

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of a Three-Year Rate Proposal for
Electric Rates and Charges Submitted by the Long
Island Power Authority and Service Provider, PSEG
Long Island LLC.

Case 15-00262

**INITIAL BRIEF OF THE
UTILITY INTERVENTION UNIT**

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**INITIAL BRIEF OF THE
UTILITY INTERVENTION UNIT****INTRODUCTION**

This proceeding concerns the proposed electric rate plan of the Long Island Power Authority (“LIPA”) and its service provider, PSEG Long Island LLC (“PSEG-LI”), which they jointly filed with the Public Service Commission (“Commission”) on January 30, 2015. In its filing, PSEG-LI proposes, *inter alia*, increases above current electric rates. On May 14, 2015, several parties, including the New York Department of Public Service Staff (“DPS Staff”), submitted testimony calling for modifications to the PSEG-LI’s proposed rate plan. Parties submitted rebuttal testimony in early June, 2015, and evidentiary hearings were held on June 23 and 24, 2015.

The Utility Intervention Unit (“UIU”) of the New York Department of State’s Division of Consumer Protection has intervened in this proceeding to advocate for the interests of residential and small commercial customers including those residential customers that are low income. The UIU recommends that the Commission reject PSEG-LI’s requests and support DPS Staff’s alternate proposals with respect to the issues discussed herein.

DISCUSSION

I. Rate Design – Electric Customer Charges

PSEG-LI proposes to increase residential customer charges increase by more than 83% by 2018;¹ in the same span of time, small commercial customers would see their customer charge increase 300%.²

The Commission should urge the LIPA Board to maintain the current customer charges for electric residential and small commercial customers. The customer charge, a flat fee assessed upon all customers irrespective of their energy use, imposes a disproportionate financial burden on low-usage customers, sends price signals that discourage energy efficiency and conservation. If these rate charges were to be adopted by the LIPA Board, residential customers would experience a rate shock over which they would have no control. Customer charges such as these cannot be managed through reduced electricity consumption, and the burden would fall most heavily on low income customers, who have the least ability to pay. As such, sound policy dictates that increases to customer charges should be minimized to the greatest extent possible.

In addition to establishing a regressive rate design, PSEG-LI's proposal would also stymie the objectives of the ongoing Reforming Energy Vision (REV) initiative. The UIU echoes DPS Staff's observation that the Commission's Order in REV Track 2, which is presently under development, may advance rate design options in a manner that is at odds with PSEG-LI's proposal.³ The Commission should therefore encourage the LIPA Board to submit alternative rate structures and/or rate design changes (preferably optimal rate design structures coupled with technologies that create opportunities to control customers' monthly bills) that align with the anticipated methodology of the Commission's Order in Track 2 of the REV proceeding. This approach would also be consistent with the Commission's Order in the recent Central Hudson electric and gas rate proceedings,

¹ PSEG-LI proposes to increase residential customer charges from \$10.80 to \$15.00 or 39% (Rate Year 1), \$17.40 or 16% (Rate Year 2), and \$19.80 or 14% (Rate Year 3). Tr. 732.

² PSEG-LI proposes to increase small commercial customer charges from \$10.95 to \$43.80 over three years. *Id.*

³ Tr. 1212. As DPS Staff explains, "[REV] is expected to include a full examination of the current rate structures and designs, with specific emphasis on the mass market classes, to see how they might be changed to better achieve New York energy policy goals. Therefore, to avoid making changes now that could potentially be changed again in the near future, no increase in the customer charges is recommended at this time." *Id.*

where it rejected increased customer charges in anticipation of the outcome in REV.⁴ The UIU therefore joins DPS Staff in recommending that current customer charges remain in effect.

II. Rate Design – Volumetric Delivery Electric Rates

The UIU agrees with DPS Staff, and in part with PSEG-LI, with respect to their proposals concerning seasonal and delivery volumetric rate structures for residential customers. In general, the UIU supports rate design options that distribute costs fairly, reasonably reflect customers' ability to pay, and encourage energy conservation and efficiency. The UIU therefore agrees with DPS Staff and PSEG-LI that the current winter declining block rate structure for electric residential non-heating customers,⁵ which rewards overconsumption and penalizes low-usage customers, should be eliminated in favor of a flat winter volumetric rate structure.⁶

Unfortunately, PSEG-LI's proposal also backs away from progressive rate design with respect to summer rates and seasonal rate differentials. Specifically, PSEG-LI asks to (1) eliminate summer/winter rate differentials; (2) eliminate the current summer inclining rate structure in favor of a flat rate structure for general residential non-heating customers; and (3) eliminate the inclining rate structure during the summer period for general residential heating customers. PSEG-LI's residential rate design proposals, if adopted, would be a significant setback. An inclining block rate structure can be an effective tool for mitigating demand and encouraging conservation (such as managing air conditioning usage during the summer) through appropriate price signals. The UIU therefore joins DPS Staff in opposing PSEG-LI's request to move to a flat summer rate structure, and recommends instead that the summer inclining block rate be maintained.⁷

III. Low-Income Assistance Programs

The UIU also agrees with DPS Staff that the existing cap on enrollment in LIPA's Household Assistance Rate ("HAR") program should be eliminated. The cap currently in

⁴ See Cases 14-E-0318 and 14-G-0319, Order Approving Rate Plan at pp. 57-58 (filed June 17, 2015).

⁵ Tr. 1218.

⁶ Non-residential customers' usage generally does not vary significantly from month to month during the winter. A flat rate is therefore more appropriate in the winter than in the summer, for which, as discussed *infra*, UIU recommends an inclining block rate.

⁷ Tr. 1222.

place limits at 50,000 the number of low-income customers that can be enrolled in the HAR program. The Commission should recommend that the LIPA Board reject this cap as arbitrary and needlessly harmful to customers. The HAR program provides a 50% daily discount from the Customer Service Charge of \$0.36 per day for both heating and non-heating low-income residential customers. Customers automatically qualify for the HAR program if they have received a benefit from the Home Energy Assistance Program (“HEAP”); Medicaid; Food Stamps; Temporary Assistance for Needy Families or Safety Net Assistance; Supplemental Security Income (“SSI”); Veterans Administration Veteran’s Disability Assistance or Veteran’s Surviving Spouse Pension; or Child Health Plus Health Insurance Program.⁸ Current enrollment in the HAR program is low – approximately 15,300 households participated in 2014⁹ – despite the fact that over 61,000 low-income households in the same service area received a HEAP benefit.¹⁰ In addition to illustrating the widespread need for HAR on Long Island, this HEAP participation rate demonstrates that HAR program enrollment has the potential to increase significantly.

The UIU joins DPS Staff’s recommendations that PSEG-LI address HAR program under-enrollment by “adjusting PSEG LI’s outreach efforts to promote its HAR program to its low income customers to mirror what it is already accomplishing with its REAP [Residential Energy Affordability Partnership] program,” and “reallocat[ing] part of its outreach funding to promote the HAR program.”¹¹ The UIU further recommends that the Commission direct DPS Staff to work with PSEG-LI and the Office of Temporary Disability Assistance (“OTDA”) to address the particular barriers PSEG-LI identified in the rebuttal testimony of its Customer Services Panel.¹²

LIPA’s customers have a significant need for assistance programs such as HAR. This need is likely to grow in the event of a rate increase. To continue to impose a limit on HAR enrollment – particularly one that is substantially below its service area’s demonstrated need – would be regressive and deeply unfair to Long Island’s low-income residents.

⁸ Tr. 631.

⁹ Tr. 632.

¹⁰ Tr. 635.

¹¹ Tr. 636.

¹² Specifically, DPS Staff, OTDA, and PSEG-LI should address purported confidentiality concerns that may impede enrollment of HEAP participants in HAR. See Rebuttal Testimony of PSEG-LI Customer Services Panel at Tr. 1386-87.

CONCLUSION

The UIU urges the Commission to recommend to the LIPA Board to adopt the proposals described above to advance sound public policy and protect residential and small commercial customers.

Respectfully submitted,

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