

**Proposal Concerning Additions to LIPA’s Tariff to
Establish a LIPA Green Choice Program**

Requested Action:

Staff proposes additions to LIPA’s Tariff for Electric Service to establish a new LIPA Green Choice Program designed to foster the development and sale of “Green Power” generated from renewable energy resources, including wind, solar and biomass. As described below, this Program will operate by encouraging the sale of “environmental attributes” associated with renewable energy resources. Under this voluntary program, LIPA’s customers may elect to purchase environmental attributes from renewable energy options providers (“Green Marketers”) who meet certain eligibility criteria. The purchase price for these environmental attributes will be incremental to LIPA’s fully bundled retail electric service.

Reason for Tariff Change:

LIPA is proposing the LIPA Green Choice Program because it believes that customers are interested in the purchase of energy produced from renewable energy sources. Moreover, LIPA is supporting a statewide effort to promote Green Power and help advance Governor George Pataki’s goal of further developing renewable energy generation to further benefit the environment in New York State.

How LIPA Green Choice Program Will Work:

A Green Marketer can secure the environmental attributes associated with renewable energy generation and market those attributes to retail customers. To create this market opportunity, the New York State Public Service Commission (“NYSPSC”) has developed an Environmental Disclosure Program in conjunction with the New York Independent System Operator (“NYISO”) to quantify the environmental attributes of electricity generated from these renewable resources.

Under LIPA’s Green Choice Program, Green Marketers will complete an application and sign a Billing Services Agreement with LIPA that will allow them to market the environmental attributes to retail customers in LIPA’s service territory. Retail customers who choose to purchase these environmental attributes will enter into agreements directly with these Green Marketers. The form of those customer agreements will be subject to LIPA’s approval. LIPA will provide a single bill to the customer, reflecting LIPA’s total bundled retail rates, plus all incremental Green Marketer charges.

The Tariff would be revised to add the LIPA Green Choice Program in Leaf Nos. 316 – 321. Set forth below are the proposed changes to the Tariff and a description of how the program has been designed.

Customer Eligibility

All customers served under Service Classification Nos. 1, 1-VMRP(L), 1-VMRP(S), 2, 2-VMRP, 2L-VMRP, 2-H, or 2-MRP, 5, 7, 7A, 10, and 13 who take their electric supply from LIPA are eligible to participate. Customers who are not eligible are: i) customers participating in the Long Island Choice Program, unless they elect to terminate participation in the program, ii) customers who receive service under Service Classification Nos. 2-VRTP, 11, 12 or 15, iii) customers who receive part of their electric requirements from an Economic Development Power Program through a municipal distribution agency, iv) customers who sell power to LIPA as Qualifying Facilities or Residential Small Solar Electric Generators, and v) customers who are in arrears for sixty or more days.

Customer Enrollment Guidelines

A customer desiring to participate in the LIPA Green Choice Program will select an eligible Green Marketer and provide it with the necessary enrollment information. The Green Marketer will submit the customer's enrollment information to LIPA at least 10 calendar days prior to the first of the month for which enrollment in the program will be deemed effective. A customer can only contract with one Green Marketer at a time to receive renewable energy options for an individual electric account.

Green Marketer Eligibility

To participate in the LIPA Green Choice Program as a Green Marketer, the entity must complete a LIPA application stating it will comply with all the provisions of the Tariff and with any written agreement between the Green Marketer and LIPA; be licensed with the New York State Public Service Commission ("NYSPSC") as an Energy Service Company ("ESCO"); and be in compliance with the Electronic Data Interchange ("EDI") standards. Furthermore, the Green Marketer will be required to enter into a Billing Services Agreement with LIPA, which will set forth the terms and conditions governing the rights and obligations of the parties.

Renewable Energy Service Options

Each participating Green Marketer will offer a customer one or more of the following types of renewable energy options:

1. A total energy consumption option whereby a Green Marketer provides the renewable energy option as one-hundred percent (100%) of a customer's total billed consumption for a given month.
2. A percentage of energy consumption option whereby a Green Marketer provides the renewable energy option at seventy-five percent (75%), fifty percent (50%), or twenty-five percent (25%) of a customer's total billed consumption for a given month.
3. An energy block service option whereby a Green Marketer provides customers the renewable energy options in blocks.

Billing Service

LIPA will perform all retail billing services for the renewable energy option selected by the customer in the enrollment process. LIPA will include the Green Marketer's charge for the specific renewable energy option on the customer's bill.

Conversion Transactions

As referred to above, the Environmental Disclosure Program of the NYSPSC and NYISO is designed to stimulate the development of renewable energy generating resources. Under this program, energy produced from renewable resources has a separate and marketable environmental attribute (also known as green attribute or tag), in addition to the normal energy (kWh) commodity. The renewable energy generators ("green generators") can therefore sell the physical output of these units into the NYISO energy market at spot prices, and through separate agreements, sell the green attributes of this generation to the Green Marketers, who in turn, sell those attributes to retail customers. By customers voluntarily paying a "premium" above the otherwise applicable energy charges on the utility bill, additional monies flow to both green marketers and to renewable energy generators, thereby encouraging the growth of green generation and its abundant environmental benefits.

In its Environmental Disclosure Program, the NYSPSC has established a procedure, known as "Conversion Transactions", which can be used to ensure that all of the green attributes sold by a Green Marketer are supported by actual green generation. Under this

procedure, the NYSPSC reviews statewide data on energy sold into and purchased from the spot market, the fuel mix/environmental emissions characteristics (i.e., environmental attributes) with respect to the energy from each generator, and energy consumption data associated with renewable resources (such as energy consumed by Green Choice customers). Using all this information, the NYSPSC is able for each Load Serving Entity (LSE) to produce an Environmental Disclosure Statement setting forth the environmental attributes corresponding to the energy purchased by the LSE's customers. These statements will then be used by the Green Marketers to inform Green Choice customers on a customer-specific basis of the environmental attributes of the energy they purchase.

Each calendar month LIPA will report to each Green Marketer the quantity of renewable energy environmental attributes in kWh purchased by the Green Marketer's customers for a previous billing month. The Green Marketer will provide to LIPA documentation supporting its purchases of environmental attributes from green generators covering that period. In this way, LIPA can be provided assurance that the Green Marketers purchased the quantity of environmental attributes, paid for by the customers in LIPA's Green Choice Program.

Preparation and Dissemination of Environmental Disclosure Statements

For environmental disclosure purposes, LIPA will provide the NYSPSC with all required energy consumption data for Green Choice customers. LIPA will also provide data validation for Green Choice customers to verify that data reported by the NYISO to the NYSPSC for use in preparing the Environmental Disclosure Statements is complete and accurate. LIPA will assist Green Marketers in preparing customer specific Environmental Disclosure Statements. Green Marketers will be responsible for preparing and disseminating the customer-specific Environmental Disclosure Statements to their customers on a periodic basis.

Switching

Customers participating in the program will be able to change Green Marketers subsequent to their initial Green Marketer selection. They may discontinue participation in the program at any time provided they notify LIPA at least 10 calendar days before the first of the month for which the discontinuation is to be effective.

Discontinuation of Green Marketer Participation

LIPA may discontinue a Green Marketer's participation in the LIPA Green Choice Program if: i) the Green Marketer fails to procure an amount of renewable kWh equal to the renewable kWh billed by LIPA or ii) the Green Marketer fails to comply with the terms and conditions of the Tariff or with any agreements entered into with LIPA in connection with the LIPA Green Choice Program. When a Green Marketer's participation is discontinued, its customers will have the opportunity to enroll with other Green Marketers, as available, or discontinue participating in the LIPA Green Choice Program.

Revenue Impact on LIPA:

Green Marketers will be required to pay all incremental operational costs incurred by LIPA in offering the program. These costs and all other requirements to support the implementation of the program will be addressed in a Billing Services Agreement with the Green Marketers. Customers who choose to participate in the Green Choice Program will pay their normal, fully bundled retail rate for LIPA's electric service, plus the Green Marketer charges its sale of the green attributes. Accordingly, there will be no revenue impact on LIPA.

Financial Impact on Customers:

There will be a financial impact on those customers who agree to buy the green attributes through the program. The degree of the financial impact on each customer will be determined by the customers themselves through their agreement with the Green Marketer.

Proposed Changes:

In summary, the proposed changes to LIPA's Tariff are to: add a new Section X, LIPA Green Choice Program, and revise the Table of Contents accordingly; and revise the "Billing Process and Payment of Bills" section, which is under "Adjustments to Rates", to provide that LIPA can adjust LIPA Green Choice customers' bills to include the Green Marketers' charges for the environmental attributes. The proposed revisions to Tariff Leaf Nos. 6A, 100 and 316-321 to implement Staff's proposal are attached.