Proposal Concerning Modifications to LIPA's Tariff for Electric Service

Requested Action:

The Long Island Power Authority ("the Authority") Staff proposes to modify the Tariff for Electric Service ("Tariff") effective January 1, 2017 to update the existing Balanced Billing program in order to (1) reduce the frequency and magnitude of resets to customers' monthly Balanced Billing charges; (2) provide residential customers with the option to roll over annual reconciliation amounts; and (3) clarify eligibility for the program.

Background:

PSEG Long Island has identified the Balanced Billing program as an area for improvement for customer satisfaction. The current procedures—which often involve a change to the Balanced Billing amount several times in the plan year and a substantial one-time "true-up" payment due at the end of the year—have been identified as a key factor contributing to customer dissatisfaction with the Balanced Billing program. Improvements identified by PSEG Long Island include reducing the number of times the bill amount changes during the year through better forecasting and offering customers greater flexibility regarding treatment of any balance outstanding at the end of the plan year. First, fuel costs, which represent approximately 40 percent of the cost of a customer's bill, fluctuate from billing period to billing period. As a result, month-to-month swings in fuel cost have been identified as the highest driver of Balanced Billing recalculations. Second, when an account reaches the end of the Balanced Billing year (i.e., the customer's annual reconciliation), the account balance due to or from the customer is "trued up" by calculating the difference between what the customer was billed for the Balanced Billing year and what would have been owed for the year under standard billing. The resulting credit or debit is then applied to the twelfth month bill and currently must be paid in one lump sum. Customers presently do not have the option to roll this reconciliation amount over into the subsequent Balanced Billing year.

Program Modifications

The goal of the proposed changes to the Balanced Billing program is to create a more stable annual budget program for PSEG Long Island residential customers, where residential customers would enroll and pay a set monthly amount for twelve months based on a twelve-month projection of costs including fuel. For residential customers, underpaid balances at the end of the Balanced Billing plan year will rollover by default into the customer's next balance billing plan, *unless* the customer declines the rollover option. This feature will be applicable only to residential customers participating in the new Balanced Billing program that are current or that have arrears of 30 days or less. As in the current Tariff, the accounts of residential customers enrolled in Balanced Billing will be reviewed at least once a year in addition to the year-end review, and if warranted the Service Provider may reset the Balanced Billing monthly payment amount.

For non-residential customers, the reviews will continue to be made every quarter in the Balanced Billing plan year and the Balanced Billing monthly charge will be adjusted as required. As under the existing Tariff, non-residential customers will continue to be ineligible for rollover at the end of the Balance Billing plan year.

The proposed Tariff changes will also clarify customer eligibility as follows: 1) eligible customers must have sufficient usage history available to accurately project the Balanced Billing yearly projected amount; 2) for Net Metering Customers, the usage history must be derived from billing periods during which the Customers were enrolled in net metering; and 3) Service Classification No. 2 MRP customers cannot participate.

Although certain of the proposed operational changes to Balanced Billing could be accomplished without changes to the Tariff, Staff believes that the proposed tariff changes provide important clarifications and additional notice to customers regarding their reasonable expectations under the Balanced Billing program. By implementing these changes, many of the customer satisfaction issues pertaining to Balanced Billing recalculations will be mitigated. Customers will be assured of a more stable payment for the remainder of the current plan year and an option for rolling over any additional cost due to changes in their usage patterns or power supply costs into their next annual levelized payment plan, instead of requiring customers to pay the variance in a lump sum.

Financial Impacts:

The proposed rollover option will give residential customers the option to roll any amount the customer owes from their previous year's budget program into their new budget year's projection. This will extend the time a customer has to pay the reconciliation amount from one month to one year (in a series of 12 equal monthly payments). Using 2015 as a study period, customers owed LIPA $16.7 million dollars in rollover payments. Using LIPA's effective 2016 cost of debt rate (4.17%), and assuming that 100% of customers exercise the rollover option, the interest on the $16.7 million in expected rollover payments as extended in the budget billing program would be approximately $287 thousand annually or $24 thousand monthly.

Proposed Tariff Changes:

Affected Tariff leaves: 108, 109 and 110.

Reason for Tariff Change

To enhance the Balanced Billing program to increase customer satisfaction and avoid customer complaints when the monthly payment is reset.

Summary of Proposed Changes:

In summary, the proposed changes to LIPA's Tariff for Electric Service will explicitly recognize the provisions of the more stable Balanced Billing program for customers, where customers would enroll and pay a set monthly amount based on a twelve month projected annual cost, and will provide clarity on eligibility and administration of the Balanced Billing program.

IV. Billing Process and Payment of Bills (continued):

D. Payment of Bills

1. Payment-Due Date

   a) Payment is due upon receipt of the bill if hand delivered, or three (3) days after the mailing of the bill.

   b) The “Pay by” date, which is not less than twenty (20) days after the date payment is due, will appear on the bill. After that date, the payment is considered late for purposes of determining late payment charges and other actions as defined in this Tariff.

   c) Payment may be made by mail or in person at any business office of the Authority, or to an authorized payment agency of the Authority.

2. Billing Options

   a) Regular Billing

      (1) The Customer is billed on a monthly basis for electricity consumed within the billing period (the first bill may be estimated), or

      (2) The Customer is billed on a bimonthly basis (every two (2) months) for electricity consumed, which may be estimated, within the billing period.

   b) Balanced Billing

   A “Balanced Billing Plan” is a billing plan designed to reduce fluctuations in a Customer’s bill payments due to varying patterns of consumption, charges and overall cost. Customers may request~~elect~~ Balanced Billing at any time. The estimated total charges for a twelve (12) month period will be averaged over twelve (12) months and may be paid in twelve (12) monthly installments. ~~A review comparing the actual cost of service and the monthly billing amount will be made at least once in the plan year. A final bill for a plan year shall be issued at the end of the plan’s twelfth (12th) month and shall contain that month’s monthly balanced billing amount plus any adjustments that may be made if actual charges for the plan year are more or less than sum of monthly billing amounts for the plan year.~~

   (1) Authority's Obligation to Offer a Balanced Billing Plan

   The Authority will offer a voluntary Balanced Billing Plan, designed to reduce fluctuations in payments caused by seasonal patterns of consumption, to its eligible Customers at least once in each twelve-month period.

   (2) Eligible Customers

   In order to be eligible for a Balanced Billing Plan, Customers must have sufficient usage history available to accurately project the Customers’ estimated total yearly charges. For Net Metering Customers, this usage history must be derived from billing periods during which the Customers were enrolled in net metering.

IV. Billing Process and Payment of Bills (continued):

D. Payment of Bills (continued):
Balanced Billing (continued):

In addition, to be eligible, Customers must be one of the following:

(a) Residential

(b) Condominium Associations

(c) Cooperative Housing Corporations

(d) Nonresidential Customers whose use of electricity is consistent enough to be estimated on an annual basis.

(3) Ineligible Customers

(a) Nonresidential Customers who have had service for less than twelve (12) months, and

(b) Seasonal, Short-term, or Temporary Customers, and

(c) ~~Interruptible, temperature-controlled, or dual-fuel~~ Customers served under Service Classification No. 2 - MRP, and

(d) Customers whose ~~who stopped being billed on a~~ Balanced Billing Plan was cancelled during their current~~before the end of the~~ plan year may be ineligible for a new Balanced Billing Plan until their current plan year ends~~in the past twenty-four (24) months~~, and

(e) Nonresidential Customers who have arrears, and

(f) Customers whose use of electricity is not consistent enough to be estimated on an annual basis.

(4) Cancellation of the Balanced Billing Plan

(a) A Customer may~~can~~ cancel the Balanced Billing Plan at any time and the Authority will issue a final Balanced Billing Plan bill no later than the Customer's next regular billing cycle. ~~If service is cancelled or if the bill is unpaid when the next monthly bill is rendered, the Balanced Billing Plan can also be terminated by the Authority. Anything due to the Authority or payable to the Customer's will be issued at the Customers next regular billing cycle.~~

(b) The Balanced Billing Plan may also be terminated by the Authority if the Customer's service is cancelled or if the Customer's account is no longer in good standing. Any amount due to the Authority or payable to the Customer will be added or deducted from the amount due in the Customer's next regular billing cycle.

IV. Billing Process and Payment of Bills (continued):

D. Payment of Bills (continued):
Balanced Billing (continued):

(5) Balanced Billing Monthly Charge resets:

(a) Residential:
A review comparing the actual cost of service and the Balanced Billing Monthly Charge amount will be made at least once in the plan year. If a Balanced Billing Monthly Charge reset is warranted, the Customer will be notified and the Balanced Billing Monthly Charge may be reset at the discretion of the Authority.

(b) Non-Residential
A review comparing the actual cost of service and the Balanced Billing Monthly Charge amount will be made every quarter in the plan year. If a Balanced Billing Monthly Charge reset is warranted, the Balanced Billing Monthly Charge will be reset.

(6) End of Plan Year Remaining Balance:

(a) Residential:
Any remaining balance payable to the Customer will be posted on the Customer's next regular bill. Any remaining balance due to the Authority will be handled in the following manner depending on whether or not the Customer's account is in good standing.

(1) Customers in good standing may elect to roll the remaining balance into the calculation of the next Balanced Billing plan year or pay the balance due to the Authority on the Customer's next regular bill. Customers who do not elect an option will have their remaining balance rolled into their next Balanced Billing Plan year by default.

(2) Customers not in good standing will have their remaining balance due to the Authority posted on their next regular bill.

(b) Non-Residential
Any remaining balance due to the Authority or payable to the Customer will be posted on the Customer's next regular bill.

~~**[Cancelled]**~~