

January 28, 2014

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**SUBJECT: Increase 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 2014. 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 increase the production rates of the Customers by 12.67% as compared to 2013 rates. The increase would be effective with the January 2014 bills.

BACKGROUND

At their meeting of September 24, 2013, the Trustees directed the publication in the *New York State Register* (“*State Register*”) of a notice that the Authority proposed to increase the production rates by 12.67%. The *State Register* notice was published on October 16, 2013. In accordance with SAPA, a forty-five day comment period was established, ending on December 2, 2013. NYPA extended the public comment period to December 20, 2013, to allow Customers more time to review the proposed rate increase. There were no public comments received.

The final 2014 Cost-of-Service (“COS”) projects a 16.38% rate increase, however, in order to not exceed NYPA’s initial SAPA notice, staff is requesting to keep the initial 12.67% increase in production rates as was requested at the September meeting.

DISCUSSION

Based on further staff analysis, the final projected 2014 COS is \$39.05 million and the projected 2013 rate revenues are \$33.55 million, resulting in an under-recovery of \$5.50 million or 16.38%.

The increase from the preliminary COS is primarily attributable to increases in purchased power costs of the variable costs component. The increase in purchased power costs are mainly due to increased capacity costs related to the new Lower Hudson Valley zone. In addition, the final 2014 COS incorporated an updated 2014 sales and revenue forecast resulting in lower sales and revenues than was projected in the preliminary 2014

COS. The final 2014 rate revenues were calculated using the currently effective 2013 rates resulting in \$0.77 million decrease of projected 2014 revenues as compared to the preliminary 2014 COS.

The fixed costs are projected to decrease by 0.92% as compared to the preliminary COS. The decrease in the fixed costs is primarily due to the decrease in the Capital Costs.

In 2014, the Customers will continue to be subject to an Energy Charge Adjustment (“ECA”), under which the Authority passes through 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. As staff is proposing that the Authority not raise the rates to the level needed to meet the final projected variable cost increase, it is expected that any difference in the projected and actual variable costs will be recovered from, or credited back to, the Customers through the monthly ECA process.

The current 2013 and final 2014 proposed rates with the 12.67% overall increase in revenues are shown in Exhibit “A.” The final 2014 proposed rates were developed using the updated 2014 sales and revenue forecast.

FISCAL INFORMATION

The adoption of the 2014 production rate increase would have no net effect on NYPA’s financial position. The rate change would result in an estimated increase in revenues of \$4.25 million, which is offset by the forecasted increase in costs originally presented at the September 24, 2013 Trustee meeting. The Energy Charge Adjustment mechanism will protect NYPA’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 an increase in production rates for the Westchester County Governmental Customers.

It is also recommended that the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be authorized to issue 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.
NOA – Westchester County
(Increase)

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 increase; and be it further

RESOLVED, That the Chairman, the Vice Chair, 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.

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

Exhibit “A”

**Current 2013 and Proposed 2014
Customer Production Rates**

WESTCHESTER GOVERNMENTAL CUSTOMERS

EXHIBIT "A"

Service Classification	Demand (\$/kW)		ENERGY (¢/kWh)											
			SUMMER		SUMMER ON PEAK		SUMMER OFF PEAK		WINTER		WINTER ON PEAK		WINTER OFF PEAK	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
SC 62 Conventional	\$0.00	\$0.00	5.531	6.034					5.052	5.550				
SC 66 Conventional	\$0.00	\$0.00	4.701	5.081					4.701	5.081				
SC 68 Conventional	\$2.14	\$2.26	5.946	6.611					5.466	6.127				
SC 69 Conventional	\$1.69	\$1.79	5.993	6.829					5.514	6.347				
SC 69 TOD	\$2.32	\$2.58			6.813	7.440	4.755	5.361			5.751	6.251	4.734	5.436

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	
	2013	2014	2013	2014	2013	2014	2013	2014
SC69 TOD	\$0.186	\$0.207	\$0.178	\$0.198	\$0.070	\$0.078	\$0.067	\$0.075

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	
	2013	2014	2013	2014	2013	2014	2013	2014
High Tension	5.569	5.467	3.562	3.593	5.134	5.332	3.978	3.963
Low Tension	5.336	5.238	3.413	3.443	4.919	5.109	3.812	3.798