



CEO REPORT

October 29, 2021

AGENDA

01 Significant Agenda Items

02 Reformed PSEG LI Contract Update

03 Federal Climate Package Framework Update

04 Customer Benefit Contribution Charge

OCTOBER BOARD MEETING SIGNIFICANT AGENDA ITEMS

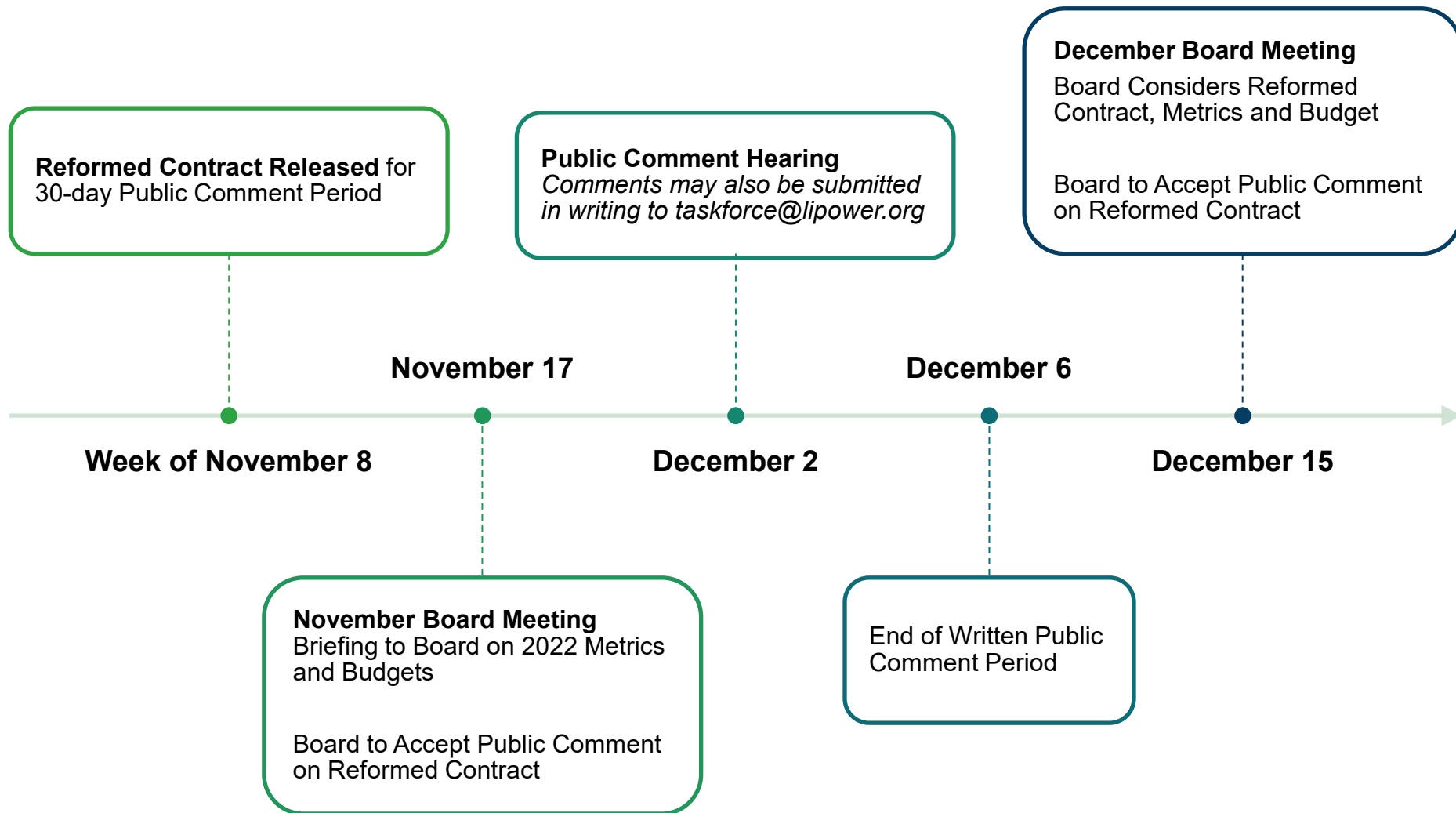
FOR DISCUSSION

- Isaias Task Force Status Update
- Briefing on Board Policy Working Groups

FOR APPROVAL

- Selection of Firms to Provide Cash Management Advisory and Custody Services
- Firms to Provide Revolving Credit Facilities
- Process Improvement Recommendation for Outage Determinations
- Recommendation to Develop a Long-Term Plan for the Geographical Information System

TIMELINE FOR REFORMED PSEG LONG ISLAND CONTRACT, METRICS, AND BUDGET



FEDERAL CLIMATE PACKAGE FRAMEWORK

- The Biden Administration has released framework for "Build Back Better" plan
- \$1.75 trillion proposal includes **\$555 billion** for climate-related provisions – the **largest single investment in clean energy in U.S. history**



\$320 billion in 10-year expanded tax credits for utility-scale and residential renewable energy, transmission, electric vehicles, and clean energy manufacturing



\$105 billion in resilience investments for extreme weather events



\$110 billion in investments and incentives for clean energy technology, manufacturing, and supply chains



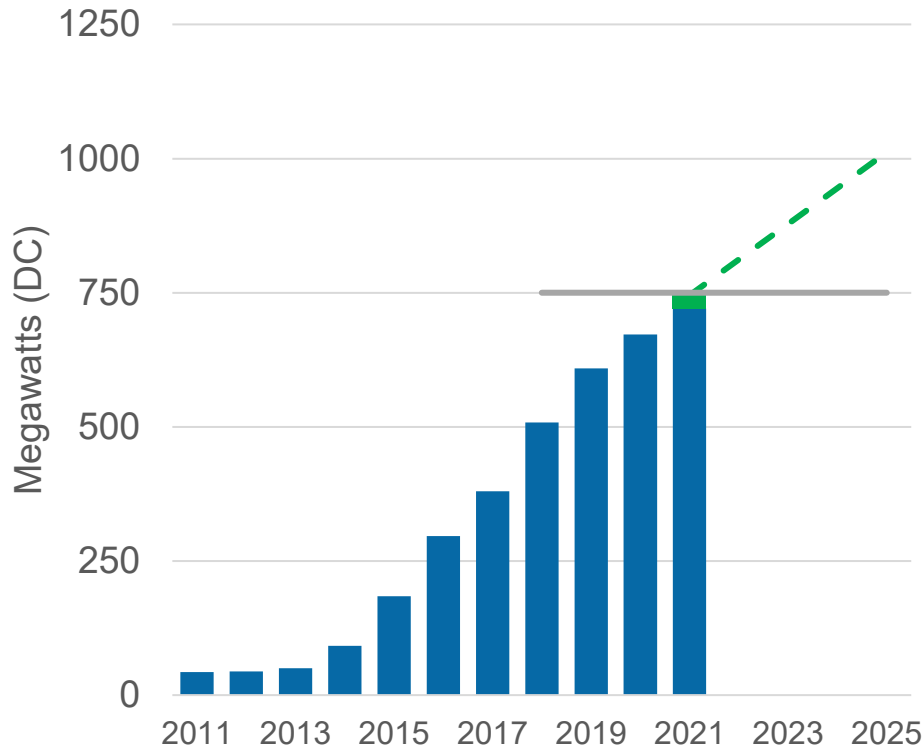
\$20 billion for clean energy procurement

FEDERAL CLIMATE PACKAGE FRAMEWORK

- Framework to set the U.S. on course to meet its climate targets: **achieving a 50-52% reduction in greenhouse gas emissions below 2005 levels in 2030**
- According to the Biden administration, the consumer rebates and credits included will **save the average American family hundreds of dollars per year in energy costs**
 - Cuts the cost of **installing rooftop solar** for a home by around **30 percent**
 - The electric vehicle tax credit will **lower the cost** of an American made EV that is made with American materials and by union labor **by \$12,500 for a middle-class family**
- The legislation will target incentives to grow domestic supply chains in solar, wind, and other industries leading the energy transition – **promote American made turbine blades, solar panels, and electric cars**

NY'S MOST VIBRANT SOLAR MARKET

Long Island and Rockaways
Distributed Solar Capacity



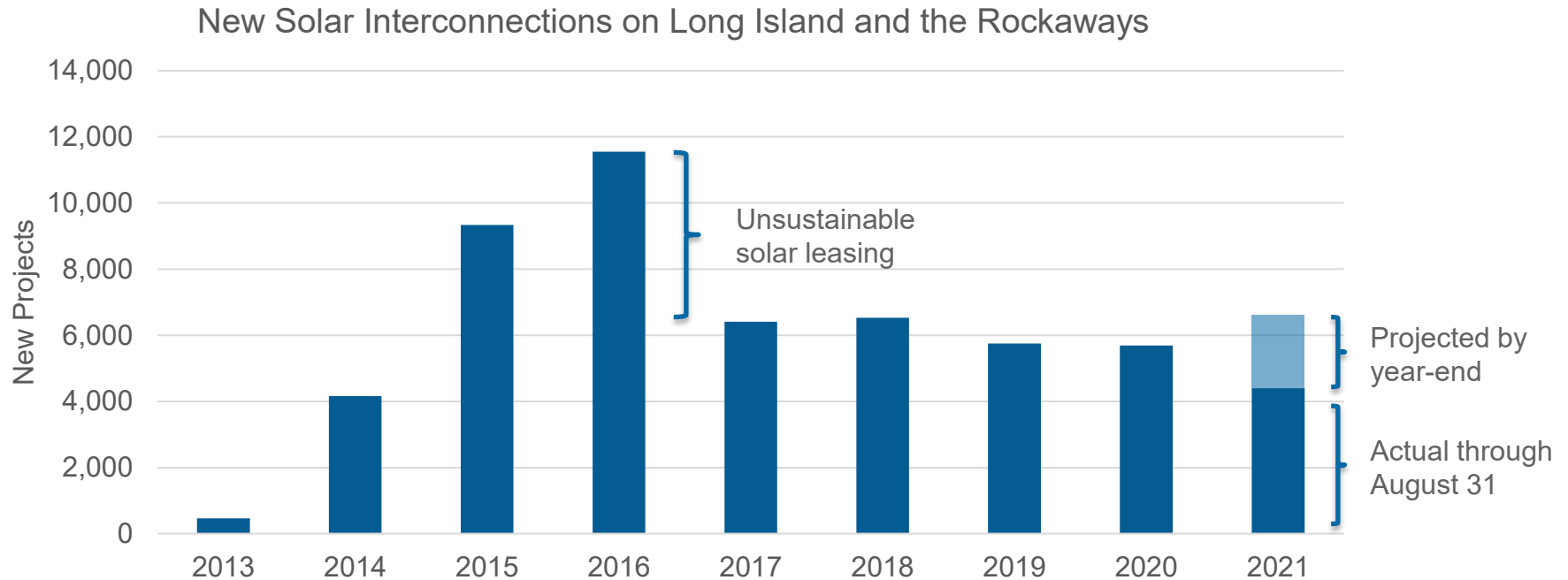
LIPA Leads New York in Distributed Solar

36% LIPA Share of
NYS Solar Projects

12.5% LIPA Share of
NYS Electric Grid

- LIPA's long-standing support for the rooftop solar market has created the most vibrant solar market in New York
- With over 720 MW currently installed in Long Island and the Rockaways, we are on track to **achieve our 750 MW x 2025 distributed solar goal in 2022 or sooner**
- LIPA's share of the State's new 10 GW x 2030 goal is **1,250 MW x 2030, which we will also exceed**
- Long Island remains one of the best regions in New York for rooftop solar customers

NEW SOLAR PIPELINE IS ROBUST



Averaging 67 MW and 6,000 projects per year since 2017

PROPOSED CUSTOMER BENEFIT CONTRIBUTION CHARGE

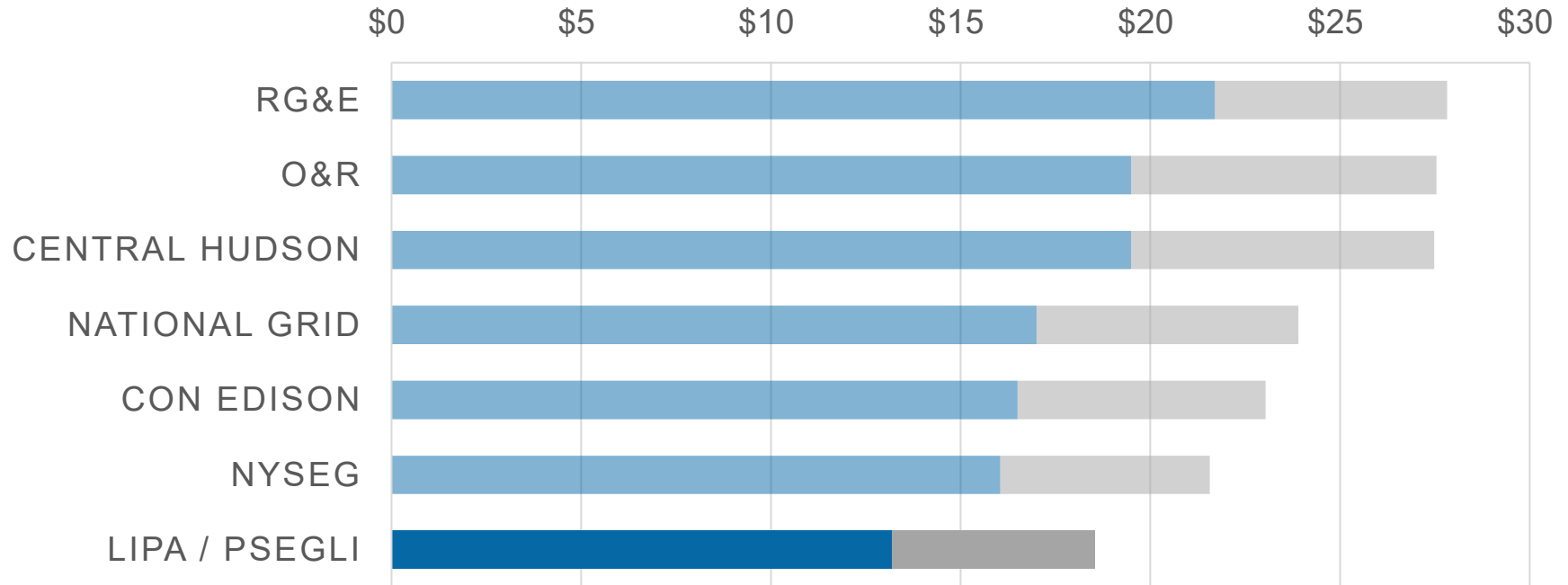
- NYS Public Service Commission approved CBC for distributed generation in July 2020 for New York's investor-owned utilities
- CBC tariff ensures that newly net metered mass market customers contribute to the cost of customer benefit programs
- Applies to all types of on-site generation (solar, fuel cells, heat and power, farm waste digester, etc.)
- Effective January 1, 2022
- Does not apply to existing solar customers
- Residential customers who install solar on their home on or after January 1, 2022, **monthly CBC charge will be 89¢ per kW of solar**
- Solar installation on average-sized home (6 kW): \$5.34 per month

WHERE DOES CBC CHARGE GO?

- CBC funds a portion of LIPA customer incentives for **energy efficiency, cold climate heat pumps** (to transition from natural gas and fuel oil), **electric vehicle chargers, grid-connected renewables**, and **low-income bill discount** programs that **benefit of all customers**
- Collectively, these programs cost **\$147 million per year**, including \$87 million for energy efficiency and electrification and \$42 million for renewable energy (solar is exempt from funding renewables)
- **Only a small fraction of these costs will be recovered through CBC:**
 - **\$270,000** in first year; rest of costs continue to come from base rates (i.e. non-distributed generation customers)
 - By grandfathering existing solar customers, effectively the CBC is being phased in over 25 years (life of existing systems)

LIPA'S FIXED CHARGES ARE THE LOWEST IN NEW YORK

MONTHLY FIXED CHARGES

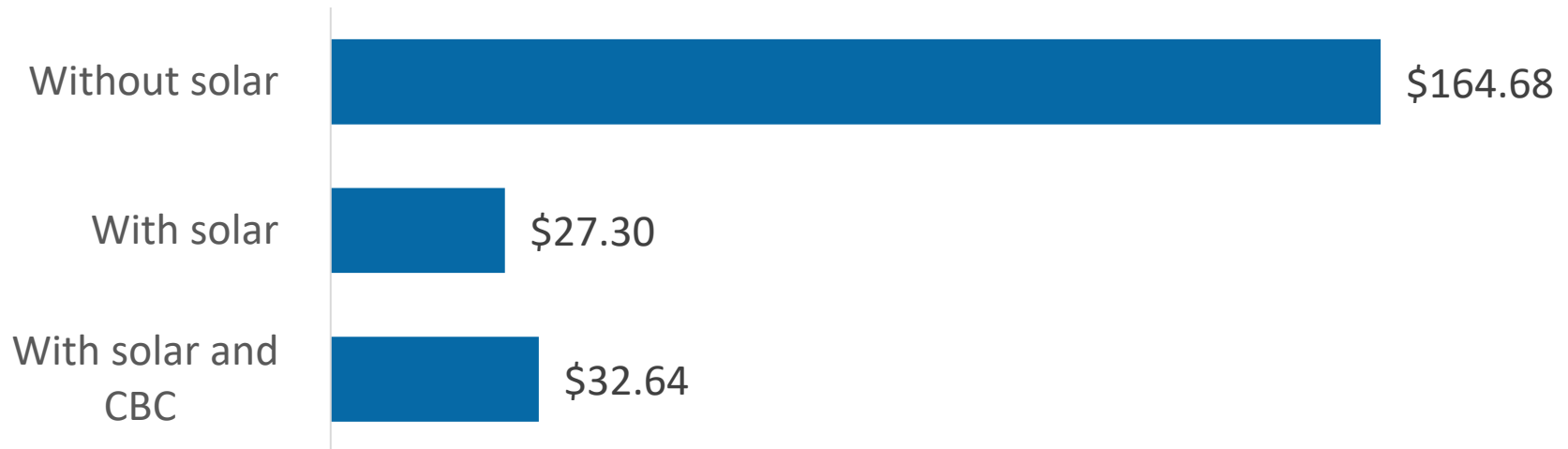


CBC based on typical (6 kW) solar system

TYPICAL BILL WITH SOLAR AND CBC

Solar customers will experience significant utility bill savings

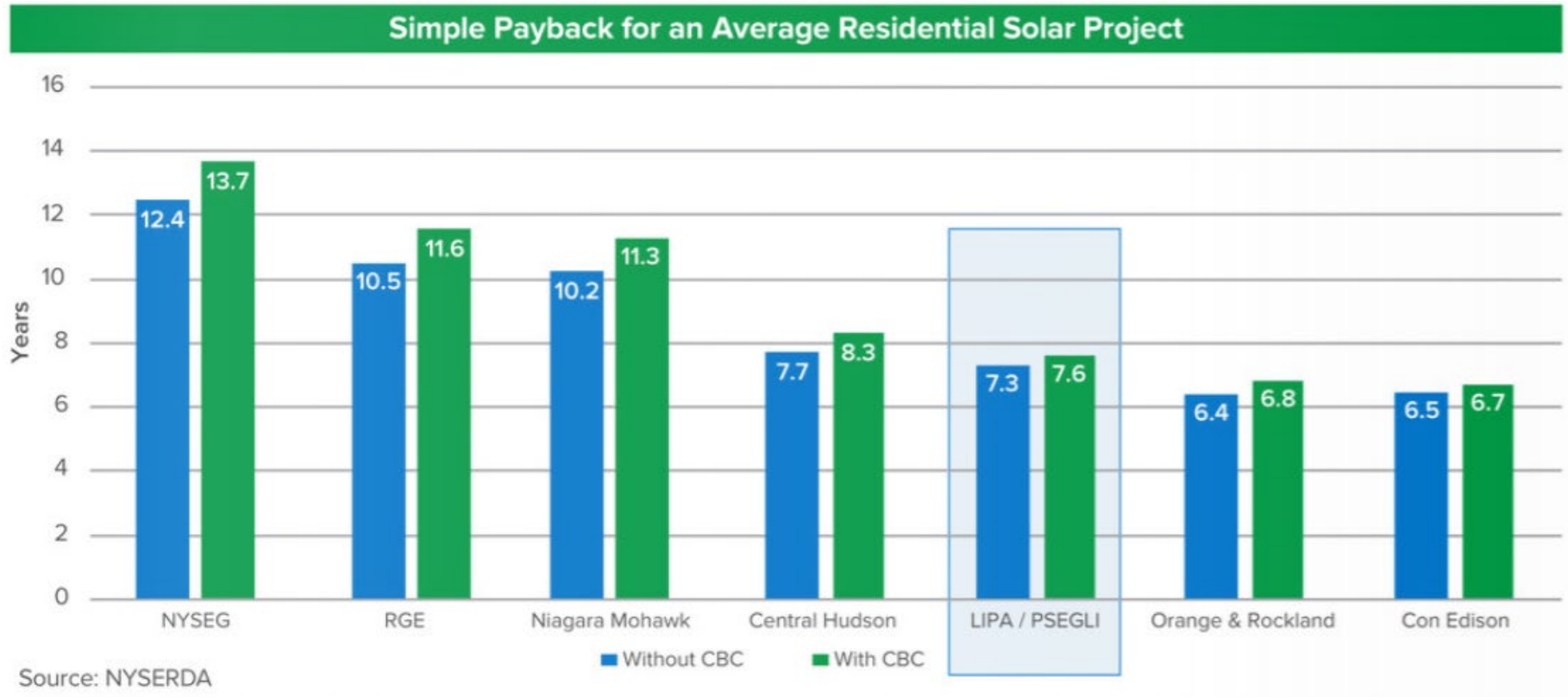
MONTHLY RESIDENTIAL BILL



Assumptions:

- 716 kWh usage
- 6 kW solar system
- 15% capacity factor

INVESTING IN SOLAR IS ATTRACTIVE



- CBC adds about four months to simple payback time (approx. 10% rate of return on solar investment)
- Comparison includes NY Sun incentives for investor-owned utilities

CBC PROPOSAL TIMELINE

September 22: Proposals published for public comment

November 29: Public comment sessions

December 6: Last day for written public comments to be incorporated into Board briefing materials

December 15: LIPA Board consideration

Proposals and instructions to join virtual public comment sessions available at: <https://www.lipower.org/about-us/tariff/proposed-rulemaking/>

Written comments should be sent to: tariffchanges@lipower.org

Department of Public Service will also provide their independent review and recommendation on the CBC to the LIPA Board

FOR MORE INFORMATION

Proposal Concerning Modifications to LIPA's Tariff for Electric Service

Requested Action:

The Long Island Power Authority (LIPA) staff (Staff) proposes to modify LIPA's Tariff for Electric Service (the Tariff) effective January 1, 2022 to implement a Customer Benefit Contribution (CBC) charge for all mass market customers who Substantially Interconnect on-site Distributed Generation (DG) using Net Energy Metering-eligible technology on or after January 1, 2022. The CBC charge is a new charge that will be applied to all mass market customers and so that DG customers make a contribution in support of LIPA's public benefit programs. This CBC Proposal aligns with the New York Public Service Commission (the Commission) *Order Establishing Net Metering Successor Tariffs*, issued and effective on July 16, 2020 (Successor Tariffs), and the Commission's *Order Establishing Net Metering Successor Regulations*, issued and effective on August 13, 2021 (Successor Order with Modifications Order).

Background:

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 Transition Order), which formed 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). In addition to establishing the Value Stack, the VDER Transition Order also established a number of transitional mechanisms to moderate the changeover from Net Energy Metering (NEM) to the Value Stack.

As part of the transition under the Successor Order, DPS Staff conducted an extensive stakeholder process through the Rate Design Working Group which included opportunities for submission of proposals and multi-stage evaluation of the various options that culminated in DPS Staff filing a Whitepaper on December 9, 2019. The Whitepaper included an analysis which identified the potential cost shift from on-site solar PV adopters using NEM to non-adopters. The Whitepaper made recommendations regarding a successor NEM tariff for on-site mass market projects and other eligible on-site resources sized at under 750 kW and detailed the stakeholder process used to develop those recommendations.

The Successor Order states that “the CBC will ensure that Phase One NEM customers contribute at an appropriate level to programs that create broad societal benefits, some of which many solar PV customers have themselves taken advantage of⁴⁴. The Successor Order with Modifications, further states that “Phase One NEM, with the addition of the CBC, balances the need to move

¹ Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources, Order Establishing Net Metering Successor Tariff*, Issued and effective July 16, 2020.

² Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources, Order Establishing Net Metering Successor Tariff Filings with Modifications*, Issued and effective August 13, 2021.

³ 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.

⁴ Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources, Order Establishing Net Metering Successor Tariff*, Issued and effective July 16, 2020 at p. 24.



Customer Benefit Contribution Charge Fact Sheet

LIPA's long-standing support for the rooftop solar market has created the most vibrant solar market in New York. This market continues to grow and will soon exceed **750 megawatts** of distributed solar in Long Island and the Rockaways! To manage the bill impacts to non-solar electricity consumers, LIPA has been working together with stakeholders across New York to develop a fair and sustainable approach to compensating rooftop solar and other distributed generation.

In July 2020, the New York State Public Service Commission (PSC) approved new compensation rules for distributed generation,¹ creating a Customer Benefit Contribution (CBC) charge applicable to mass market customers who enroll in net metering on or after January 1, 2022. The CBC will support the cost of customer benefit programs like energy efficiency, heat and transportation electrification, renewable energy, and low-income bill discount programs. The CBC ensures that the costs of these important programs are paid by both solar and non-solar customers.

LIPA's staff supports the PSC's approach and has proposed to adopt the new CBC in our service territory.

What is the Customer Benefit Contribution Charge?

The CBC is a new charge developed in an extensive public stakeholder process led by the New York Department of Public Service (DPS) and approved by the PSC for the regulated electric utilities across the state. The CBC will ensure that all customers are contributing to the cost of providing customer benefit programs. The CBC applies to mass market customers that add onsite generation and enroll in net metering **on or after January 1, 2022**. The amount of the CBC charge depends on the size of the customer's solar system, measured in kilowatts (kW), and will be applied to the bill each month.

Why is LIPA proposing to adopt the CBC?

The DPS recommended that LIPA adopt the CBC to ensure that customer benefit programs are adequately funded and the cost of those programs are shared fairly. LIPA agrees with the DPS that all customers should contribute their fair share towards the costs of providing these important and necessary programs.

¹ The PSC finalized this approach on August 13, 2021. Order available at <https://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRef=08E4FAF00-6CE5-460F-B0F6-CF76E3D04B33>

CBC Tariff Proposal

CBC Fact Sheet

Discussion

Questions?