

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

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BEFORE: Hon. Michelle L. Phillips, Administrative Law Judge
David R. Van Ort, Administrative Law Judge

MATTER NO. 15-00262 - 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
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**Motion by the Suffolk County Comptroller
to oppose the proposed multi-year rate increase**

TO: The Secretary and Commissioners of the New York Department of Public Service:

1. On the behalf of the electrical customer Suffolk County, I restate the opposition to the proposed above referenced increase based on the magnitude of impact to 1.5 million residents of the County, who will bear the full impact of a rate increase, either through an impact to the general fund property tax levy, or through an increased application of sales tax revenue to meet the projected increase.

2. A generalized application of the projected three year 4% increase applied to the delivery charge, when looking at Suffolk County's approximate \$32 million per year gross expenditure to PSEG LI for county fiscal year 2014, would result in approximately a total of a \$2 million increase in additional expenditures for the simple provision of electricity to support all of the County's critical operations, including all of law enforcement, 911 functions, our District Attorney, our Medical Examiner's office and all of the other myriad range of functions that citizens depend upon the County of Suffolk to provide. In addition to the projected increase, under the existing rate structure, the projected increase would have been even greater, but for the considerable capital investment on the part of Suffolk County to achieve greater efficiencies in the area of all energy consumption. Attached for the Administrative Law Judges reference, is

Suffolk County Exhibit One which includes 79 distinct projects with a combined investment cost in excess of \$27 million. While this exhibit includes not only electrical improvements, but also heating plant conversions as well, in almost all cases, the electrical draw to power newer and more efficient heating plants has resulted in a net reduction of consumption. Thus, Suffolk County has committed substantial resources to increase conservation and efficiency, and the applicant should be mindful of these substantial efforts when considering a request for a rate increase. Rather than characterizing the impact of the increase as a De minimis monthly increase to residents, the larger increase for not only Suffolk County, but all municipal consumers portends a multiple impact to both residential and commercial consumers.

3. Turning to the document prepared by PSEG LI titled “Summary of 2016-2018 Three Year Rate Plan”, the first page of the section titled “Executive Summary” identifies a number of categories in which fairly substantial expenditures are anticipated, the first of which is titled “Front Line Operational Improvements with an identified increase of \$45 million. Included in this description is the category...”storm response, and maintain reliability.” However, other statements have indicated that storm hardening and system improvement to enhance reliability would be funded from the approximately \$1.5 billion commitment to LIPA of FEMA funding adopted by Congress following Superstorm Sandy in October of 2012. Thus, the funding referenced in the Executive Summary would appear to be duplicative, and needs further clarification as to the broad statements included in the summary.

4. A further question to be posed would be the inclusion of \$55.5 million in the broad category titled “Cost Increases”, referencing anticipated increases associated with inflation. I would like to take the opportunity to advise that inflation has remained historically low within the recent past, and continues to be a driving force for maintaining exceptionally low federal fund rates, and further, appears to be sufficient to dissuade the Federal Reserve from

raising interest rates at the June meeting. Absent a compelling long range forecast demonstrating that there is a cogent and sound basis to expect significant increases of the rate of inflation, the Department of Public Service should reject this requested increase, or at the very least, compel the applicant to provide a certified forecast from a recognized economist that would justify any increase for inflation.

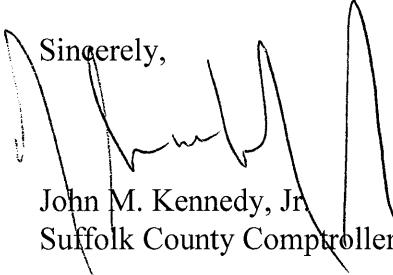
5. There is also a broader issue in which it appears that PSEG LI is seeking the ability to engage in decisions to undertake capital investments of utility funds, and then to seek a return on this investment that is beyond the requested rate increases, and in fact, would approach a model more analogous to an Investor Owned Utility (IOU). This is yet another example of PSEG LI attempting to vary from the basic public power model that LIPA is based upon, and instead reflects yet another attempt to mimic the IOU.

6. This concept referenced in the above observation would then lead to the conclusion, that PSEG LI is attempting to employ efforts to reject the Public Power Supply model, and instead migrate towards the IOU model. This then provides yet another rationale for the ALJs to reject the proposed rate increase, reject the effort on the part of the applicant to deviate from the Public Power Model, and to re-direct the applicant to work to achieve savings that should be concomitant with a projected reduction of consumption in total of electricity over the three year period.

7. In addition to all previous points raised, the applicant should be directed to place a greater emphasis on use of the concept of Time-Variant Electricity Pricing, (TVP) that comports with the Department of Public Service initiative known as Reforming the Energy Vision (REV). Rather than continuing to hold to traditional flat rate pricing that reflects recapture of investments for utilities, a move to TVP would allow all customers to engage in greater choice as to when to engage in discretionary use functions, such as appliance use, discretionary

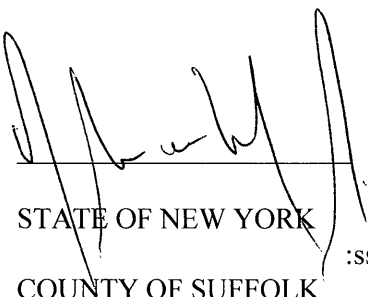
consumption and other non-essential activities. Data from various states that have employed this concept reflect a substantial reduction in peak electricity use, with positive customer reporting associated with a choice to respond to price fluctuation. Greater use of smart metering should be employed, and municipalities such as Suffolk County could serve as a viable test pool. I strongly encourage that the Department of Public Service direct PSEG LI to bring forward such a program.

8. In summary, I add a support letter from the Town of Smithtown, Town Board (attached) and re-state opposition as previously reflected in this memorandum.

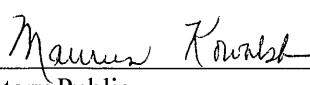
Sincerely,

 John M. Kennedy, Jr.
 Suffolk County Comptroller

Attachments: 2

IN WITNESS WHEREOF, I have hereunto set my hand and said corporate seal has hereunto been affixed as of the 14th day of May, 2015

<u>Signature</u>	<u>Title</u>	<u>Term of Office Expires</u>
	Suffolk County Comptroller	Dec. 31, 2018
STATE OF NEW YORK) :ss: COUNTY OF SUFFOLK)		

On this date before me personally came JOHN M. KENNEDY, JR. to me known, who, being by me duly sworn, did depose and say that he is the County Comptroller of the County of Suffolk, New York described herein; and that he signed his name thereto by authority of the duly constituted Legislature of said County.


 Notary Public

May 14, 2015
 Date

MAUREEN KOWALSKI
 NOTARY PUBLIC, STATE OF NEW YORK
 QUALIFIED IN SUFFOLK COUNTY
 NO. 01KO6134731
 COMMISSION EXPIRES OCTOBER 3, 2017