



PROPOSED TARIFF CHANGES

November 29, 2021

PROPOSED TARIFF CHANGES

Long Island Choice: Implementing improvements from the DPS stakeholder collaborative proceeding

Community Distributed Generation and Remote Crediting: Creating a remote crediting option for Value Stack projects, allowing for CDG credits to be returned more easily to host projects, and making it easier for CDG projects to qualify for a rate codes with lower fixed charges

Customer Benefit Contribution Charge: Ensuring that newly net metered mass market customers contribute to the cost of essential programs including low-income discounts, energy efficiency, and beneficial electrification

Prolonged Outage Relief: Suspending daily service charges during prolonged outages

Miscellaneous Clean-up: Discontinuing outdoor lighting service in municipalities with “dark sky” ordinances, clarifying ambiguous tariff language

Presented by: Justin Bell - Vice President, Public Policy and Regulatory Affairs

RESPONSIVE TO STAKEHOLDERS: IMPROVEMENTS TO RETAIL CHOICE AND CCA

Unbundling local and market power supply charges

- Relieves ESCOs of the obligation to bill customers for LIPA's local supply charges
- Allows ESCOs to procure market supply from sources other than LIPA
- Eliminates complicated monthly adjustments and increases transparency

Implementing New York's uniform business practices and consumer protections

- ESCOs serving residential and small commercial customers must offer guaranteed savings, fixed pricing, or higher share of renewables
- ESCOs must remain in good standing with the Department of Public Service and comply with NY rules prohibiting deceptive marketing practices

Eliminating fees for switching suppliers

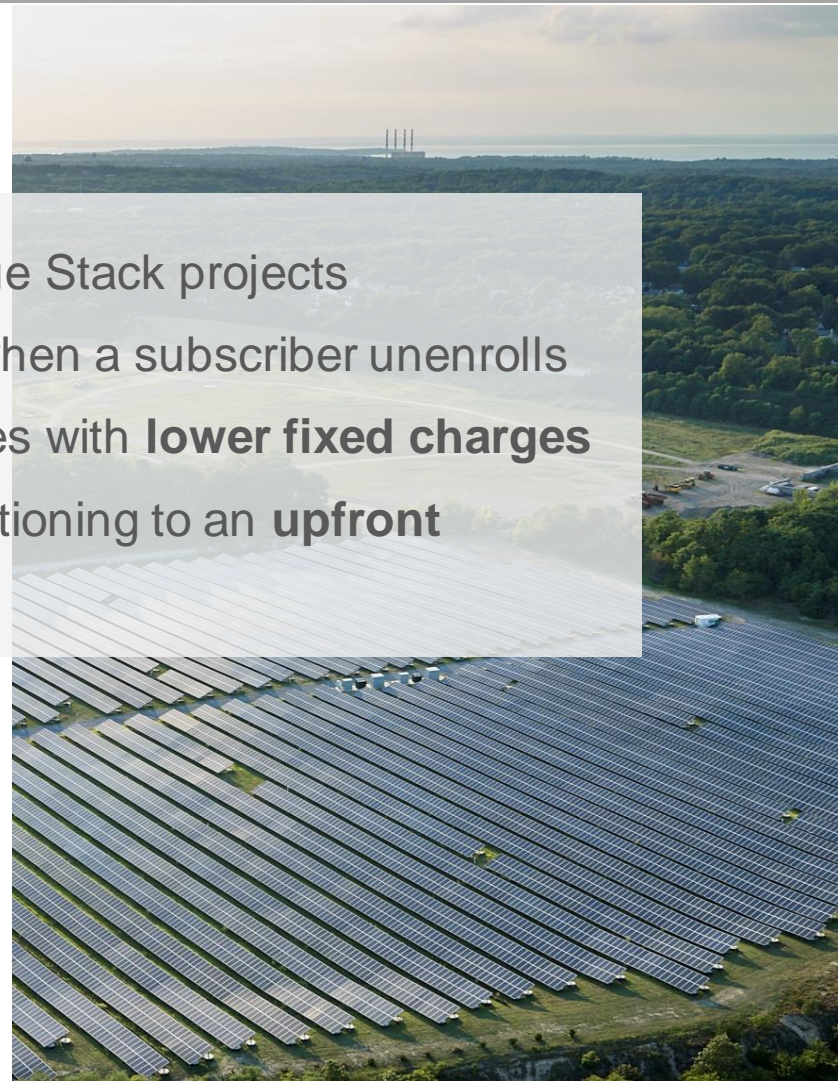
Offering consolidated billing and purchase of receivables

- ESCO may opt for its charges to be billed and collected by PSEGLI
- Eliminates need for separate ESCO bill
- To be available upon completion of necessary IT upgrades (in progress)



RESPONSIVE TO STAKEHOLDERS: IMPROVEMENTS TO COMMUNITY DISTRIBUTED GENERATION

- Providing a **remote crediting option** for Value Stack projects
- **Returning CDG credits** to the host project when a subscriber unenrolls
- Allowing CDG projects to qualify for rate codes with **lower fixed charges**
- **Extending the community credit** and transitioning to an **upfront incentive adder**



CLEAN ENERGY TRANSITION ON LONG ISLAND

Long Island Clean Energy Projects in Service and Under Procurement

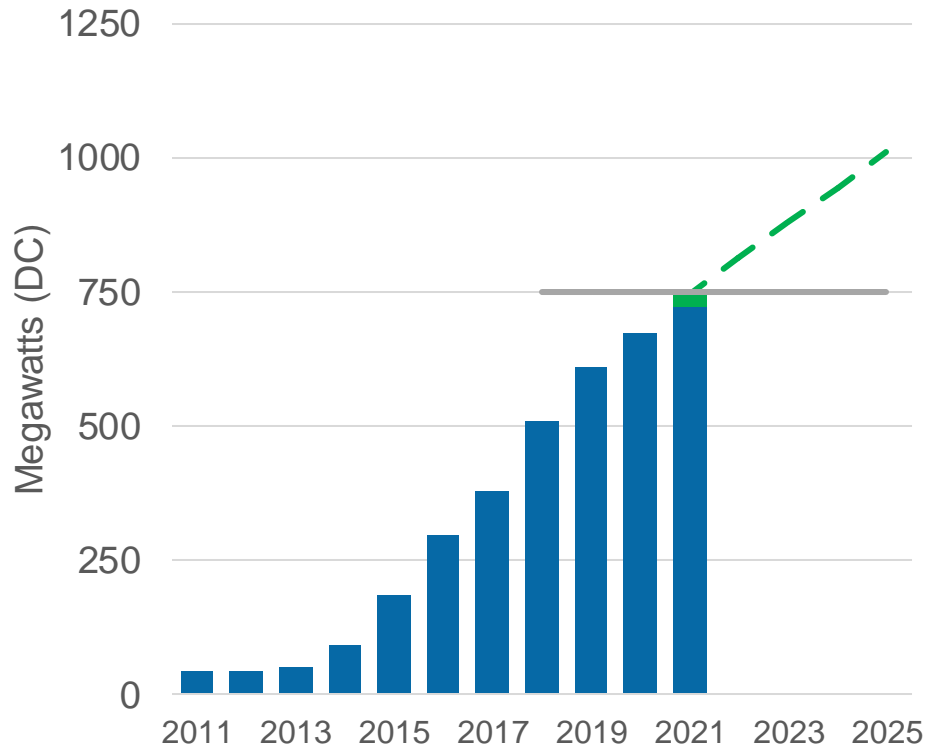
	Size (MW)	In-service (Est.)
Solar (900 MW)		
Long Island Solar Farm	32	2011
Eastern Long Island Solar Project	11	2013
Shoreham Solar Commons	25	2018
Riverhead Solar	20	2019
Kings Park Solar 1 and 2	4	2019
Feed-In Tariffs (FIT I- FIT III)	89.5	2012-2021
LI Solar Calverton	23	2021
Riverhead Solar II	36	2022
Rooftop Solar	620	2022
Community Solar Program (FIT V)	21.5	2022
Offshore Wind (~2,300 MW)		
South Fork Wind Farm	130	2023
Sunrise Wind	880	2024
Empire Wind 2	1,260	2026
Energy Storage (400 MW)		
East Hampton & Montauk Storage	10	2018 & 2019
TBD	175	2025
TBD	175	2030
Total	3,512	



Kings Park Solar Project

NEW YORK'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%

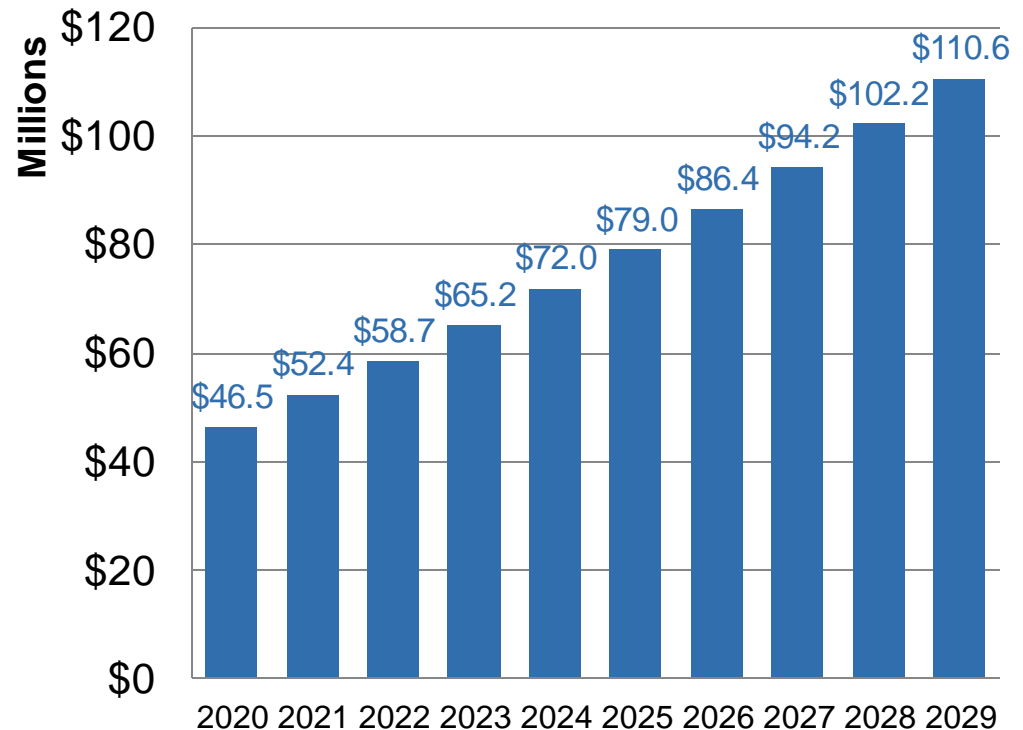
LIPA Share of
NYS Electric Grid

- 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 also commits to meet our share of the State's new **10 GW x 2030 solar goal**
- Long Island remains one of the best regions in New York for rooftop solar customers

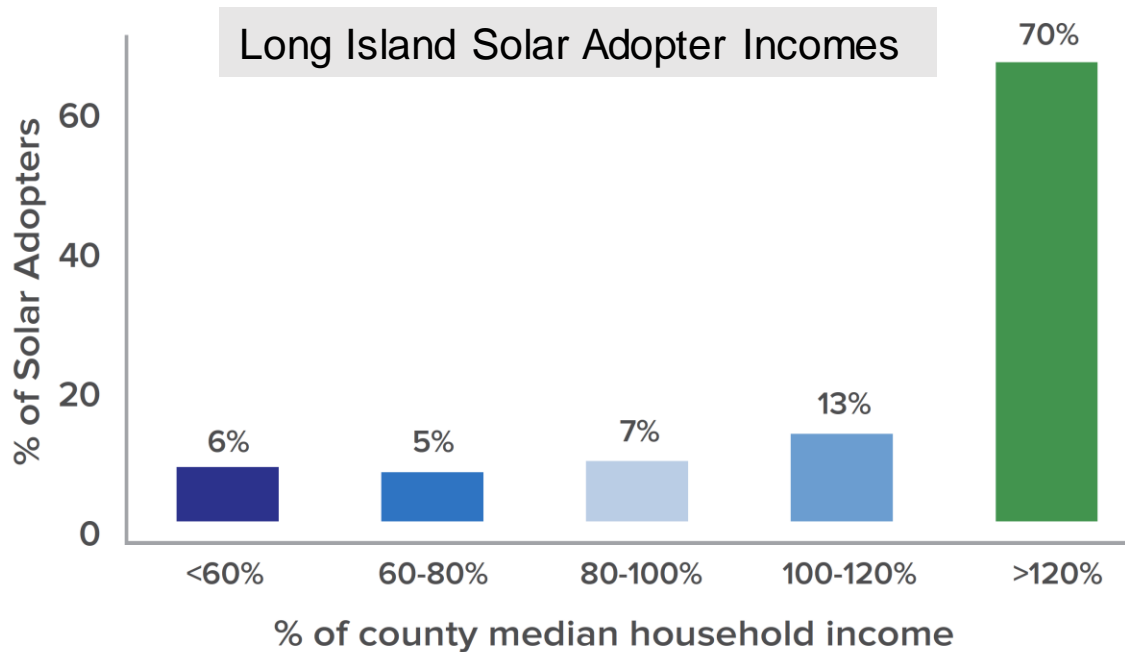
THE GROWING NET METERING SUBSIDY

- Net metering was created in the early 2000s, with a built-in subsidy to kickstart the then-nascent rooftop solar industry
- **Net metering pays customers with rooftop solar about 2x the value of solar (even after accounting for the environmental and grid benefits)**
- The LIPA net metering subsidy has grown to ~**\$59 million in 2022**, and will keep growing if no action is taken
- The subsidy is paid for by other customers, which some view as unfair

Cost shift to LIPA's non-participating customers



EQUITY CHALLENGES AND SOLUTIONS



83% of rooftop solar adopters in Long Island have incomes higher than the county median

Low-income customers are **half** as likely to install rooftop solar as other customers

Policy responses to net metering inequity:

- Expand access (community solar, low-interest loans)
- Ensure all customers pay for essential programs (CBC)

← Previously adopted

← Current proposal

Source: Berkeley Lab, Solar Demographics Tool, 2019 data

STATE ACTIONS TO ADDRESS NET METERING INEQUITY

15 states have already implemented net metering reforms

States with strong commitments to decarbonization and high levels of solar deployment are at the forefront of net metering reform

Net metering reform	
California	Non-bypassable charges; mandatory time-of-use rates
Connecticut	Non-bypassable charges
Hawaii	Avoided cost compensation
New Hampshire	Non-bypassable charges
New York	Avoided cost compensation for large commercial (VDER); customer benefit contribution for mass market
Vermont	Adjusted credits for excess generation

PROPOSED CUSTOMER BENEFIT CONTRIBUTION

- The Public Service Commission, New York's utility regulator, approved the CBC for New York's investor-owned electric utilities
- CBC tariff ensures that customers who add new net metered generation (e.g. rooftop solar) contribute to the cost of essential programs
- Applies to all types of on-site generation (solar, fuel cells, heat and power, farm waste digester, etc.)
- Does not apply to systems connected before January 1, 2022
- For residential customers who add solar on or after January 1, 2022, the monthly CBC will be **89¢ per kW of solar**
- Solar installation on average-sized home (6 kW): \$5.34 per month

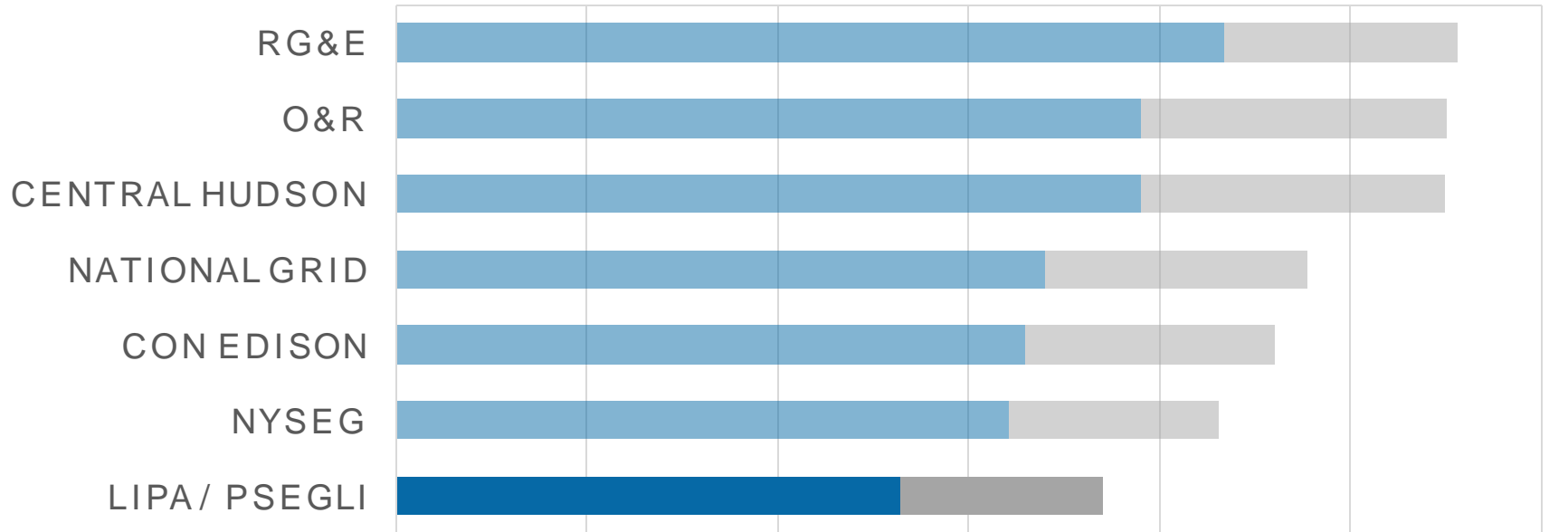
WHERE DOES THE CBC GO?

- 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 **\$155 million per year**, including \$93 million for energy efficiency and electrification and \$42 million for renewable energy (solar is exempt from funding renewables)
- **Only a portion of these costs will be recovered through CBC:**
 - **\$270,000** in first year; rest of costs continue to come from base rates (i.e., customers without rooftop solar)
 - By leaving legacy rules in place for existing solar customers, the CBC is effectively phased in over 25 years (life of existing systems)

LIPA'S FIXED CHARGES WILL REMAIN THE LOWEST IN NEW YORK

MONTHLY FIXED CHARGES

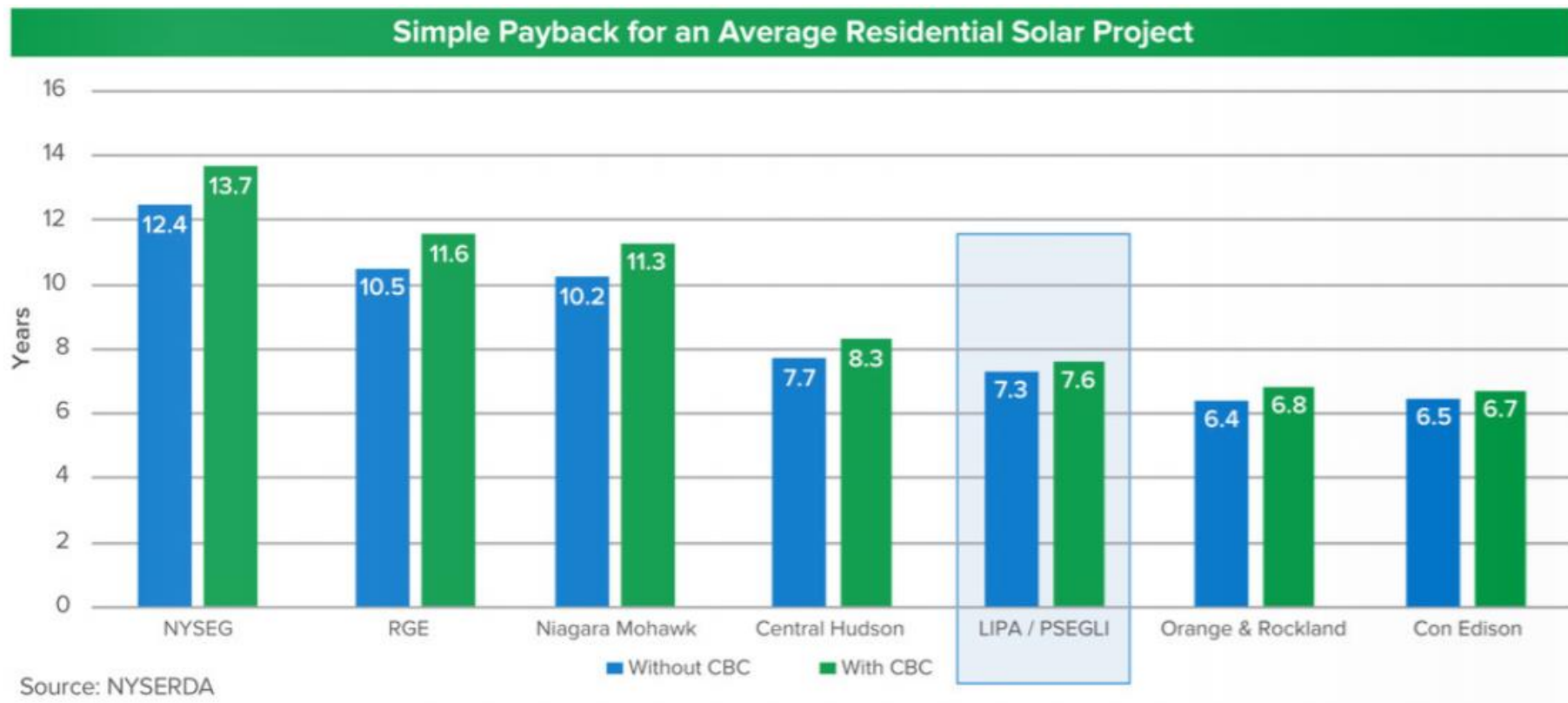
\$0 \$5 \$10 \$15 \$20 \$25 \$30



	LIPA / PSEGLI	NYSEG	Con Edison	National Grid	Central Hudson	O&R	RG&E
Basic service charge	\$13.20	\$16.05	\$16.50	\$17.00	\$19.50	\$19.50	\$21.70
Customer Benefit Charge	\$5.34	\$5.52	\$6.54	\$6.90	\$7.98	\$8.04	\$6.12

CBC based on typical (6 kW) solar system

INVESTING IN SOLAR IS ATTRACTIVE



- CBC adds about four months to simple payback time
- 7.6 year payback equates to a 10% return on solar investment
- Comparison includes NY Sun incentives for investor-owned utilities

RESPONSIVE TO STAKEHOLDERS: OTHER TARIFF CHANGES

Observing local “dark sky” ordinances

- As requested by municipalities with “dark sky” ordinances, LIPA will discontinue its outdoor area lighting service in the affected areas

Providing relief from service charges during prolonged outages

- In the event of a major storm, any customer experiencing an outage lasting longer than 3 days will receive a credit for any service charges incurred during the customer’s outage
- All collections activity will be suspended for affected customers

Clarifying application of pole attachment fees

- LIPA’s pole attachment fees were updated in 2020. This modification specifies that the updated fee of \$7.04 per year applies to municipal streetlights

PROPOSED RULEMAKING

Proposed Changes to LIPA's FOIL Regulations: LIPA proposes to update its regulations for filing requests for New York State Freedom of Information Law ("FOIL") and to conform with FOIL's statutory provisions regarding the collection of fees for copying and producing records. LIPA also proposes to repeal a regulation defining "trade secret privileged" information under FOIL because the FOIL statute itself already provides such definition

Presented by: James Miskiewicz – Deputy General Counsel

FREEDOM OF INFORMATION LAW (FOIL)

- New York's Freedom of Information Law ("FOIL"), Sections 84-90 of the NYS Public Officers Law, gives the public rights to access government records with only limited exceptions
- LIPA is seeking to update its 1990's-era regulations
- LIPA's proposed changes will not affect the public's right to access information

SUMMARY OF PROPOSED CHANGES

- 21 NYCRR 10050.1: Updates to mailing and on-line addresses to submit FOIL requests
- 21 NYCRR 10050.2: Updates to “Record Access Officer,” availability of Service Provider records, list of available records
- Section 10050.4: Fee provisions to conform to FOIL
- Deletion of Trade Secret definition
- Section 10050.5. Appeals: Update on how to file an appeal of a FOIL denial

2022 PROPOSED BUDGET

Budget Proposal: A proposal to implement minor rate adjustments as determined through LIPA's annual budget process

Presented by: Tamela Monroe – Chief Financial Officer

An offshore wind turbine with three blades, mounted on a yellow lattice structure, stands in the ocean under a clear blue sky. The image is partially obscured by a white diagonal line that separates the background from the text area.

2022 Proposed Budget: Clean, Reliable, Customer-First

November 29, 2021

**Presented by Tamela Monroe
CFO, Long Island Power Authority**

LIPA BOARD'S OBJECTIVES FOR SERVICE TO CUSTOMERS

The LIPA Board has set high objectives for service to customers. The reformed contract provides management alignment and accountability with these objectives



Customer satisfaction
among the top 25%
of electric utilities
in the country



Reliability
within the top 10% of
peer electric utilities



**Industry leading
emergency
response**



**70% renewable
energy by 2030**
and a carbon-free
electric grid by 2040



Rates
comparable to or
below neighboring utilities
in the New York City
metropolitan area

- For more information, please see the [LIPA Board Policies](#) that discuss these goals

ACCOUNTABILITY FOR PERFORMANCE

- The reformed contract between LIPA and PSEG Long Island includes **\$40 million of at-risk compensation**, or 51% of the total management fees paid each year by LIPA, including:



\$20 million of Variable Compensation at-risk based on performance standards set by LIPA, with an independent recommendation to the LIPA Board by the Department of Public Service (DPS)



\$20 million of DPS Compensation at-risk if PSEG Long Island violates its Emergency Response Plan or fails to provide safe and adequate service, as determined by an independent DPS investigation and recommended to the LIPA Board



BUDGET BY THE NUMBERS

The 2022 Budget consists of an Operating Budget of \$3.9 billion and a Capital Budget of \$760 million. The Operating Budget funds delivery and power supply costs, energy efficiency and distributed energy programs, taxes, and debt service. The Capital Budget funds long-life infrastructure investments such as transmission lines, substations, poles, and wires, as well as information technology, vehicle fleet, and other assets.

2022 Operating Budget (\$ thousands)

Operating Revenues	3,851,258
Grant & Other Income	60,639
Total Revenues and Income	3,911,897
Power Supply Costs	1,655,302
Delivery Costs	838,201
PILOTs, Taxes & Fees	568,398
Interest Payments	369,547
Debt Reduction & OPEB	480,449
Operating Budget	3,911,897
Fixed Obligation Coverage	
LIPA Debt Plus Leases	1.40x
LIPA & UDSA Debt Plus Leases	1.26x

2022 Capital Budget (\$ thousands)

Capital Projects	687,181
Storm Hardening	72,690
Capital Budget	759,871
Funding from Operating Budget	223,610
FEMA Storm Hardening Grant	2,421
Debt Issued to Fund Projects	533,840
Funding Sources	759,871
Percent of Capital Projects Funded from Debt	70%

CHANGES IN 2022 OPERATING REVENUES

Changes in Operating Budget

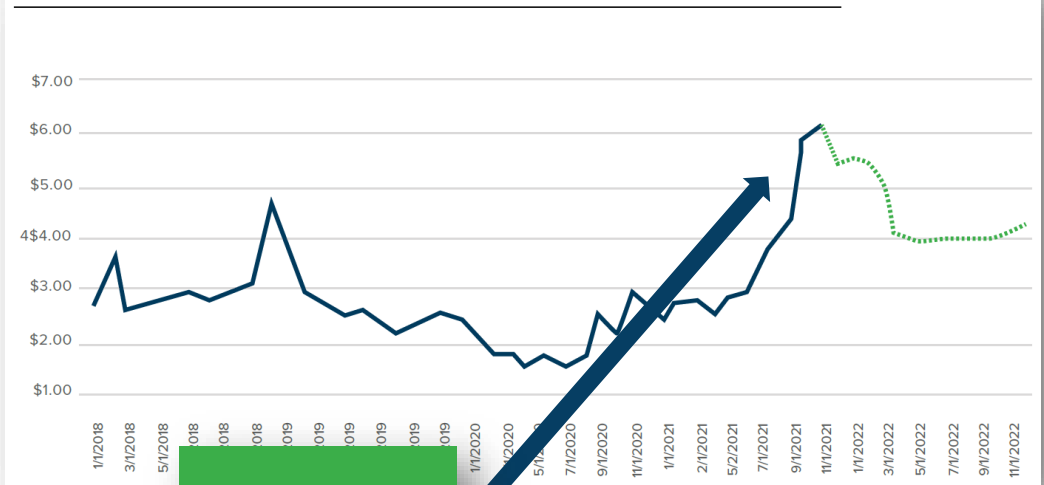


- The 2022 Operating Budget includes Operating Revenues of \$3.9 billion, an increase of \$189.3 million from the 2021 Budget
- Actual Operating Revenues are projected to decline \$148.2 million, as Operating Revenues for 2021 came in above budget due to higher Power Supply and storm restoration costs

POWER SUPPLY COSTS

- **Budgeted** Power Supply costs are forecast to **increase by \$103.1 million** for 2022 compared to the 2021 Budget, driven primarily by higher commodity costs of \$253.1 million, net of hedges of \$150.0 million
- **Actual** Power Supply costs are projected to **decline by \$148.2 million**, as costs came in approximately **\$251 million above budget in 2021** due primarily to transmission cable outages that resulted in more run time for higher cost on-Island generation

Natural Gas Prices Have Increased Dramatically in 2021



\$103.1

Power
Supply

NEW PROGRAM SUPPORT

Enhanced Vegetation Management

- Vegetation management program expanded by **\$14.9 million** for 2022
- Includes an expanded Hazard Tree Removal Program targeting 12,000 trees (up from 3,000 today)
- Utilizing intelligence and analytics regarding species, growth rate, and location to limit vegetation-caused outages
- Includes implementing a new “Trim to Sky” protocol on circuits to the first protective device on each circuit



NEW PROGRAM SUPPORT

Performance Metric-Based Initiatives

- Performance metric-based initiatives for 2022 are budgeted at **\$7.6 million**, including investments to improve: **management of assets**, **procurement**, and **financial oversight** designed to tighten controls and reduce cost; and **expanded customer communication**

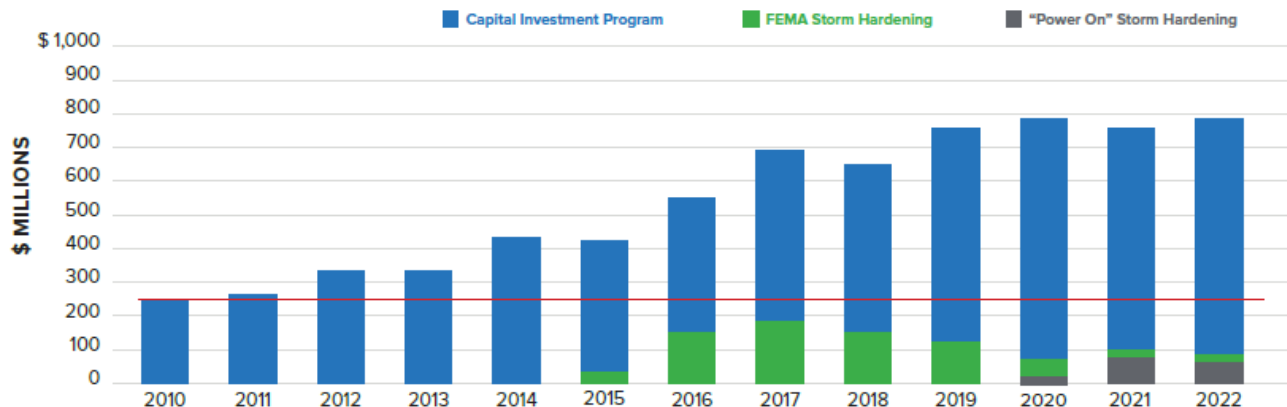
IT Metric-Based Initiatives

- IT metric-based initiatives for 2022 are budgeted at **\$6.9 million**, including **Disaster Recovery and Business Continuity Plans** for all critical systems/processes, **enhanced organizational performance and processes**, and supports separating LIPA IT systems from PSEG New Jersey systems



2022 CAPITAL BUDGET

Capital Investments in the Long Island Electric Grid are Up 300%



LIPA has invested a record \$4.9 billion in infrastructure since 2016 to improve the reliability and resiliency of Long Island's electric grid – over 3 times the level of investment of a decade ago

Reliability and Resiliency Investments Showing Results for Customers

Customers with Power Outages
34%



Customers with "Flicker" Interruptions
51%



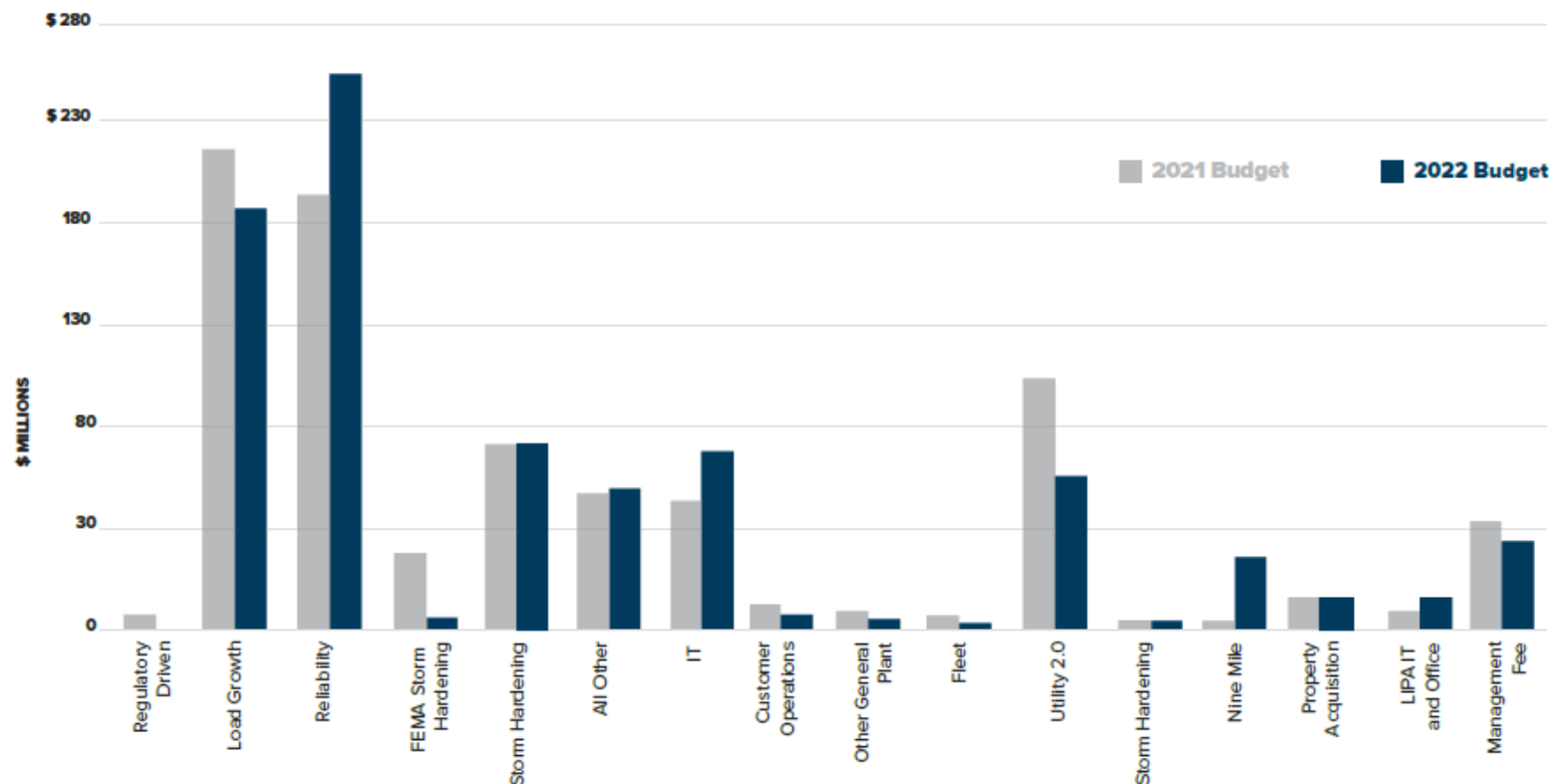
Customers with ≥4 Outages Per Year
59%



National Utilities Ranking for Reliability
#8 out of 63 Peer Utilities

2022 CAPITAL BUDGET

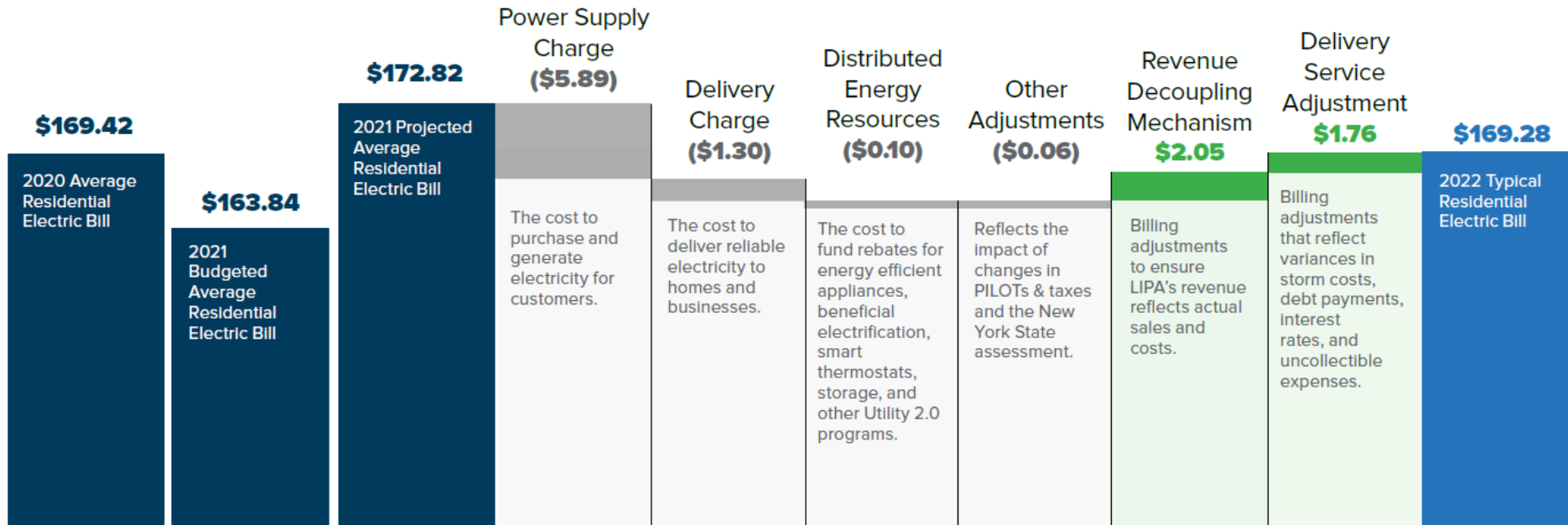
Changes in Capital Budget



The 2022 Capital Budget is decreasing by \$36 million from the prior year. The most significant changes are a \$52 million increase for reliability investments and a \$56 million decrease for Utility 2.0, which is due to the substantial completion of deployment of smart meters in 2021

RESIDENTIAL BILLS FOR 2022

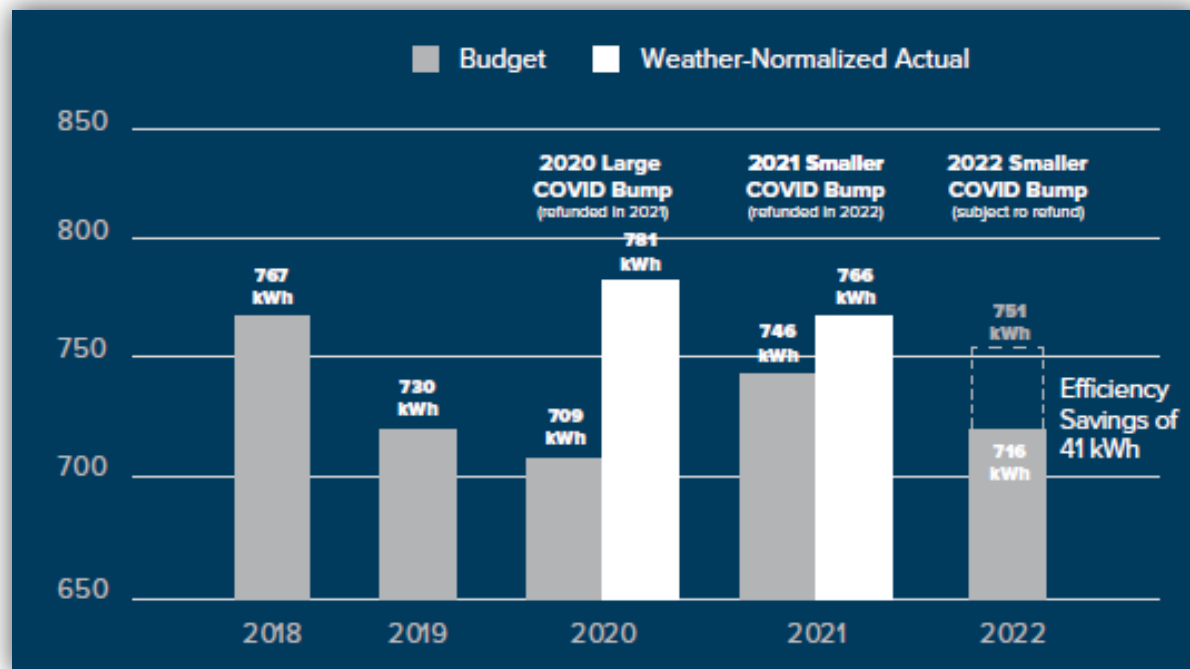
Average Residential Customer Electric Bill (Weather-Normalized)



- Residential bills came in above budget in 2021 due to higher power supply costs and sales than budgeted (excess 2021 sales are generating a \$3 bill credit in 2022)
- Delivery rate will increase 2.3% for 2022; however, lower sales are expected to result in a \$1.30 month decrease in the Delivery Charge for a typical customer

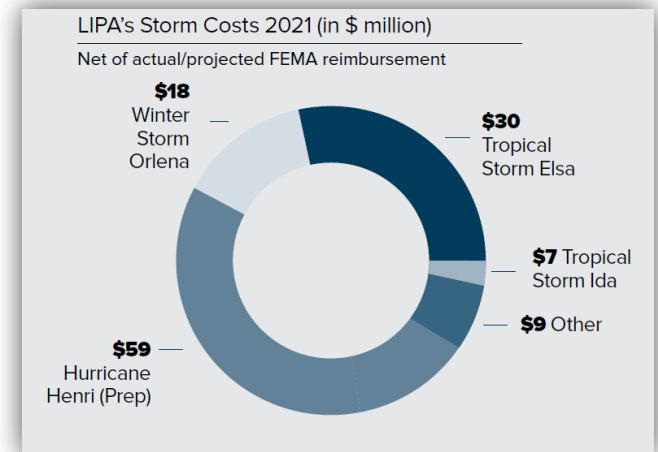
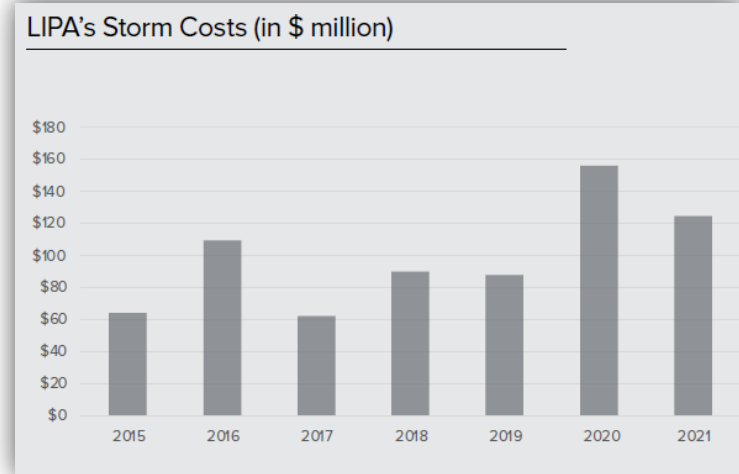
CUSTOMER SALES FOR 2022

- COVID-19 caused much **higher than typical residential sales** in 2020 and 2021 and a bill credit to customers
- The \$5 per month Revenue Decoupling Mechanism (RDM) bill credit to customers in 2021 will **decline to \$3 per month in 2022**
- Sales are expected to decline in 2022, largely due to \$92 million of budgeted energy efficiency savings
- Delivery revenue from any excess sales in 2022 will be credited to customers in 2023



DELIVERY SERVICE ADJUSTMENT

- DSA reconciles actual costs to budgeted levels for **storms, debt payments, interest rates, and uncollectible expense**
- DSA is forecast to increase by \$1.76 per month in 2021
- **Most of this increase is due to above budget storm restoration expense**, with actual storm restoration expense forecast for 2021 at \$147 million compared to a budget of \$70 million
- Tropical Storm Henri, which was forecast to directly land on Long Island as a category 1 hurricane in August 2021 but did not materialize and represents \$59 million of this overage



MINIMIZING COSTS FOR CUSTOMERS

Initiatives since 2014 have reduced Operating Budgets by **\$999 million in 2022, equivalent to 26 percent of electric bills, or about \$44 per month for a typical residential customer**

\$999 Million Customer Savings in 2022 from Operating Lean

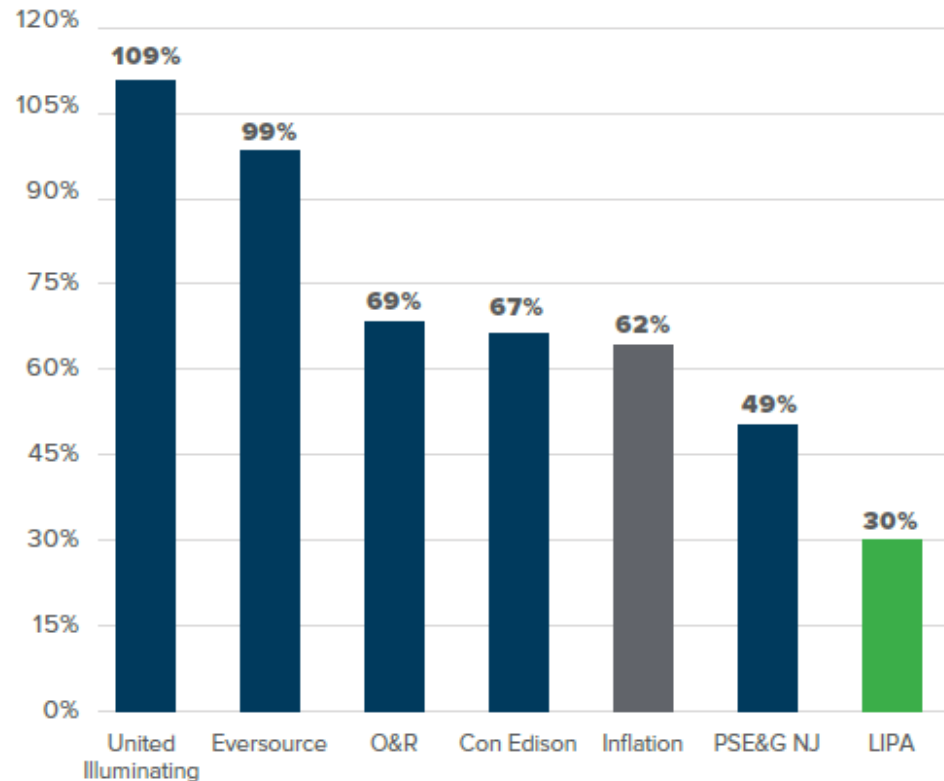
Millions

Discontinued investments in combined cycle plants	\$348
LIPA Reform Act 2% Tax Cap	\$272
Commodity Hedging (based on current prices)	\$150
Renegotiating expiring power purchase agreements	\$56
Refinancing existing debt	\$49
Reduction to wholesale market and off-island transmission costs	\$39
Investing in cost-effective energy efficiency	\$29
Power plant property tax savings	\$20
Smart Meter savings	\$17
Operating savings and improved productivity	\$11
Power plant pension and retirement savings	\$8
Total	\$999

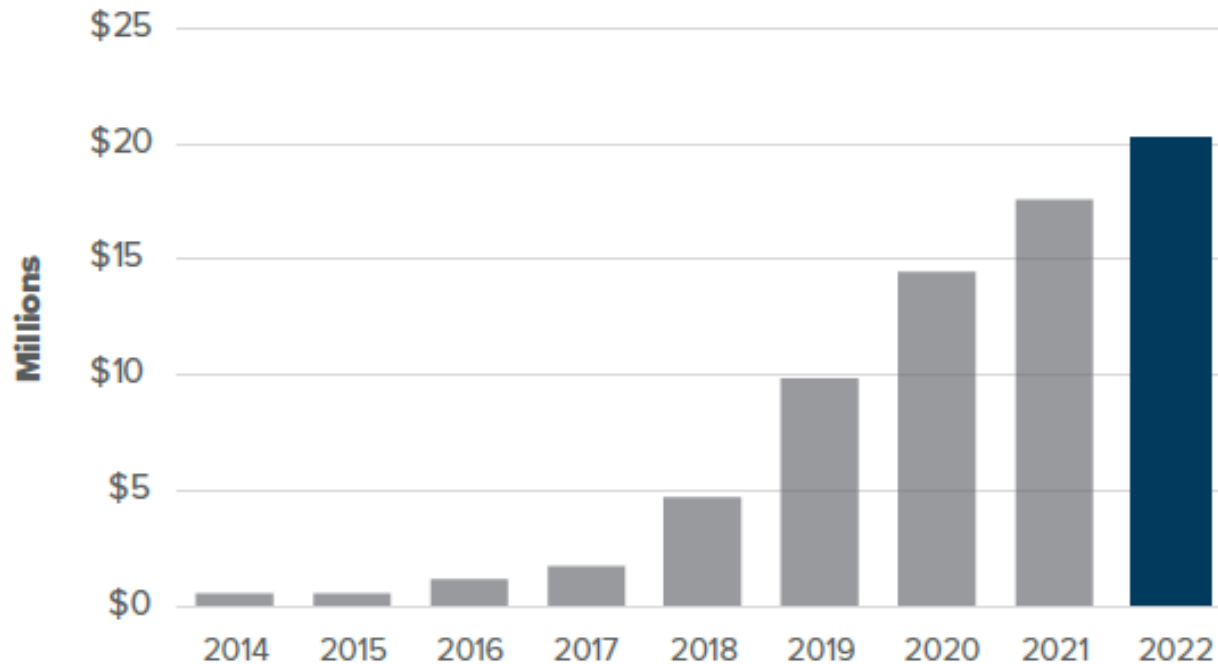
RATES CONTINUE TO INCREASE AT LESS THAN INFLATION

Taking steps to minimize customer costs has resulted in system average rates that have increased at **less than the rate of inflation and less than those of neighboring utilities**

LIPA's System Average Electric Rates Increase at Less than Inflation or Neighboring Utilities (1997 to 2020)



HELPING LOW- AND MODERATE- INCOME CUSTOMERS



The budget for household assistance discounts for low and moderate-income customers will increase to \$20.2 million in 2022

2022 BUDGET MAINTAINS FISCAL SUSTAINABILITY

- Operating Budget targets **1.40x fixed obligation coverage** consistent with Board's Policy on Debt and Access to the Credit Markets
- LIPA has achieved **four credit rating upgrades since 2013 and is on positive outlook by Fitch** for an upgrade in the next 12-to-24 months
- Total debt payments and coverage will increase **\$28.0 million**

Financial Policy



LIPA's Credit Rating Upgrades

	2013 Ratings (Outlook)	2021 Ratings (Outlooks)
Moody's Investors Service	Baa1 (Negative)	A2 (Stable)
Standard and Poor's	A- (Negative)	A (Stable)
Fitch Ratings	A- (Negative)	A (Positive)

FOR MORE INFORMATION



Reforming Long Island's Electric Service

On November 9, 2021, LIPA announced a revised management services contract and settlement with PSEG Long Island that includes reforms designed to drive performance and accountability. This new contract is the strongest in LIPA's history, offering an unprecedented level of oversight of PSEG Long Island's operations. The reformed contract puts \$40 million in annual PSEG Long Island management fees at risk based on performance under new contract terms.

Below are answers to frequently asked questions about the contract reforms.

What problems did PSEG Long Island experience during Tropical Storm Isaias?

Tropical Storm Isaias caused 650,000 customers outages. On the afternoon of the storm, all PSEG Long Island's restoration and communication systems failed. Over 1 million customer calls received busy signals and 300,000 text messages bounced back. The outage map, municipal portal for government officials, and mobile phone application failed. PSEG Long Island's outage management system—used to dispatch trucks, estimate restoration times, and coordinate outage restoration—also failed, hampering restoration efforts.

How did LIPA respond to PSEG's failures during Tropical Storm Isaias?

On August 5, 2020, LIPA and the New York Department of Public Service (DPS) began an investigation of PSEG Long Island's response to Tropical Storm Isaias. That investigation led to the issuance of six reports between September 2020 and September 2021, including 30-Day and 90-Day reports as well as two Options Analysis reports and two Quarterly Reports.

LIPA's investigation found that the problems experienced by PSEG Long Island during the storm were preventable and that the root cause of the issues was management.

How is LIPA addressing the problems identified in the investigative reports?

The 30-Day and 90-Day Reports directed PSEG Long Island to implement 85 specific recommendations to address management, emergency management, and information technology. In subsequent Board meetings, the Board has adopted an additional 79 recommendations concerning non-storm areas of management.



Reforming Long Island's Electric Service: Accountability for Performance

The reformed contract between LIPA and PSEG Long Island includes **\$40 million of at-risk compensation**, or 51% of the total management fees paid each year by LIPA, including:

- \$20 million of Variable Compensation at-risk based on performance standards set by LIPA, with an independent recommendation to the LIPA Board by the Department of Public Service (DPS), the staff arm of the State Public Service Commission. These performance standards ensure that PSEG Long Island's compensation is tied to delivering meaningful results for Long Island and Rockaways electric customers.
- \$20 million of DPS Compensation at-risk if PSEG Long Island violates its Emergency Response Plan or fails to provide safe and adequate service, as determined by an independent DPS investigation and recommended to the LIPA Board.

For 2022, LIPA and PSEG Long Island have agreed to **96 performance standards**, distributed across all of the management services provided to LIPA and its customers. These metrics, which will be court annually by LIPA and DPS, are designed to be achievable levels of improvement (or to maintain already high levels of service) that are objectively verifiable. The funds to achieve this performance are also budgeted, tying realistic plans and budgets to achievable, measurable outcomes each year.

Q: How do the performance standards under the reformed contract compare to LIPA's existing management contract with PSEG Long Island?

LIPA's existing contract has a limited number of performance standards that were negotiated in 2013 and that can only be updated by mutual agreement between LIPA and PSEG Long Island. Those metrics cover only a small share of the management services provided to LIPA by PSEG Long Island and only determine \$10 million (13%) of PSEG Long Island's compensation, as illustrated in Figure 1. The reformed contract includes performance standards for all the management services PSEG Long Island provides and the metrics are set independently by LIPA and DPS each year.

Figure 1: Accountability for Performance

	EXISTING CONTRACT	NEW CONTRACT
Number of Performance Metrics	20-26 ¹	96 ²
Compensation at Risk	\$10 million	\$40 million

¹ Set in 2013 and only changed with PSEG Long Island's contract.

² LIPA and DPS metrics set annually by LIPA and DPS.

Fact Sheet: Reforming Long Island's Electric Service

Fact Sheet: Accountability for Performance

Visit www.lipower.org/reformedcontract

TARIFF PROPOSAL TIMELINE

September 22: Proposals published for public comment

November 29: Public comment sessions ← **Today**

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

December 15: LIPA Board consideration

January 1: Approved tariffs become effective

Proposals available at: <https://www.lipower.org/about-us/tariff/proposed-rulemaking/>

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

Public Comments