

March 26, 2015

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 2015. 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 12.85% as compared to 2014 rates. The decrease would be effective with the March 2015 bills.

BACKGROUND

At their meeting on December 16, 2014, 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 8.00% for rate year 2015. The *State Register* notice was published on January 7, 2015. In accordance with SAPA, a forty-five day comment period was established, ending on February 23, 2015. There were no public comments received.

DISCUSSION

Based on further staff analysis, the final projected 2015 Cost of Service (“COS”) is \$33.15 million and the projected 2015 rate revenues based on 2014 rates are \$38.04 million, resulting in an over-recovery of \$4.89 million or 12.85%. This represents a decrease of 19.3% from the proposed production costs discussed at the December 16, 2014 Trustee meeting.

The decrease from the preliminary COS is primarily attributable to decreases in purchased power costs of the variable costs component related to energy and capacity purchases necessary to serve the Customers. The fixed costs are projected to decrease by 1.5% as compared to the preliminary COS. The further decrease in the fixed costs is primarily due to the decrease in the Other Expenses as compared to the preliminary 2015 COS.

In 2015, 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.

The current 2014 and final 2015 proposed rates with the 12.85% overall decrease in revenues are shown in Exhibit “A.”

FISCAL INFORMATION

The adoption of the 2015 production rate decrease would have no net effect on NYPA’s financial position. The rate change would result in an estimated decrease in revenues of \$4.89 million, which is offset by the forecasted decrease in costs originally presented at the December 16, 2014 Trustee meeting. The Energy Charge Adjustment mechanism will protect NYPA net revenues from the effects of movements in variable costs above those projected.

RECOMMENDATION

The Manager – Pricing and Energy Market Analysis and the Director – Finance recommend 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 *New York State Register* for an adoption of a production rate decrease applicable to 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 and the revised tariff leaves, as necessary, to the affected Customers.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Gil C. Quiniones
President and Chief Executive Officer

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 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.

WESTCHESTER GOVERNMENTAL CUSTOMERS

EXHIBIT "A"

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

Service Classification	Demand (\$/kW)		ENERGY (¢/kWh)											
			SUMMER		SUMMER ON PEAK		SUMMER OFF PEAK		WINTER		WINTER ON PEAK		WINTER OFF PEAK	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
SC 62 Conventional	\$0.00	\$0.00	6.034	5.187					5.550	4.678				
SC 66 Conventional	\$0.00	\$0.00	5.081	4.513					5.081	4.513				
SC 68 Conventional	\$2.26	\$1.90	6.611	5.975					6.127	5.466				
SC 69 Conventional	\$1.79	\$1.49	6.829	5.971					6.347	5.463				
SC 69 TOD	\$2.58	\$2.09			7.440	6.834	5.361	4.692			6.251	5.760	5.436	4.631
SC 82 Conventional	\$2.26	\$1.90	6.611	5.975					6.127	5.466				

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

Service Class	CONTRACT STANDBY DEMAND (\$/KW)				AS-USED DAILY DEMAND (\$/KW-day)			
	Low Tension		High Tension		Low Tension		High Tension	
	2014	2015	2014	2015	2014	2015	2014	2015
SC 68 Conventional	\$0.068	\$0.057	\$0.064	\$0.053	\$0.072	\$0.061	\$0.068	\$0.056
SC 69 Conventional	\$0.054	\$0.045	\$0.051	\$0.042	\$0.057	\$0.047	\$0.054	\$0.044
SC 69 TOD	\$0.077	\$0.063	\$0.074	\$0.059	\$0.082	\$0.067	\$0.079	\$0.063
SC 82 Conventional	\$0.068	\$0.057	\$0.064	\$0.053	\$0.072	\$0.061	\$0.068	\$0.056