

Proposal Concerning Modifications to LIPA's Tariff for Electric Service

Requested Action:

The Long Island Power Authority (the "Authority") is proposing an addition to Service Classification No. 13 – Negotiated Contracts to authorize a negotiated contract with sewer districts participating in the Suffolk County Coastal Resiliency Initiative to provide electric service to separately metered pumping equipment at thousands of individual customer locations as part of an effort to protect ground water sources and sustain the regional environment on Long Island that will benefit LIPA's customers and the surrounding waterways of the Great South Bay.

Background:

Under the current tariff provisions for Service Classification No. 13, negotiated contracts are not available to public entities such as the Suffolk County Department of Public Works that wish to expand their usage, regardless of the benefits that such expanded usage would create for LIPA's customers and the local environment. The only exceptions currently authorized for negotiating contracts with public entities cover traction service for the Long Island Rail Road and discounted energy provided by the New York Power Authority to Brookhaven National Laboratories which LIPA facilitates through a sale for resale agreement. Both of these exceptions provide substantial and widespread benefits to Long Island customers, and another opportunity has arisen which will provide widespread environmental benefits to Long Islanders through the attachment of thousands of homes on the south shore of Suffolk County to the public sewer system through the use of an electrically powered pumping system.

The Suffolk County Department of Public Works is eligible for grant money and has initiated a project to connect approximately 5,000 homes on the south shore of Long Island to the public sewer system as a replacement for the existing onsite septic systems that deposit untreated water and sewage directly into the ground and ultimately into Long Island's aquifers and open waters. Such onsite septic systems are responsible for extensive nitrogen and pathogen pollution of the Great South Bay and its watershed tributaries, and are subject to flooding and seepage which allowed for a direct mix of sanitary wastewater into groundwater and caused solids to wash out of the septic systems. Contaminants enter groundwater and surface waters, causing public health and water quality hazards. Coastal flooding causes a water quality crisis, but also erodes the coastal wetlands, which have been scientifically proven to reduce vulnerability from storm surge, to the point of failure.

As part of the continuing State efforts to address recovery and resiliency needs that were experienced during Superstorm Sandy, the public health and water quality projects collectively referred to as the Suffolk County Coastal Resiliency Initiative (SCCRI) aim to help the region recover from Sandy while preventing future septic system flooding, sewage backup and groundwater pollution. Additionally, the program will serve to protect valuable coastal wetlands that not only shield nearby communities, but are critically-important to their economic and environmental health.

Each of the homes that are upgraded with this equipment and connected to the public sewer systems will require a separate account in the name of the sewer district and will be billed to that district (not the homeowner) based on the existing Service Classification No. 2 (Rate Code 280). Each individual account will consume approximately 10 kWh per month, and at current rates, the daily service charge represents approximately \$12.60 per month per account, or approximately 85% of the estimated monthly bill. Since the grants available to the County cannot be used to support recurring expenses such as LIPA's charges for electric service and since the daily service charge associated with each account represents a sizable proportion of the overall charges that would apply for these accounts, the County on behalf of the sewer districts has requested a negotiated rate discount that waives the daily service charge and certain upfront connection charges, so that the service can be affordable to the County.

Without the discount requested by the County, this important and environmentally beneficial project cannot go forward and the beneficial impact on the local groundwater resources, the Great South Bay and its

tributaries would be lost for all our customers that rely on these necessary resources.

Proposal:

Staff proposes to offer a negotiated contract to the sewer districts participating in the Suffolk County Coastal Resiliency Initiative to provide electric service to establish individual accounts specific to this project and purpose. Service would be provided under Service Classification No. 13 – Negotiated Contracts using the rates, charges and terms and conditions for Service Classification No. 2 (rate code 280) with the following exceptions:

- Waive the daily service charge.
- Waive any requirements for a Security Bond.
- Waive the service initiation fee (\$220 per account).

The Power Supply Charge and other adjustments to rate and charges will apply. Consistent with the general terms of Service Classification No. 13, the proposed negotiated rate and associated discount will last for 7 years. A new service agreement may be negotiated at that time but is not guaranteed.

Also consistent with other provisions of the Tariff for Electric Service, Suffolk County Department of Public Works will be required to provide an up-front, non-refundable, contribution in aid of construction of \$150 for each account that is placed into service, to defray some of the upfront costs associated with connecting the pumping equipment to the electric system, this includes the installation of an AMI meter.

Financial Impacts:

Using a high-end estimate of approximately 5,000 accounts that may be established under this Negotiated Contract, the estimated loss of revenue associated with the proposed daily service charge discount is approximately \$1,074¹ per account over the proposed seven years, or \$5.4 million for 5,000 accounts. In addition, the proposed waiver of the service initiation charge would increase that discount by \$220 per account or \$1.1 million for 5,000 accounts. Offsetting those revenue losses, the up-front contribution in aid of construction of \$150 per account would return \$750,000 for 5,000 accounts. The net present value of lost revenue would be \$4.6 million² over the 7 year life of the discount, which consists of \$350,000 in forgone upfront payments and \$766,500 per year in forgone daily service charges for 7 years. This is a total of \$5.7 million before discounting for the time value of money.

Affected Tariff Leaf: 271.

Summary of Proposed Changes:

LIPA Staff proposes to modify the Tariff to authorize a negotiated contract with Sewer Districts participating in the Suffolk County Coastal Resiliency Initiative for the benefit of Long Island residents and businesses in order to reduce the impact of untreated sewage from cesspools and septic systems on the local groundwater supplies and to improve and sustain the regional environment on the Great South Bay and its tributaries.

¹ Cost based on per Day Rate of \$0.42 x 365(6) days x 7 years.

² NPV Calculation is based on a 6.16% discount rate

VIII. SERVICE CLASSIFICATIONS (continued):**Q. SERVICE CLASSIFICATION NO. 13****Negotiated Rate Service for Large Commercial Customers (continued):****(Rate Codes: 278)****Who is Eligible (continued):**

- c) Retention Customer An existing single-account or multiple-account Customer that is considering:
 - (1) Relocating at least 500 KW of its electric load outside the Authority's Service Area, or
 - (2) Generating or purchasing some or all of its energy (including electricity, steam, or chilled water) from sources other than the Authority or the New York Power Authority.
- d) The Metropolitan Transportation Authority for Traction Power Service to the Long Island Rail Road.
- e) The Brookhaven National Laboratories pursuant to a Sale for Resale agreement between the Authority and the New York Power Authority.
- f) Sewer districts participating in the Suffolk County Coastal Resiliency Initiative.

2. Who Is Not Eligible

Retail enterprises [as defined in the New York State Tax Law, Section 210.12(k)(i) and (ii)] or local public entities, except as noted for specific purposes above, are not eligible for service under this Service Classification, unless they can show that they can or will generate their own power.

3. The Electric Service Agreement:

The Electric Service Agreement shall be negotiated and signed before service begins, and shall contain all the terms and conditions needed for the Authority to provide service, including Term of Service, Characteristics of Service, Rates and Charges, and restrictions and penalties that may apply.

4. Character of Service

- a) Continuous, 60 hertz, alternating current.
- b) Radial secondary service at approximately 120/208, 120/240, or 277/480 volts, three phase; network system 120/208 or 277/480, depending on the size and characteristics of the load and the circuit supplying the service.
- c) Radial primary service at approximately 2400/4160, 7620/13200 volts or higher, three phase, depending on the size and characteristics of the load and the circuit supplying the service.
- d) The Authority may consider loads with a minimum estimated demand of 10,000 KW for service at 69,000 volts or higher.