

## **Proposal Concerning Modifications to LIPA's Tariff for Electric Service**

### **Requested Action:**

The Long Island Power Authority ("LIPA") Staff proposes to modify the Tariff for Electric Service ("Tariff") effective March 1, 2014 to: (1) authorize the billing of securitization charges on behalf of the Utility Debt Securitization Authority; (2) restructure the Energy Efficiency Cost Recovery Rate; (3) update Delivery Charges consistent with the approved LIPA budget for 2014; and (4) to make miscellaneous changes that more closely align LIPA's tariff with current PSC policies.

### **Proposal:**

LIPA's approved budget for 2014 incorporates a level of revenues that assumes no increase in rates, other than changes to the Power Supply Charge (also known as the Fuel and Purchased Power Cost Adjustment). As presented in the budget, however, a number of revenue-neutral changes are required to accommodate aspects of the LIPA Reform Act of 2013, accomplish the rate freeze for 2014, and bring the Tariff more into line with Public Service Commission policies for the regulated, investor-owned, utilities. These proposed changes will not materially change the rates paid by customers in the affected rate classes.

Staff proposes that all these changes become effective on March 1, 2014.

### **Securitization Charges**

The LIPA Reform Act established the creation of the Utility Debt Securitization Authority for the sole purpose of securitizing a portion of the Authority's debt. The Restructuring Cost Financing Order approved by the LIPA Trustees on October 3, 2013 calls for recovery of the Initial and Ongoing Financing Costs of the Utility Debt Securitization Authority from Customers through a Securitization Charge. The Securitization Charge imposed on Customers will be determined by, and owed to, the Utility Debt Securitization Authority, with LIPA serving the role as Servicing Agent on behalf of the Utility Debt Securitization Authority. Imposition of the Securitization Charge will continue until all Initial and Ongoing Financing Costs of the Utility Debt Securitization Authority have been recovered.

The Utility Debt Securitization Authority will determine the appropriate level of the Securitization Charge, which will change from time to time at their discretion, sufficient to meet the objectives and obligations of the Utility Debt Securitization Authority. The Utility Debt Securitization will calculate and provide the charge to be imposed on Customers, and the effective date of each change to the Securitization Charge, which the Authority will bill and collect from Customers.

Staff proposes to initiate the billing of the Securitization Charge and create a Securitization Offset Charge. The Securitization Offset Charge reduces the revenues due to the Long Island Power Authority by the amount that is being collected by LIPA on behalf the Utility Debt Securitization Authority, after adjusting for the impact of Payments in Lieu of Revenue Taxes (“Revenue PILOTs”) and the New York State Assessment. The Utility Debt Securitization Charge and the Securitization Offset Charge will be applied to all kWhs of Delivery Service based on the date on which that usage was billed, regardless of the date on which the energy was delivered or consumed.

### **Restructure the Energy Efficiency Cost Recovery Rate.**

Staff proposes to modify the Energy Efficiency Cost Recovery Rider that recovers the costs of LIPA’s energy efficiency programs. The proposed cost recovery rider will be the same charge per kWh to all customers, as opposed to the separate recovery charges for small and large customers that exists today. Coincident with consolidating the energy efficiency cost recovery rider, Staff is also recommending the transfer of lost revenues to base rate delivery charges. This transfer removes from the energy efficiency cost recovery the impact of the historic level of lost revenues created by the energy efficiency programs. Once the lost revenues have been transferred to the Delivery Charge, they will no longer be separately tracked, nor will they be specifically updated to keep track with future performance achieved through the Efficiency and Renewables Charge. Delivery revenues could only be updated through a specific proposal to the Trustees.

Lastly, Staff is proposing to remove the provisions for revenue and expense true-ups from the Efficiency and Renewables Charge. Under the new pricing and operations environment created by the LIPA Reform Act, LIPA has a goal to maintain its delivery rates<sup>1</sup> at their 2013 level. A true-up mechanism is inconsistent with such a rate goal. Furthermore, the amended and expanded Operating Services Agreement explicitly allows PSEG-LI to transfer budget dollars between functions and activities. To have a true-up mechanism on a portion of LIPA’s costs (efficiency and renewable resources) without a corresponding true-up on the costs for the Delivery Charge creates imbalances and risks that were not anticipated by the limited true-up mechanism.

The proposed modification to LIPA’s Energy Efficiency Cost Recovery Rate makes it more consistent with the Systems Benefits Charge (SBC) authorized by the New York Public Service Commission (PSC) for the regulated utilities in New York State to fund energy efficiency programs.

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<sup>1</sup> For purposes of the rate goal, delivery rates include all rate elements excluding the Power Supply Charge.

## Existing and Proposed Energy Efficiency Cost Recovery Rate

Utility	Rate (\$ per kWh)
LIPA Existing <sup>1</sup> (Small)	\$0.003393
LIPA Existing <sup>1</sup> (Large)	\$0.003614
Central Hudson	\$0.004230
Niagara Mohawk	\$0.004208
Orange & Rockland	\$0.003950
Rochester Gas & Electric	\$0.003519
<b>LIPA Proposed</b>	<b>\$0.003496</b>
Consolidated Edison	\$0.003400
New York State Electric and Gas	\$0.003363

<sup>1</sup> excluding recovery of Lost Revenues.

### **Reset Delivery Rates to Achieve Rate Neutrality consistent with the Goals of the LIPA Reform Act.**

Staff proposes to modify its delivery rates for residential and commercial customers to maintain rate neutrality as a result of the termination of the Payment in Lieu of Taxes (“PILOTS”) on Gross Income applicable to LIPA and the expiration of an amortization related to the New York State Assessment. Effective January 1, 2014 the LIPA Reform Act repealed the applicability of section one hundred eighty-six and one hundred eighty-six b of the New York State Tax law to LIPA, which imposed a PILOT of 0.75% on revenues. Staff is recommending the transfer of revenue equivalent to the Authority’s savings (approximately \$26 million) to the Delivery Charge so that there is no increase or decrease in current rates.

The New York State Assessment was first imposed on LIPA effective April 1<sup>st</sup>, 2009. However, its recovery in rates was deferred until January 1<sup>st</sup> of 2010. Therefore, the Tariff authorized the amortization of the Assessment related to the nine months of 2009 in equal installments of \$6.9 million per year over the next four years (the “temporary” period specified in the Legislation). Now that the amortization period has expired, Staff proposes to transfer approximately \$6.9 million per year currently recovered through rates into Delivery Charge so there is no increase or decrease in current rates.

### **Miscellaneous Changes**

Expand the Definition of the New York State Assessment. The New York State Assessment currently recovers the costs imposed on LIPA under Section 18-A(6) of the Public Service Law. With the passage of recent legislation, LIPA is also subject to

Section 18-A(2) of the Public Service Law, but the new legislation provides that the combined assessment under PSL 18-A (2) and (6) will not exceed 1% of intra-state operating revenue, which is the current level of the 18-A(6) assessment. Staff proposes to include both components of Section 18-A in the New York State Assessment factor which will remain at a constant 1% of revenue according to the LIPA Reform Act, and cause no increase or decrease in current rates.

Cancel Service Classification No. 15 – Supplemental Service. Supplemental Service relates to customers with sources of electric generation not supplied by LIPA, such as on-site generation. Supplemental Service provides the electricity that is in addition to the electricity normally provided from the non-Authority supply. Service Classification No. 15 was created in January 2001 “to attract additional on-site generation to help meet the need for additional capacity on Long Island; encourage customers with on-site generation to choose LIPA’s electric supply in the non-summer months; and encourage customers with on-site generation to consider the use of non-LIPA electric supply during summer business hours (12 noon to 8 p.m., Monday through Friday, June through September)”<sup>2</sup>. It was created by separating Supplemental Service from Service Classification No. 12 – Backup and Maintenance Service. Since 2001, no customers have received service under Service Classification No. 12 and Staff proposes to simplify the Tariff by eliminating Service Classification No. 15 and introducing wording within Service Classification No. 12 indicating that customers may purchase supplemental service by paying the rates from the service classification they would otherwise qualify for. The terms for providing Back-up and Maintenance Service under Service Classification No. 12 are unchanged.

Staff also proposes to eliminate the distinction under Service Classification No. 12 – Backup and Maintenance Service between customers with or without a host load. Currently, rate code 680 applies to Back-up and Maintenance Service customers serve a host load. Rate code 681 applies to Back-up and Maintenance Service to generators that do not have a host load to support, so that LIPA is only required to provide a minimal amount of power<sup>3</sup> to “keep the lights on” at the generating facility. Only one customer today pays the rates associated with Rate Code 680 and Staff believes that having two sets of rates is an unnecessary distinction.

Net Metering. The New York Public Service Commission recently<sup>4</sup> ordered the regulated utilities to raise their cap on net metering<sup>5</sup> to 3% of their peak load in 2005, up from 1%. Last year, and well in advance of the Commission’s decision, LIPA’s trustees authorized an increase in the cap on net metering to 150 MW, which is 2.9% of LIPA’s peak load in 2005. Staff requests an increase in the cap on net metering to 153.5 MW to match the 3% cap authorized in the rest of New York State for applicable technologies.

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<sup>2</sup> See Trustee Resolution, January 23, 2001.

<sup>3</sup> This minimal requirement is known as Station Service.

<sup>4</sup> On June 13, 2013 in Cases 12-E-0485 through 12-E-0490.

<sup>5</sup> This cap excludes wind customer-generation, which has a separate net metering cap of 15.3 MW as specified in PSL 66-l. No change in the cap on wind net metering is proposed.

Staff also proposes to make explicit in the Tariff the treatment of excess generation for customers on time-of-use rates. The practice at LIPA has been that energy generated in a given rating period can only be credited back to that same rating period. For example energy generated in the on-peak hours can only be used to offset energy consumed in the off-peak hours. On-peak generation cannot be used to reduce consumption in the off-peak period (or vice versa). This practice is consistent with the manner in which the net metering laws (Public Service Law 66-j and 66-l) have been implemented for the regulated electric utilities in the State.

Remote Net Metering. Staff is requesting that the Tariff be modified to update the eligibility requirements of the remote net metering provisions to conform with recent updates to Public Service Law 66-j. This update would permit a farm operation or a non-residential customer generator with eligible fuel cell or micro-hydroelectric generating net-metering equipment to designate credits to any other property owned or leased by such customer-generator within the LIPA service territory.

Daylight Savings Time. Staff is requesting to update language in the tariff regarding Daylight Savings Time for the Residential Voluntary Time of Use rates. The Tariff defines the hours in the on-peak and off-peak periods as if Daylight Savings Time was applicable all year long. This happened because the first generation residential time-of-use meters (TOU) were mechanical and could not change from Standard Time to DST and back as needed during the year. Today, solid state meter technologies can accommodate changing from Standard Time to DST and back as needed and therefore can be programmed to operate according to the prevailing time. Accordingly, the tariff language change proposed will enable residential TOU customers who have new meters to be billed under prevailing time, making the on-peak and off-peak hours more intuitive to the customers and easier to understand. Existing residential TOU customers will continue to be billed under their previously assigned DST parameters until their meters can be reprogrammed or replaced.

### **Financial Impacts:**

No significant financial impacts are anticipated as a result of these proposed changes to the LIPA Tariff. Consistent with the goals of the LIPA Reform Act, all of the proposed changes are designed to maintain LIPA's rates at their 2013 approved levels, excluding the Power Supply Charge (also known as the Fuel and Purchased Power Cost Adjustment). The following rate impact table illustrates that the overall change to electric revenues is approximately \$2 million or .057% above the 2013 budgeted level. This results solely from rounding of LIPA's rates.

**Impact on Projected Revenues in 2014 from the Proposed Tariff Changes**  
(Dollars in Millions)

Rate Categories	Residential			Commercial			Other (Incl. LI Choice)			Total		
	Current	Proposed	Delta	Current	Proposed	Delta	Current	Proposed	Delta	Current	Proposed	Delta
Delivery Charge	\$971	\$1,017	\$46	\$679	\$707	\$28	\$115	\$120	\$5	\$1,765	\$1,844	\$79
Power Supply	782	782	-	650	650	-	92	92	-	1,524	1,524	-
E&R Charge	61	34	(27)	43	29	(14)	8	5	(3)	112	68	(44)
Suffolk Settlement	22	22	-	16	16	-	3	2	(1)	41	41	-
NYSA Charge	22	19	(3)	17	14	(3)	3	3	-	42	35	(7)
Revenue PILOT	46	31	(15)	16	5	(11)	2	1	(1)	63	37	(26)
Total Revenue	\$1,903	\$1,905	\$1	\$1,421	\$1,421	\$0	\$223	\$223	\$0	\$3,547	\$3,549	\$2
<b>Average Rate (¢/kWh)</b>	<b>19.41</b>	<b>19.42</b>	<b>0.01</b>	<b>16.56</b>	<b>16.56</b>	<b>0.00</b>	<b>6.27</b>	<b>6.27</b>	<b>0.00</b>	<b>17.51</b>	<b>17.52</b>	<b>0.01</b>

Note: totals may not add due to rounding

## **Proposed Tariff Changes:**

### **Utility Debt Securitization Authority**

1. **Insert language authorizing the billing and collection of the Securitization Charge and the associated payment obligations and policies regarding collection and termination.**

**Affected Tariff Leaves:** Leaf 42, 49, 103, 113, 115, 119, 144, 157, and 326.

#### **Reason for Tariff Change**

To incorporate the Utility Debt Securitization Authority charges authorized under the LIPA Reform Act of 2013.

2. **Create the Securitization Offset Charge in Section VII – Adjustments to Rates and Charges of Service Classifications and references to Adjustments to Rate and Charges for Participating Customers.**

**Affected Tariff Leaves:** Leaves 100, 181, 182I, 182J, 186, 192, 195, 198, 201, 206, 213, 220, 227, 238, 241, 245, 248, 258, 265, 272, 279I, 279J, and 313.

#### **Reason for Tariff Change**

To implement the Securitization Offset Charge.

### **Energy Efficiency Cost Recovery Rate**

3. **Remove language for Lost Revenues and Reference to Under (Over) recovery.**

**Affected Tariff Leaves:** Leaves 182A, 182B.

#### **Reason for Tariff Change**

One time transfer of Lost Revenues to Delivery Rates.

4. **Modify Language to have the same charge per kWh for all service classifications.**

**Affected Tariff Leaves:** Leaves 182A, 182C.

#### **Reason for Tariff Change**

To make the Efficiency & Renewables Charge similar to New York State's Systems Benefits Charge.

**Reset Delivery Rates to achieve rate neutrality with LIPA Reform Act**

**5. Expand the Costs Recoverable under the New York State Assessment.**

**Affected Tariff Leaf:** Leaf 182H

**Reason for Tariff Change**

To reflect changes in State Law.

**6. Update Delivery Rates to Transfer Lost Revenues, Adjust for New York State Assessment and the Gross Receipts Tax**

**Affected Tariff Leaves:** Leaves 184, 185, 190, 191, 195, 197, 201, 205, 212, 213, 219, 226, 227, 238, 241, 244, 245, 263, 264, 272, 279I, 279J and 313.

**Reason for Tariff Change**

To transfer tariff charges between riders and delivery rates to achieve rate neutrality.

**Miscellaneous Tariff Changes**

**7. Insert language for Nonresidential Time of Use Customers regarding prevailing time meter usage and billing.**

**Affected Tariff Leaves:** Leaf 99.

**Reason for Tariff Change**

To incorporate language indicating all new or replaced time of use meters will record usage on prevailing time.

**8. Cancel Service Classification No. 15.**

**Affected Tariff Leaf:** Leaves 34, 182C, 182J, 197, 204, 211, 218, 225, 268, 279A-279F, 279H, 281, 316 and EER Statement

**Reason for Tariff Change**

To remove an unused rate option

**9. Eliminate the Separate Pricing for Rate Code 680 under Service Classification No. 12**

**Affected Tariff Leaf:** Leaves 261, 262, 263, 264, 265, 269 and 273

**Reason for Tariff Change**

To simplify the pricing for Back-up and Maintenance Service.

**10. Increase the Cap on Net Metering**



**Affected Tariff Leaf:** Leaf 34B

**Reason for Tariff Change**

To reflect changes in the net metering policies of the Public Service

**11. Clarification of Energy Credits for Multiple Rate Period Customers**

**Affected Tariff Leaf:** Leaf 34F, 34F-1, 34G, 34H and 34I.

**Reason for Tariff Change**

To clarify that net metered customers with multiple rating periods will receive energy credits that are tracked separately for each rating period.

**12. Update the Table of Contents and Abbreviations and Definitions.**

**Affected Tariff Leaves:** Leaves 6, 6a, 12, and 15.

**Reason for Tariff Change**

To include the Securitization Charge and Securitization Offset Charge in the Table of Contents and to define the terms “Base Rates” and “Delivery Service.”

**Summary of Proposed Changes:**

The proposed changes will authorize the recovery of charges owned by the Utility Debt Securitization Authority, restructure the Energy Efficiency Cost Recovery Rate to better reflect PSC rate policy, revise the Delivery Charges in a revenue-neutral manner, and implement several miscellaneous changes that will bring LIPA’s Tariff into closer conformance to State policy.

The proposed revised Tariff Leaf Nos. 6, 6a, 12, 15, 34, 34B, 34F, 34F1, 34G, 34H, 34I, 42, 49, 99, 100, 103, 113, 115, 119, 144, 157, 181, 182A, 182B, 182C, 182H, 182I, 182J, 184, 185, 186, 190, 191, 192, 195, 197,198, 201, 204, 205,206, 211, 212, 213,218, 219, 220, 225, 226, 227, 238, 241, 244, 245, 248, 256, 257, 258, 261, 262, 263, 264, 265, 268,269, 272, 273, 279A, 279B, 279C, 279D, 279E, 279F, 279H, 279I, 279J, 281, 279I, 279J, 313, 316, 326 and the draft restructured Statement of Energy Efficiency Cost Recovery Rate and the draft Statement of Securitization Charges are attached. The updated New York State Assessment Statement and the Gross Receipts Tax PILOT Payments Statements are also attached, for reference only.