

February 26, 2013

**MEMORANDUM TO THE TRUSTEES**

**FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

**SUBJECT: Decrease in Westchester County Governmental Customer Rates – Notice of Adoption**

**SUMMARY**

The Trustees are requested to approve a modification in the rates for the sale of firm power to the Westchester County Governmental Customers (“Customers”) in 2013. This proposed action is consistent with the rate-setting process set forth in the Supplemental Electricity Agreements executed by the Customers and the Authority and in accordance with the State Administrative Procedure Act (“SAPA”).

This proposed final action seeks approval to decrease the production rates of the Customers by 3.21% as compared to 2012 rates. This change will take effect beginning March 1, 2013.

**BACKGROUND**

At their meeting of September 24, 2012, the Trustees directed the publication in the *New York State Register* (“*State Register*”) of a notice that the Authority proposed to decrease the production rates by 2.49%. The *State Register* notice was published on October 10, 2012. In accordance with SAPA, a forty-five day comment period was established, ending on November 26, 2012. This comment period was extended through December 28, 2012. There were no public comments received. Since this proposal called for no rate increase to the Customers, in accordance with the Authority’s policies and procedures, no public forum was held.

**DISCUSSION**

Based on further staff analysis, the final projected 2013 Cost of Service (“COS”) is \$34.29 million and the projected 2013 revenues based on 2012 rates are \$35.42 million, resulting in an over-recovery of \$1.14 million or 3.21%. This represents an additional decrease of 0.72% from the proposed rate decrease discussed at the September 2012 Trustee meeting.

The decrease from the preliminary COS is primarily attributable to decreases in the operations and maintenance costs. In addition, the final 2013 COS incorporated an updated 2013 sales and revenue forecast. The final revenue forecast resulted in \$0.22 million decrease of projected 2013 revenues as compared to the preliminary 2013 COS.

Staff is proposing a 3.21% reduction in base production revenues through customer rates to reflect the continued reduction in the purchased power energy costs as contained in the currently effective 2012 rates.

In 2013, the Customers will continue to be subject to an Energy Charge Adjustment under which the Authority passes all actual variable costs to the Customers. This cost-recovery mechanism employs a monthly charge or credit that reflects the difference between the projected variable costs of electricity recovered by the tariff rates and the monthly actual variable costs incurred by the Authority.

The current 2012 and final 2013 proposed rates with the 3.21% overall reduction in revenues are shown in Exhibit "A."

### FISCAL INFORMATION

The adoption of the 2013 production rate decrease would have no net effect on the Authority's financial position. The rate change would result in an estimated reduction in revenues of \$1.14 million, which is offset by the forecasted reduction in costs. The Energy Charge Adjustment mechanism will protect the Authority's net revenues from the effects of movements in variable costs above those projected.

### RECOMMENDATION

The Director – Market Analysis and Administration, recommends that the Trustees authorize the Corporate Secretary to file a Notice of Adoption with the New York State Department of State for publication in the *State Register* of a decrease in production rates for the Westchester County Governmental Customers.

It is also recommended that the Senior Vice President – Economic Development and Energy Efficiency be authorized to issue a written notice of adoption to the affected customers.

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

Gil C. Quiniones  
President and Chief Executive Officer

Att.  
Decrease in Westchester  
Gov't Customer Rates

## **RESOLUTION**

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency or his designee be, and hereby is, authorized to issue written notice of this final action by the Trustees to the affected Customers; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file such notices as may be required with the New York State Department of State for publication in the *New York State Register* and to submit such other notice as may be required by statute or regulation concerning the rate decrease; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all certificates, agreements and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.

**Decrease in Westchester County Governmental Customer Rates –  
Notice of Adoption**

**Exhibit “A”**

**Current 2012 and Proposed 2013  
Customer Production Rates**

**WESTCHESTER GOVERNMENTAL CUSTOMERS**

**EXHIBIT "A"**

Service Classification	Demand (\$/kW)		ENERGY (¢/kWh)											
	2012	2013	SUMMER		SUMMER ON PEAK		SUMMER OFF PEAK		WINTER		WINTER ON PEAK		WINTER OFF PEAK	
			2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
SC 62 Conventional	\$0.00	\$0.00	6.240	5.531					5.697	5.052				
SC 66 Conventional	\$0.00	\$0.00	5.604	4.701					5.604	4.701				
SC 68 Conventional	\$1.99	\$2.14	6.083	5.946					5.541	5.466				
SC 69 Conventional	\$1.52	\$1.69	6.195	5.993					5.653	5.514				
SC 69 TOD	\$2.13	\$2.32			7.231	6.813	4.630	4.755			6.292	5.751	4.773	4.734

**Service Tariff No. 200 Demand Standby Rate Comparison (Current vs. Proposed)**

Service Class	CONTRACT DEMAND (\$/KW per month)				AS USED DEMAND (\$/KW per day)			
	Low Tension		High Tension		Low Tension		High Tension	
	2012	2013	2012	2013	2012	2013	2012	2013
SC69 TOD	\$0.170	\$0.186	\$0.163	\$0.178	\$0.064	\$0.070	\$0.062	\$0.067

**Service Tariff No. 200 Energy Credit Standby Rate Comparison (Current vs. Proposed)**

Tension	ENERGY CREDIT (¢/kWh)							
	SUMMER ON PEAK		SUMMER OFF PEAK		WINTER ON PEAK		WINTER OFF PEAK	
	2012	2013	2012	2013	2012	2013	2012	2013
High Tension	5.958	5.569	4.014	3.562	5.725	5.134	4.381	3.978
Low Tension	5.708	5.336	3.846	3.413	5.486	4.919	4.198	3.812