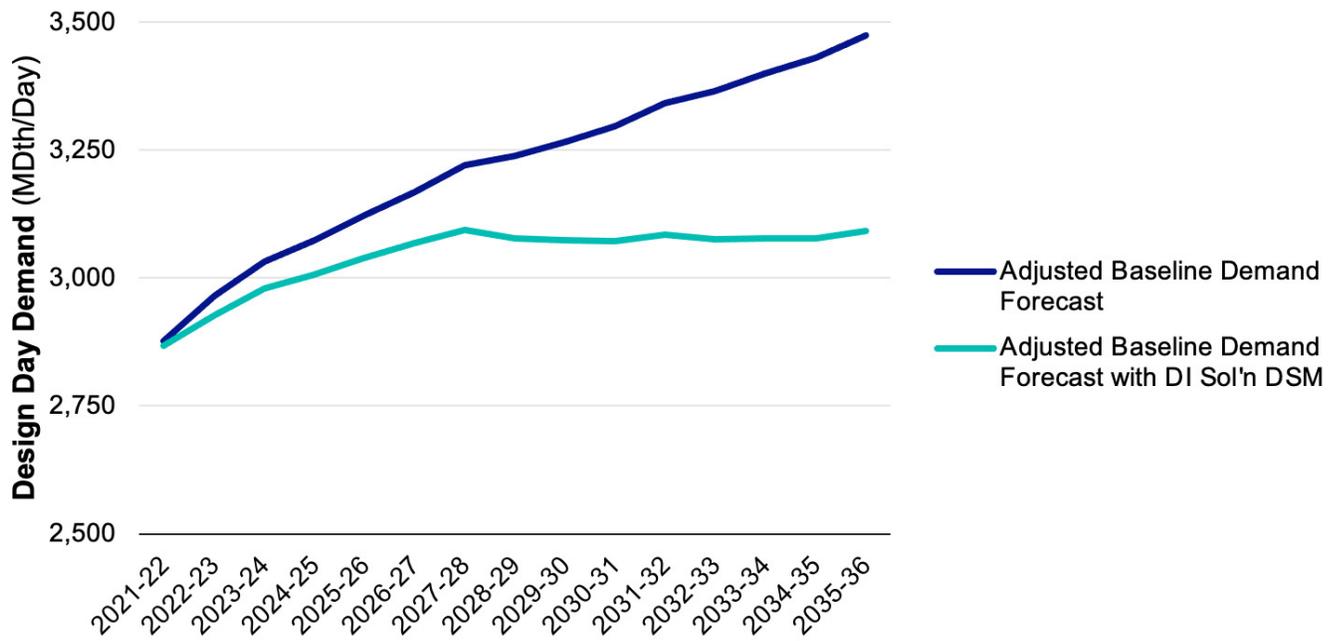
The Distributed Infrastructure Solution strikes a balance among scale, feasibility, affordability, and alignment with our clean energy goals including the CLCPA and Net Zero. While some potential options may satisfy one or several of these criteria, the Company could only consider options that satisfy all of them.

While not without risk, the Company determined the Distributed Infrastructure Solution is feasible, based on an assessment of a broad range of implementation considerations, including the current legal and regulatory framework in New York, permitting, construction, and operations. Other potential solutions presented relatively greater execution risks.

National Grid must ensure that customers can afford the energy they need. Every feasible alternative to the Distributed Infrastructure Solution was determined to be more costly for customers when taking into account direct costs as well as indirect costs related to emissions.

The Distributed Infrastructure Solution is the best available option to enable the transition from fossil fuels to clean energy and positions both the Company and our customers to meet the goals set forth in the CLCPA. The DSM programs are at the core of the Distributed Infrastructure Solution. Under the Distributed Infrastructure Solution, the Company is proposing, beginning in the mid-2020s, to use industry-leading DSM programs exclusively to hold gas demand flat as illustrated in Figure ES 1. Overall, the DSM programs comprise approximately 73% of the capacity included in the Distributed Infrastructure Solution to meet the forecasted Design Day Demand-Supply Gap. We continue to make progress with our DSM program design and are preparing a filing to request funding and approval of these programs to follow shortly after the publication of this report.

**Figure ES 1: Forecasted Design Day Demand Under the Distributed Infrastructure Solution**



The Distributed Infrastructure solution allows the Company to further New York State’s CLCPA goals and offers the flexibility to meet a Net Zero demand scenario in the event customer demand for natural gas slows, stops, and reverses. It allows the Company to unwind certain elements of its gas capacity portfolio when they are no longer needed while continuing to grow the DSM programs included in the solution.

**Our Distributed Infrastructure Solution has been shaped by listening to stakeholders throughout our extensive outreach.**

We heard our stakeholders: they want clean, affordable, reliable energy. Producing the Long-Term Capacity Report series has provided National Grid with an unprecedented opportunity to engage with and listen to our stakeholders, including customers of all types, businesses, civic and trade organizations, community groups, environmental organizations, our regulators, and elected officials. We developed a coordinated outreach strategy for the Second Supplemental Report that built on learnings from our outreach for the Original Report and the Supplemental Report. We held a virtual meeting for customers, created a dedicated website providing access to our reports and other resources to learn more about our solution, and delivered printed copies of the Second Supplemental Report to local libraries so that customers could engage with us

through their preferred method. We solicited feedback through our microsite at ngridsolutions.com and by email to every one of our Downstate NY customers for whom we have email addresses. We also included messages on bills and spread the word about our reports on social media.

Prior to the release of the report, and in the lead-up to the public meeting, we made direct outreach to The Sane Energy Project, 350.org, NYC Environmental Justice Alliance, the Sierra Club, Alliance for Clean Energy, Environmental Advocates of NY, and Alliance for a Green Economy. Of these groups, the Alliance for Clean Energy is the only organization to respond to our outreach to date. We hope that others will come to the table to discuss reasonable solutions to advancing an orderly pathway to Net Zero.

**Public Feedback on the Second Supplemental Report was relatively minimal.**

There were 25 unique commenters that provided public feedback on our Second Supplemental Long-Term Capacity Report, including those who spoke at the Company’s virtual meeting or submitted comments to the New York State Department of Public Service (“DPS”) website. The dominant theme among these 25 commenters was opposition to new gas infrastructure.

This level of feedback is in contrast to the over 5,000 unique commenters to the original Long-Term Gas Capacity Report. We believe that increased stakeholder engagement between the original Long-Term Gas Capacity Report and the issuance of the Second Supplemental Report allowed National Grid to keep its customers and key stakeholders informed and engaged in our business in the regular course.

A survey done in conjunction with the Second Supplemental Report shows an overwhelming percentage of respondents say “Keeping heating affordable for all” and “Maintaining the highest level of service reliability” were the top two factors that National Grid should pursue.

In order to garner feedback from a broader set of customers, National Grid created a brief online survey with nine questions. National Grid made the survey available to visitors to its microsite for the Second Supplemental Report, [ngridolutions.com](http://ngridolutions.com), and included a link to the survey in an email sent to all National Grid customers in New York City and Long Island for whom we have email addresses. Overall, 53% of respondents did not show a preference for whether the Company should press forward with the Distributed Infrastructure Solution or not. However, 38% expressed that National Grid should move ahead while only 9% expressed that we should not proceed. When asked to choose priorities for National Grid, “Keeping heating affordable for all” was cited by almost three-quarters of the respondents as among the Company’s highest priorities, the most of any choice. “Maintaining the highest level of service reliability for all” ranked second at 59%.

**The status of the Distributed Infrastructure Solution components has not changed materially since our June report was released.**

Relative to our Second Supplemental Report, there are a limited number of minor changes or updates to the status of the infrastructure components of our solutions.

By mutual agreement with New York’s Department of Environmental Conservation (“DEC”), the DEC has postponed their decision on the Company’s Greenpoint LNG Vaporizers 13/14 to November 2021.

The Federal Energy Regulatory Commission (“FERC”) is conducting a full Environmental Impact Statement (“EIS”) for the IGTS ExC project, and by statutory deadline, must be complete in December 2021.

Meanwhile, National Grid continues to make progress on its incremental CNG capacity to support peak operations.

**National Grid is implementing a recommendation of DPS Staff to conduct an independent evaluation of our plan.**

In March 2020, the New York Public Service Commission (“Commission”) initiated the Proceeding to Improve Transparency of Natural Gas Planning and Investments in New York (Case No. 20-G-0131). While that proceeding is still in progress, DPS Staff has recommended in its comments that local distribution companies undergo an independent expert review of capacity needs and option evaluations. In the spirit of Staff’s comments, National Grid engaged an independent consultant (PA Consulting Group), working at the direction of DPS Staff, to conduct a full review of our Long-Term Capacity Plan, including an assessment of our demand forecast and options considered to close the Demand-Supply Gap. We expect PA Consulting to file their assessment of our plan in early September 2021.

**The Company’s recently approved rate settlement supports our commitment to advance New York’s clean energy policies.**

As part of the settlement agreement in Case Nos. 19-G-0309 and 19-G-0310, National Grid has committed to educating customers on available heating alternatives and working with partners to advocate for geothermal and other non-gas options. The Company is making unprecedented pledges to meet energy needs through energy efficiency and demand response and other non-traditional solutions. National Grid will also invest in new technology and lower-carbon resources, including renewable natural gas projects and studies testing the use of hydrogen in the gas network. We’re also agreeing to undergo further independent assessment of the need for on-system capacity investments. These initiatives will not only support decarbonization goals but also help National Grid manage the supply challenges in downstate New York.

### The Company is eager to fully implement the Distributed Infrastructure Solution.

Progress on the implementation of our Distributed Infrastructure Solution is well underway, but there is more work to be done. To fully realize our affordability and reliability goals and do our part to help the state achieve its CLCPA targets, the Company needs approval of our funding request for our DSM programs, and we look forward to stakeholder support in that process. National Grid's DSM programs including EE, DR, and Heat Electrification require robust customer adoption to be successful and to realize our clean energy future. We also look forward to working with various stakeholders, including our local electric distribution companies, Con Edison and PSEG-LI, to examine the need for integrated gas/electric planning as we move toward our heat electrification goals included in the Distributed Infrastructure Solution.

In order to achieve the infrastructure enhancements called for in the Distributed Infrastructure Solution, the Company requires critical permits for our LNG Vaporizer Project and incremental CNG capacity. We also continue to support IGTS in their efforts to secure approvals from the FERC, New York State, and Connecticut for the ExC project.

### National Grid looks forward to continued stakeholder engagement.

The Company is committed to keeping a dialogue open with our customers. While we encourage customers to contact us through various channels, and we pledge to share information about our Distributed Infrastructure Solution with customers as it becomes available, the Company will continue formal stakeholder engagement through the statewide gas supply planning and moratorium management process. The Commission initiated the Proceeding to Improve Transparency of Natural Gas Planning and Investments in New York (Case No. 20-G-0131) in March of 2020. The various gas utilities and stakeholder groups in NY, along with DPS Staff, have been filing comments and proposals for review by the Commission on topics such as gas constraints, gas planning, non-pipe solutions, gas moratoria standards, and demand-side resources. While there is much work to be done and decisions to be made in the proceeding, the Commission and New York's gas utilities will ensure stakeholders have a seat at the table as we make important decisions together about the future of our gas business and our customers' energy needs. National Grid looks forward to working with customers and other stakeholders to fully realize the clean energy transition.

