

BOARD AGENDA SUMMARY SHEET

Committee or Board: Board	Date: May 8, 2020	Board Meeting Date: May 20, 2020
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For All Board Voting Items:

Title of Agenda Item: Approval of Tariff Changes

Consent Agenda: Yes No

Accompanying Presentation: Yes No

Recommendation from Committee: N/A F&A; GP&P; Oversight & REV

LIPA Presenter: Justin Bell

PSEG Long Island Presenter: N/A

Enterprise Risk Management Discussion: Yes No

For Finance Approval Items Only:

Budget ; **Plan of Finance** ; **Tariff Changes** ; **Other** (describe below)

Requested Action:	The Trustees are requested to approve changes to LIPA's Tariff for Electric Service.
Summary: (include proposed amendments to Board Policies, if applicable)	<p>The proposed changes will (1) allow community choice aggregation in LIPA's service territory; (2) enable sewer districts participating in the Suffolk County Coastal Resiliency Initiative to negotiate rates for electric service for thousands of sewage pumps intended to prevent pollution of the Great South Bay; (3) reduce incentives paid to new non-renewable fossil-fuel powered fuel cells, which are ineligible to satisfy New York's clean energy goals, and provide greater certainty for distributed energy resources by locking in certain value stack components; (4) make the small generator interconnection process more user-friendly by allowing applicants to make minor modifications to their applications without affecting their queue position; and (5) establish a new solar feed-in-tariff to supply PSEG Long Island Solar Communities, a new utility-administered community solar program primarily serving low and moderate income customers.</p> <p>Full details of each of the proposed changes are more fully set forth in the accompanying memorandum.</p>

FOR CONSIDERATION

May 20, 2020

TO: The Board of Trustees
FROM: Thomas Falcone
SUBJECT: Approval of Tariff Changes

Requested Action

The Trustees are requested to approve changes to LIPA's Tariff for Electric Service. The proposed changes will (1) allow community choice aggregation in LIPA's service territory; (2) enable sewer districts participating in the Suffolk County Coastal Resiliency Initiative to negotiate rates for electric service for thousands of sewage pumps intended to prevent pollution of the Great South Bay; (3) reduce incentives paid to new non-renewable fossil-fuel powered fuel cells, which are ineligible to satisfy New York's clean energy goals, and provide greater certainty for distributed energy resources by locking in certain value stack components; (4) make the small generator interconnection process more user-friendly by allowing applicants to make minor modifications to their applications without affecting their queue position; and (5) establish a new solar feed-in-tariff to supply PSEG Long Island Solar Communities, a new utility-administered community solar program primarily serving low and moderate income customers.

Community Choice Aggregation: Background

In a Community Choice Aggregation ("CCA") program, municipalities may aggregate the load of their residents and businesses on an opt-out basis and procure energy on their behalf. On April 21, 2016, the New York Public Service Commission authorized the establishment of municipal CCA programs for the State's investor-owned utilities and set forth the framework for such programs in a "CCA Framework Order".¹ The CCA Framework Order instructed interested municipalities, on their own or through their selected CCA Administrator, to file implementation plans and related documents for Commission approval to initiate a CCA program. The CCA Framework Order also identified milestones at which utilities should provide municipalities with customer-specific data and allowed the utilities to charge fees for the provision of the data.

In August 2019, the Department of Public Service published the "Community Choice Aggregation Guidance Document," providing guidance for all parties' rules and roles in the administration of a CCA. Several municipalities within the LIPA territory have since expressed interest in exploring the creation of a CCA.

¹ Case 14-M-0224, Community Choice Aggregation, *Order Authorizing Framework for Community Choice Aggregation Opt-Out Program* (issued April 21, 2016) ("CCA Framework Order").

Community Choice Aggregation: Proposed Action

LIPA Staff is proposing to modify the Tariff consistent with the CCA Framework Order and CCA Guidance Document so that CCA will be available to municipalities in LIPA's service territory through LIPA's existing Long Island Choice program on the same terms as in the rest of New York.

The proposed Tariff changes reflect the following principles, which are adapted from the statewide CCA Framework and Guidance Document.

Customer Eligibility:

1. The CCA Administrator must consult with the Service Provider on whether customers taking service under special rate treatments should be eligible to be added to the CCA on an opt-out basis. No customer should be included on an opt-out basis if that inclusion will interfere with a choice the customer has already made to take service pursuant to a special rate.
2. The CCA Administrator may request a monthly list from the Service Provider of new eligible customers in the municipality. The Service Provider may charge a cost-based fee for this list.

Low Income Participation:

1. During creation of the initial aggregated data set, if a CCA indicates that it intends to serve recipients of LIPA's low and moderate income customer discounts, the Service Provider will include data related to customers with utility-initiated blocks on their accounts and will break out the number of customers that fall into this category and the consumption of those customers.
2. Subsequently, when providing customer contact information, the Service Provider will provide a separate list containing contact information for customers with utility-initiated blocks on their accounts, so that the CCA can ensure that those customers, if enrolled, are enrolled in a guaranteed savings product.

Data Security and Privacy:

1. The Service Provider, in consultation with Department of Public Service Staff, will develop and post a standard data security agreement on its website.
2. CCA Administrators must file data protection plans consistent with the standard data security agreement.
3. The Service Provider will not provide data for any service class that contains so few customers, or in which one customer makes up such a large portion of the load, that the aggregated information could provide significant information about an individual customer's usage. At this time, the Service Provider will follow current policies for ensuring that aggregated data is sufficiently anonymous.

Data Fee:

1. Consistent with the Public Service Commission, LIPA Staff recommends a uniform fee of \$0.80 per customer account for data provided to CCAs. The fee will be allocated 20% for aggregated data and 80% for customer lists.

Rules and Governance:

1. CCAs will be governed in accordance with the Laws of New York State and the guidance of the Department of Public Service.
2. LIPA, the Service Provider, and municipalities participating in the CCA, and CCA Administrators will follow the Community Choice Aggregation Guidance Document provided by the Department of Public Service dated August 2019, and as further amended from time to time.

Suffolk County Coastal Resiliency: 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, unless covered by an exception authorized in the Tariff.

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 by installing onsite sewer treatment facilities and pumps as a replacement for the existing septic systems that are susceptible to pollution of groundwater and, when flooded, can deposit untreated sewage directly into Long Island’s aquifers and open waters. Pollution of coastal wetlands also endangers public welfare by increasing vulnerability to storm surges. The Suffolk County Coastal Resiliency Initiative (“SCCRI”) aims to prevent future septic system flooding, sewage backup and groundwater pollution.

Each of the onsite sewer pumps will require electric service. Since the grants available to the County cannot be used to support recurring expenses such as LIPA’s daily service charges for electric service, 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 in exchange for an agreed upfront contribution in aid of construction, 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 resources.

Suffolk County Coastal Resiliency: Proposed Action

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, which includes the installation of an AMI meter.

High Capacity Factor Resources: Background

The Value of Distributed Energy Resources

On March 9, 2017, the Commission issued its *Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters* (the “VDER Phase One Order”)², which established the first phase of a plan to establish a new system for compensation of distributed energy resources based on the component values those resources provide to the electric grid (the “Value Stack”). The Value Stack consists of multiple compensation components: (1) an Energy Value, which compensates customers for the amount of energy that is injected onto the grid at the NYISO day-ahead hourly wholesale energy price for Long Island; (2) a Capacity Value, which compensates customers based on the Long Island-specific value of capacity for the amount of power a system injects during the highest system peaks; (3) an Environmental Value, which compensates customers who choose to sell the project’s eligible Renewable Energy Credits (“RECs”) to the utility, and (4) a Demand Reduction Value, which compensates customers for injections that reduce the distribution grid’s peak demand, based on the value to the Long Island grid. In addition, projects located in certain designated congestion relief areas are eligible for additional compensation, known as the Locational System Relief Value, based on the value of congestion relief in that specific part of the Long Island electric grid. On December 19, 2017, LIPA adopted Tariff changes implementing the VDER Phase One Order.

Subsequently, on April 18, 2019, the Public Service Commission (“PSC”) issued an *Order Regarding Value Stack Compensation* (the “Value Stack Compensation Order”), which, among other things, added a Community Credit compensation component to the Value Stack for certain community distributed generation projects.³ LIPA adopted the changes ordered in the Value Stack Compensation Order, including the Community Credit, on July 24, 2019.

² Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources, Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters*, Issued and effective March 9, 2017.

³ Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources, Order on Value Stack Compensation*, Issued and Effective April 18, 2019.

The Climate Leadership and Community Protection Act

On July 18, 2019, Governor Cuomo signed the Climate Leadership and Community Protection Act (the “CLCPA”). Among other provisions, the CLCPA added Section 66-p to the Public Service Law (“PSL”), which requires the Commission to establish a program to require that 70% or more of electricity consumed in New York come from renewable energy systems in 2030 and 100% of electricity consumed in New York be zero emissions by 2040. It defines “renewable energy systems” as “systems that generate electricity or thermal energy through use of the following technologies: solar thermal, photovoltaics, on land and offshore wind, hydroelectric, geothermal electric, geothermal ground source heat, tidal energy, wave energy, ocean thermal, *and fuel cells which do not utilize a fossil fuel resource in the process of generating electricity*” (emphasis added).

Whitepaper Regarding High-Capacity-Factor Resources

In an effort to continuously refine and improve VDER, the Department of Public Service (“DPS”) Staff has worked with stakeholders to identify areas for improvement through the VDER proceeding. Informed by the filings, petitions and comments of stakeholders as well as information gathered in stakeholder working groups, the DPS Staff issues whitepapers containing its recommendations.

On May 10, 2019, the Joint Utilities (a stakeholder group representing the New York investor-owned utilities) filed a *Petition Seeking Clarification of the Treatment of High-Capacity-Factor Resources Eligible for Community Distributed Generation* (the “Petition”). The Petition expressed concern that the application of the Community Credit to offtakers of certain high-capacity-factor resources, particularly fuel cells, could result in excessive cost shifts inconsistent with Commission decisions and guidance. The Petition explained that this issue has become particularly relevant in light of the number of prospective fuel cell community distributed generation projects that had entered the interconnection queue in Con Edison’s territory. Similarly, though not the subject of the Joint Utilities’ Petition, a number of customers applied to PSEG Long Island to become fuel cell community distributed generation hosts.

In response to the petition and the subsequently enacted CLCPA, on August 13, 2019, DPS Staff published the Whitepaper, in which DPS Staff provided its recommendations for treatment of high-capacity-factor resources used in community distributed generation projects and eligible for VDER compensation.

Community Credit Adjustment Factor

The Whitepaper addresses resources with average capacity factors above the average capacity of solar photovoltaics, including wind, small hydro, and fuel cells. The Whitepaper recommended that the Community Credit received by community distributed generation hosts should be adjusted downward based on the average capacity factor of the resource (with higher-capacity-factor resources receiving greater downward adjustments). The adjustments recommended by the Whitepaper are shown in the following table:

Technology	Average Capacity Factor	Adjustment Factor for Community Credit
Solar PV	14%	1.00
Wind	23%	0.61
Small Hydro	50%	0.28
Fuel Cells	87%	0.16

The Whitepaper’s reasoning for recommending the adjustment was that the community credit is a transitional mechanism intended to support development of renewable and distributed generation resources and achievement of State clean energy goals while maintaining an annual net revenue impact of less than 2% in order to limit the potential cost shift to nonparticipating ratepayers. Because the net revenue impacts of the community credit were estimated assuming a solar capacity factor, and the community credit is paid on a volumetric basis (per kilowatt-hour), allowing high-capacity-factor resources to receive the full community credit without adjustment would result in a greater than intended annual net revenue impact. LIPA’s tariff currently does not apply a capacity-factor-specific adjustment but does exclude fuel cells from receiving the community credit.

Order Regarding High Capacity-Factor Resources

In the December 12, 2019, Capacity Factor Order, the Commission adopted, in part, the recommendations of the Whitepaper. Specifically, the Commission approved the following changes to the tariffs of the jurisdictional utilities: (a) Fuel Cell community distributed generation projects will receive a Community Credit based on the average fuel cell capacity factor as compared to the average solar capacity factor, unless the resource qualified prior to August 13, 2019 (the date of the Whitepaper); (b) a resource receiving Value Stack Compensation will receive the Environmental Value only if it meets the definition of renewable energy system in PSL 66-p, unless the resource qualified before August 13, 2019; and (c) a fuel cell that qualified on or before August 13, 2019 should receive an Environmental Credit and Community Credit based on applicable values at the time of qualification.

The Commission did not adopt the Whitepaper’s recommendations to apply capacity factor adjustments to wind and small hydro resources, reasoning that those resources (i) are nascent technologies not presenting a risk of significant cost shifts, (ii) have a wide range of capacity factors, and (iii) have significantly lower capacity factors on average than fuel cells. On March 4, 2020, LIPA Staff updated its original tariff proposal to incorporate this aspect of the Capacity Factor Order.

Environmental Value Eligibility

In the Whitepaper, DPS Staff explained that under the CLCPA’s definition of renewable energy systems (described above), fuel cells using fossil fuels will be unable to offset the utilities’ CLCPA compliance costs. In addition, the Whitepaper notes that fuel cells using natural gas for generation often have greenhouse gas emissions similar to the average greenhouse gas emissions of New

York's grid, which means that generation by fuel cells that replaces use of the grid may have minimal or no impact on net greenhouse gas emissions. Accordingly, the Whitepaper recommends that resources that qualify for VDER in the future receive no Environmental Value if they do not meet the definition of renewable energy systems in the CLCPA, as codified in PSL §66-p. The Commission adopted this recommendation in its Capacity Factor Order.

Applicability to Existing Projects

The Whitepaper proposed that the recommended changes to the Community Credit and the Environmental Value Eligibility apply to projects that qualified⁴ for VDER after August 13, 2019, the date of the Whitepaper. The Whitepaper's proposed grandfathering is intended to protect developers with projects in advanced stages of development who relied in good faith on existing policies. The Commission adopted this recommendation in its Capacity Factor Order.

High Capacity Factor Resources: Proposed Action

Adoption of Whitepaper Recommendations

LIPA Staff proposes to adopt the Whitepaper's recommendations as modified by the Commission, with the exception that LIPA's grandfathering date should be determined by the date of LIPA's tariff proposal rather than the date of the Whitepaper. LIPA's proposal, issued October 17, 2019, put Long Island project developers on notice that the rule changes described herein were being considered for LIPA's service territory.

Specifically, based on the Whitepaper recommendations, as adopted by the Capacity Factor Order, LIPA is proposing the following: (a) any resource that qualifies after October 17, 2019 should be eligible for the Environmental Value only if it meets the definition of "renewable energy systems" in PSL § 66-p;⁵ (b) fuel cells that qualify after October 17, 2019, should receive a Community Credit, if otherwise eligible, adjusted based on the ratio of an average solar capacity factor to that resource's estimated average capacity factor pursuant to the Whitepaper's recommendations, as modified by the Commission,⁶ and may be adjusted by other factors to support principles set forth in Commission orders;⁷ and (c) any resource that qualifies on or before October 17, 2019 should receive an Environmental Value and Community Credit, if otherwise eligible, based on the applicable values at time of qualification, with no adjustment.

⁴ Per the Whitepaper, a project qualifies when it has a payment made for 25% of its interconnection costs or has its standard interconnection contract executed if no such payment is required. The equivalent milestone in the Authority's Tariff is 30%.

⁵ Note that the Authority's Tariff already includes the requirement that projects must be REC-eligible and elect to transfer their RECs to the Authority in order to receive the Environmental Value.

⁶ The Authority's Tariff currently excludes fuel cells from the Community Credit. Upon approval of this proposal by the LIPA Board, fuel cell CDG projects would be eligible to receive the Community Credit, adjusted by the capacity-factor adjustment mechanism described herein.

⁷ Additional adjustment factors based on REV and CLCPA principles, such as encouraging participation by low income customers in community distributed generation projects, may be applied to the Community Credit in consultation with the Department of Public Service.

Allowing Standalone Storage Facilities to be Community Distributed Generation Hosts

Per the Value Stack Eligibility Expansion Order⁸, LIPA proposes to update the tariff to remain consistent with the investor-owned utilities of New York State by expanding the eligibility of CDG Hosts to standalone storage. Community distributed generation projects with standalone storage will not be eligible to receive the Environmental Credit or the Community Credit of the Value Stack.

Other Tariff Modifications for CLCPA Compliance

LIPA Staff proposes additional changes to its Tariff in light of the CLCPA's exclusion of non-renewable resources from the definition of renewable energy systems.

LIPA Staff proposes that non-renewable resources for which a complete application is submitted after October 17, 2019 be made ineligible for net energy metering. Instead, all non-renewable resources may apply to receive compensation under VDER (without the Environmental Value) or any other compensation system for which the project is otherwise eligible at the time of application, such as buy-back service, a non-wires alternative solicitation, or other utility procurement. Net energy metering is an incentive intended to encourage deployment of renewable technologies that help meet LIPA's environmental compliance obligations. Non-renewable resources such as fossil-fuel-powered fuel cells no longer satisfy this requirement, pursuant to the CLCPA.

This proposed change would apply to new non-renewable community distributed generation projects. In the rest of New York State, all new community distributed generation projects are compensated exclusively through VDER so as to reflect the value such systems provide to the electric grid. According to the LIPA Tariff currently in effect, however, the mass market satellite participants in all new community distributed generation projects (including non-renewable fuel cells) applying before January 1, 2020 were eligible to be compensated under Phase One NEM, and only large commercial satellite participants were required to be compensated under VDER. If the proposed tariff changes are approved, all participants in non-renewable community distributed generation projects that complete an application as per Step 3 of LIPA's Smart Grid Small Generator Interconnection Procedures after the date the original proposal was posted on LIPA's website, October 17, 2019, will be compensated under VDER.

Small Generator Interconnection Procedures: Background

On April 19, 2018, the Commission issued an *Order Modifying Standardized Interconnection Requirements* (the "SIR") in Case 18-E-0018 (the "April Order"). LIPA subsequently adopted conforming change to PSEG Long Island's *Smart Grid Small Generator Interconnection Procedures* on December 19, 2018.

⁸ VDER Proceeding, *Order on Value Stack Eligibility Expansion and Other Matters* (issued September 12, 2018).

On June 8, 2018, members of the statewide Interconnection Policy Working Group and Interconnection Technical Working Group filed a petition for clarification of the April Order (the “Petition”).⁹

On July 13, 2018, the Commission issued an order granting clarification of the SIR (the “July Order”), which addressed some issues raised by the Petition and deferred others for additional working group consideration and public comment. Subsequently, on October 18, 2018, following additional working group consideration and public comment, the Commission issued an order addressing the previously deferred issues from the Petition (the “October Order”). The issues addressed by the Commission in the July Order and the October Order are summarized in the next section of this proposal memorandum.

On September 5, 2019, members of the Interconnection Policy Working Group (“IPWG”) and the Interconnection Technical Working Group (“ITWG”) collectively petitioned the Commission to make amendments to the current version of the SIR. On December 13, 2019, the Commission adopted the modifications proposed in the petition.

Small Generator Interconnection Procedures: Proposed Action

LIPA Staff proposes two modifications to the SGIP to apply the December Order, described below.

1. **Application Modification Process:** Under the current SGIP, any change to an application, no matter how minor, would remove that project’s application from the queue. The proposed updates would add a new section to the SGIP to provide a formal process for applicants to submit a modification request to PSEG Long Island. Under the proposed changes, PSEG Long Island will determine if the modification is a material modification. If it is material, the initial application would be removed from the queue and a new application would be required. If the modification is non-material, the project will retain its queue position and undergo a study pursuant to the SGIP with some added flexibility for PSEG Long Island to manage any additional work that the change will entail.
2. **Energy Storage Application Requirements:** The proposal will also update the data requirements for energy storage system applications to be consistent with changes adopted by the Commission. Additional questions particular to energy storage systems will allow PSEG Long Island to more efficiently process energy storage interconnection applications.

Solar Communities Feed-in-Tariff: Background

LIPA has a long history of promoting the expansion of renewable energy resources on Long Island. LIPA began offering net energy metering and other solar incentives nearly two decades ago. Since then, we have supported the development of over 50,000 distributed solar projects totaling 625 megawatts (DC) of capacity, more than any other utility in the State of New York. In addition, the LIPA has over 180 MW (DC) of utility scale solar projects completed or in development.

⁹ Case 18-E-0018, *In the Matter of Proposed Amendments to the New York State Standardized Interconnection Requirements (“SIR”) for Small Distributed Generators, Order Modifying Standardized Interconnection Requirements* (issued April 19, 2018).

LIPA is also currently engaged in expanding the availability of renewable solar resources to customers that cannot install solar panels on their property for various reasons, such as not having suitable exposures to capture the solar rays (e.g. orientation and shading situations), living in multi-family buildings or shared living spaces (such as a condominium) where the customer cannot access the roof space, being unable to finance the high upfront investment needed for rooftop solar, or renting a home and therefore being unable to make the long-term commitment that solar installations require. To reach these customers, LIPA offers community solar, where a larger solar facility is built at a host site, and the output of the solar system is distributed to the participants for their benefit.

As described above, LIPA's Tariff includes VDER value stack incentives for community distributed generation projects, including a Community Credit. Following further observation of the community solar market, evaluation of the Community Credit amount, and discussions with local industry stakeholders, LIPA announced plans on February 6, 2020 to increase the Community Credit to 5 cents and to introduce a limited upfront "Community Adder" rebate of \$200-per-kilowatt for projects that participate in community solar under the VDER Tariff or the Solar Communities Feed-in-Tariff. The 5-cent Community Credit became effective on March 1, 2020.

As a complement to increased incentives for VDER community solar described above, LIPA Staff is proposing the Solar Communities Feed-in-Tariff ("FIT"), which is designed specifically to create additional community solar development, to enable cost efficiencies by utilizing LIPA's customer acquisition and marketing functions, to lower the cost of project financing by offering a stable price for the duration of the project's contract, and to provide enhanced energy cost savings opportunities to participating low- and moderate-income ("LMI") customers.

Solar Communities Feed-in-Tariff: Proposed Action

LIPA Staff proposes to launch the Solar Communities FIT to further develop community solar primarily dedicated to LMI customers. The Solar Communities FIT has the potential to greatly increase the community solar projects currently in the pipeline and to offer the benefits of these projects specifically to LMI customers. The Solar Communities FIT is proposed to award up to 25 megawatts of DC capacity, with discretion to extend the FIT by an additional 15 megawatts.¹⁰

Solar Communities FIT Award Process

Solar Developers will have the opportunity to apply for the Solar Communities FIT during the initial enrollment period of June 1, 2020 to September 30, 2020. There will be a non-refundable application fee which will be the higher of either \$1 per kilowatt (AC) or \$1,000. The application fee will be waived for unsuccessful applications that are re-submitted with only a pricing change in subsequent enrollment phases.

All applications received during the initial enrollment will first be ranked from the lowest to the highest price bid, and from the smallest to the largest project size for bids at the same price. Bids

¹⁰ Tariff changes to codify the customer enrollment process and related customer rules for Solar Communities will be proposed at a later date in coordination with other Community Distributed Generation ("CDG") billing modifications being implemented by the State's investor-owned utilities by order of the Public Service Commission.

will be evaluated against a downward sloping offer price cap. Accepted projects will be paid their bid price, so long as it doesn't exceed the price cap. More details on the proposed price capping mechanism are available to bidders on PSEG Long Island's website.

After the initial enrollment period, applicants will be notified of their acceptance into the program and selected to advance to the next stage, which includes execution of a Power Purchase Agreement at their proposed offer price, or waitlisted. Subsequent enrollment periods will be held as needed until the target capacity is achieved.

Under the proposed award process, a limitation will be imposed of 10 MW (AC) capacity at a single sub-station. This will ensure that not all available capacity will be proposed in a single location.

Customer Enrollment and Participation

As mentioned above (in footnote 10), the program rules concerning LMI customer eligibility and benefits will be the subject of future Board action. Accordingly, the following information concerning the customer enrollment process is provided for the Board's general information only. Subject to available quantities of contracted solar resources under this program, all LMI customers in Tiers 1-3 of LIPA's LMI discount program will be eligible to participate.¹¹ Eligible LMI customers will have the opportunity to opt-in to the Solar Communities program and receive a discount on their bill each month.

LMI customer enrollments will be awarded on a first come, first serve basis dependent on the available kWh in the Solar Communities program. Available kWh in the Solar Communities program will be based on the expected output in kWh of projects that reach commercial operation. Available kWh will be updated each quarter as new projects reach commercial operation. Customers who apply when the program does not have available kWh will be assigned to a waiting list and will be contacted to complete the enrollment process when capacity in the program becomes available. When the available capacity in the program exceeds 20 MW (DC), the program may be open to enrollment from other (non-LMI) residential customers to the extent that no LMI participants remain on the wait list.

Available kWh may be reduced if a project is removed from the program, however, no already accepted customers will lose their Solar Community FIT benefits as the result of a particular project's removal. LIPA Staff will propose tariff amendments prior to January 1st, 2021 to implement LMI customer enrollment in the Solar Communities FIT.

Financial Impacts

The Community Choice Aggregation proposal is not expected to financially impact LIPA, since the reductions in revenue from the variable component of the Power Supply Charge will be directly offset by the reduction of variable expenses of procuring power supply. Delivery revenues and revenues received based on fixed Power Supply expenses are collected from all customers that

¹¹ LMI customers in Tier 4 will not be eligible to participate because their bills are paid by direct government voucher.

participate in the CCA.

The Suffolk County Coastal Resiliency Initiative proposal will result in foregone revenues totaling \$4.6 million in net present value over the 7-year life of the agreement, resulting from waived service charges. Offsetting the foregone revenue, LIPA will receive an upfront payment of \$750,000.

The High Capacity Factor Resources proposal will not have a material financial impact on LIPA because LIPA's Revenue Decoupling Mechanism will true up any revenues gained or lost as a result of the proposal. New non-renewable distributed energy resources that are (a) compensated through VDER and (b) formerly REC-eligible, if any, no longer be eligible for the Environmental Value (currently \$0.02741 per kilowatt-hour). New renewable fuel cell community distributed generation projects will experience a net positive financial impact of \$0.008 per kilowatt-hour, resulting from their newly proposed eligibility for the Community Credit (currently \$0.05/kWh), adjusted by the high-capacity-factor adjustment of 16%.

The SGIP proposal is not expected to have any financial impact on LIPA.

The Solar Communities proposal is intended to procure the specified resources at the lowest achievable price through a competitive auction process. The payments made to the resource providers will be recovered from all customers through the Power Supply Charge on a monthly basis, as the payments are incurred. This practice is similar to the treatment of the existing feed-in tariffs and payments made to other generators under Service Classification No. 11 Buy-Back Service.

LIPA expects to purchase approximately 30 GWh per year from the 20 MW (AC) of solar generation that is being solicited, which displaces generation that would have been purchased from other sources. Because the auction has not yet occurred, the bid price of accepted resources is not yet know. However, by way of example, if the auction produces an average accepted bid price of 13¢ per kWh with an average Load Factor of 17%, the purchase would cost LIPA approximately \$3.9 million per year. Using an average cost of power at 10.2¢ per kWh, based on the 2020 approved budget, this renewable power alternative will increase power supply costs by an estimated \$0.8 million per year.

When fully enrolled, the program will provide an estimated \$0.6 million in discounts to our LMI Customers. The estimated annual administrative cost is \$0.3 million. Accordingly, the financial impact Solar Communities FIT program totals an estimated \$1.7 million per year (\$0.8 + \$0.6 + \$0.3).

Department of Public Service Input

The DPS has provided a letter recommending adopting of these Tariff modifications, which is attached as an exhibit. The DPS also provided feedback and input throughout the process of developing the Tariffs. Feedback provided by DPS early in the development process was incorporated into the original Tariff proposals.

Public Comment Sessions

LIPA held two virtual public comment sessions on the proposed tariff changes on May 4th and received comments from 11 stakeholders and members of the public. Transcripts of the virtual public comment sessions are attached and the comments are summarized here.

Eight of the commenters at the public comment sessions—including elected officials—addressed the Community Choice Aggregation proposal. All eight were supportive of the proposal. Two commenters recommended that LIPA develop a process to receive additional stakeholder input on Long Island Choice, LIPA’s retail choice program. LIPA Staff recommends that this comment be addressed by inviting interested stakeholders to attend stakeholder input sessions on this topic.

One commenter at the public comment sessions recommended that LIPA offer a single-bill option for retail choice customers and consider purchasing receivables from energy service companies in order to allow ESCO’s to benefit from LIPA’s billing and collections infrastructure. LIPA Staff is currently investigating the cost and time involved in these actions and will inform the Board of its recommended course of action.

Two commenters at the public comment sessions addressed the Solar Communities proposal. Both were supportive of the proposal. One commenter requested that information be provided to bidders regarding (a) progress toward each substation’s 10-megawatt cap and (b) waitlisted bidders’ position on the waiting list. LIPA Staff has referred this comment to PSEG Long Island and requested they accommodate it to the extent feasible and not adverse to the bidding process.

Two commenters spoke in support of the High Capacity Factor Resources proposal. In particular, the commenters supported the proposal to lock in the Community Credit component of the value stack as of the date a project qualifies. In addition, the commenters recommended that LIPA lock in the Environmental Credit, Demand Reduction Value, and Location Specific Relief Value as of the date a project qualifies (instead of the in-service date). LIPA Staff agrees because the proposed approach is more consistent with the statewide approach and provides certainty to developers earlier in the development process. This comment has been incorporated into the proposal.

Written Public Comments

Written comments were received from fourteen stakeholders addressing the Community Choice Aggregation proposal, including elected officials and advocacy groups representing Long Islanders. All were supportive of the proposal and indicated that they and their respective constituencies are interested in exploring CCA options for their municipalities.

Written comments were received from one stakeholder, County Executive Steve Bellone, addressing the Suffolk County Coastal Resiliency Initiative proposal. The stakeholder expressed strong support for the proposal.

Written comments were received from six stakeholders addressing the High Capacity Factor Resources proposal. All six commenters opposed the LIPA Staff recommendation that non-renewable fuel cell CDG projects completing applications for interconnection after the date of the original proposal (October 17, 2019) should receive VDER incentives instead of net energy

metering incentives. The commenters noted that the proposed October 17, 2019 grandfathering date is a change from prior grandfathering date of December 31, 2019. The commenters are concerned that project developers who completed applications after October 17, 2019, in reliance on the original grandfathering date, might not have been on notice of the proposed change and could have expended resources continuing to develop projects under the assumption that they would be eligible for net energy metering. In addition, one commenter objected to the proposal to make non-renewable fuel cells ineligible for the Environmental component of the VDER value stack because fuel cells are efficient and reportedly on average cleaner than today's grid power in terms of emissions.

LIPA Staff responds that setting the grandfathering date as of the date of the original tariff proposal is consistent with the DPS and PSC approach, which set the statewide grandfathering date for similar changes as of the date of the DPS Whitepaper. In addition, LIPA Staff notes that fuel cell developers who intend to rely on LIPA Tariff incentives should monitor LIPA's proposed rulemakings, which put developers on notice of this proposal as of October 17, before they had submitted applications for interconnection. LIPA reserves the right to modify its Tariff incentive programs. Submission of the application occurs relatively early in the interconnection process. Thus, developers of projects in advanced stages of development as of October 17 would already have submitted applications and would therefore qualify for grandfathering. Finally, LIPA Staff notes that fuel cell developers in LIPA's service territory and throughout the State generally should be on alert for changes in utility compensation for fossil fuel powered fuel cells given the CLCPA's mandate that non-renewable fuel cells are ineligible for renewable energy credits.

Regarding the efficiency and emissions of fossil-fuel powered fuel cells, LIPA Staff notes that an extension record was developed on these issues at the PSC, and we decline to relitigate this settled issue. In addition, because fossil-fuel powered fuel cells are no longer considered renewable energy systems under State law, they do not help Long Island meet its renewable energy requirements and thus should not receive subsidies intended to make progress toward those requirements. LIPA Staff recommends no changes to this aspect of the proposal.

One commenter wrote in support of the proposal to lock in the Community Credit component of the value stack as of the date a project qualifies. In addition, the commenter recommended that LIPA lock in the Environmental Credit, Demand Reduction Value, and Location Specific Relief Value as of the date a project qualifies (instead of the in-service date). As discussed above, LIPA Staff agrees because the proposed approach is more consistent with the statewide approach and provides certainty to developers earlier in the development process. This comment has been incorporated into the proposal.

Recommendation:

For the foregoing reasons, I recommend that the Trustees approve the modifications to the Tariff for Electric Service described herein and set forth in the accompanying resolutions.

Attachments

- Exhibit A-1** Resolution Approving Community Choice Aggregation Tariff Changes
- Exhibit A-2** Resolution Approving Suffolk County Coastal Resiliency Tariff Changes
- Exhibit A-3** Resolution Approving High Capacity Factor Resources Tariff Changes

<u>Exhibit A-4</u>	Resolution Approving SGIP Changes
<u>Exhibit A-5</u>	Resolution Approving Solar Communities Feed-in-Tariff
<u>Exhibit B-1</u>	Community Choice Aggregation Tariff Redline (final proposed tariff compared to current tariff)
<u>Exhibit B-2</u>	Suffolk County Coastal Resiliency Tariff Redline (final proposed tariff compared to current tariff)
<u>Exhibit B-3</u>	High Capacity Factor Resources Tariff Redline (final proposed tariff compared to current tariff)
<u>Exhibit B-4</u>	SGIP Redline (final proposed SGIP compared to current tariff)
<u>Exhibit B-5</u>	Solar Communities Tariff Redline (final proposed tariff compared to current tariff)
<u>Exhibit C-1</u>	Original Community Choice Aggregation Tariff Proposal
<u>Exhibit C-2</u>	Original Suffolk County Coastal Resiliency Tariff Proposal
<u>Exhibit C-3</u>	Original High Capacity Factor Resources Tariff Proposal
<u>Exhibit C-4</u>	Original SGIP Proposal
<u>Exhibit C-5</u>	Original Solar Communities Tariff Proposal
<u>Exhibit D</u>	DPS Letter of Recommendation
<u>Exhibit E</u>	Public Comment Session Transcripts
<u>Exhibit F</u>	Compendium of Written Public Comments Received

**APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF RELATED TO
COMMUNITY CHOICE AGGREGATION**

WHEREAS, the Board of Trustees of the Long Island Power Authority ("LIPA") has adopted a Board Policy on Customer Value and Affordability, which sets forth the Board's commitment to establishing rates that are generally comparable to similarly situated regional utilities and New York Public Service Commission policy; and

WHEREAS, the proposal is consistent with the Board Policy on Customer Value and Affordability; and

WHEREAS, the Department of Public Service is supportive of this proposal; and

WHEREAS, following the issuance of public notice in the State Register on March 4, 2020, public hearings were held on May 4, 2020, by phone and video conference accessible to participants in Nassau and Suffolk County, and the public comment period has since expired;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, the proposed modifications to LIPA's Tariff are hereby adopted and approved to be effective June 1, 2020; and be it further

RESOLVED, that the Chief Executive Officer and his designees are authorized to carry out all actions deemed necessary or convenient to implement this Tariff; and be it further

RESOLVED, that the Tariff amendments reflected in the attached redlined Tariff leaves are approved.

Dated: May 20, 2020

APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF RELATED TO THE SUFFOLK COUNTY COASTAL RESILIENCY INITIATIVE

WHEREAS, the Board of Trustees of the Long Island Power Authority ("LIPA") has reviewed the proposal and determined that it is consistent with the mission and values of the Authority as set forth in the Board's policy statements; and

WHEREAS, the Department of Public Service is supportive of this proposal; and

WHEREAS, following the issuance of public notice in the State Register on March 4, 2020, public hearings were held on May 4, 2020, by phone and video conference accessible to participants in Nassau and Suffolk County, and the public comment period has since expired;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, the proposed modifications to LIPA's Tariff are hereby adopted and approved to be effective June 1, 2020; and be it further

RESOLVED, that the Chief Executive Officer and his designees are authorized to carry out all actions deemed necessary or convenient to implement this Tariff; and be it further

RESOLVED, that the Tariff amendments reflected in the attached redlined Tariff leaves are approved.

Dated: May 20, 2020

APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF RELATED TO HIGH CAPACITY FACTOR RESOURCES

WHEREAS, the Board of Trustees of the Long Island Power Authority ("LIPA") has adopted a Board Policy on Customer Value and Affordability, which sets forth the Board's commitment to establishing rates that are comparable to similarly situated regional utilities and consistent with New York Public Service Commission policy; and

WHEREAS, the proposal is consistent with the Board Policy on Customer Value and Affordability; and

WHEREAS, the Department of Public Service is supportive of this proposal; and

WHEREAS, following the issuance of public notice in the State Register on November 20, 2019, public hearings were held on May 4, 2020, by phone and video conference accessible to participants in Nassau and Suffolk County, and the public comment period has since expired;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, the proposed modifications to LIPA's Tariff are hereby adopted and approved to be effective June 1, 2020; and be it further

RESOLVED, that the Chief Executive Officer and his designees are authorized to carry out all actions deemed necessary or convenient to implement this Tariff; and be it further

RESOLVED, that the Tariff amendments reflected in the attached redlined Tariff leaves are approved.

Dated: May 20, 2020

APPROVAL OF MODIFICATIONS TO LIPA'S SMART GRID SMALL GENERATOR INTERCONNECTION PROCEDURES

WHEREAS, the Board of Trustees of the Long Island Power Authority (“LIPA”) has adopted a Board Policy on Resource Planning, Energy Efficiency and Renewable Energy, which sets forth the Board’s commitment to integrating cost-effective distributed energy production and storage technologies into the Authority’s electric transmission and distributions system, and enabling the economic and secure dispatch of resources deployed within the distribution system and within customer premises (the “Board Policy on Resource Planning”); and

WHEREAS, the proposal is consistent with the Board Policy on Resource Planning; and

WHEREAS, the Department of Public Service is supportive of this proposal; and

WHEREAS, following the issuance of public notice in the State Register on March 4, 2020, public hearings were held on May 4, 2020, by phone and video conference accessible to participants in Nassau and Suffolk County, and the public comment period has since expired;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, the proposed modifications to the LIPA’s Tariff are hereby adopted and approved to be effective June 1, 2020; and be it further

RESOLVED, that the Chief Executive Officer and his designees are authorized to carry out all actions deemed necessary or convenient to implement this Tariff; and be it further

RESOLVED, that the Tariff amendments reflected in the attached redlined Tariff leaves are approved.

Dated: May 20, 2020

APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF RELATED TO THE SOLAR COMMUNITIES FEED-IN-TARIFF

WHEREAS, the Board of Trustees of the Long Island Power Authority ("LIPA") has adopted a Board Policy on Resource Planning, Energy Efficiency and Renewable Energy, which sets forth the Board's commitment to integrating cost-effective distributed energy production and storage technologies into the Authority's electric transmission and distributions system, and enabling the economic and secure dispatch of resources deployed within the distribution system and within customer premises (the "Board Policy on Resource Planning"); and

WHEREAS, the proposal is consistent with the Board Policy on Resource Planning; and

WHEREAS, the Department of Public Service is supportive of this proposal; and

WHEREAS, following the issuance of public notice in the State Register on March 4, 2020, public hearings were held on May 4, 2020, by phone and video conference accessible to participants in Nassau and Suffolk County, and the public comment period has since expired;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, the proposed modifications to the LIPA's Tariff are hereby adopted and approved to be effective June 1, 2020; and be it further

RESOLVED, that the Chief Executive Officer and his designees are authorized to carry out all actions deemed necessary or convenient to implement this Tariff; and be it further

RESOLVED, that the Tariff amendments reflected in the attached redlined Tariff leaves are approved.

Dated: May 20, 2020