



Date: March 29, 2016

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 decrease in the rates for the sale of firm power to the Westchester County Governmental Customers (“Customers”) in 2016. This proposed action is consistent with the rate-setting process set forth in the 2006 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 2.37% as compared to 2015 rates. The decrease would be effective with the March 2016 bills.

BACKGROUND

At their meeting on September 29, 2015, 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 10.64%, or \$3.53 million, for rate year 2016. The State Register notice was published on October 21, 2015 in accordance with the SAPA. The forty-five day comment period was then established and was subsequently extended to February 1, 2016. The Authority’s policies and procedures call for a public forum if the Fixed Costs component of the proposed rate increase exceeds 2.0%. Since the proposed increase (4.2%) was greater than 2%, a public forum was held on November 24, 2015. There were no public comments received during the public forum or comment period.

DISCUSSION

Based on further staff analysis, the final projected 2016 Cost of Service (“COS”) is \$32.06 million and the projected 2016 rate revenues based on 2015 rates are \$32.83 million, resulting in an over-recovery of \$0.78 million or 2.37%. This represents a decrease of 12.7% from the proposed production costs from the September 29, 2015 Trustees’ meeting.

The decrease from the preliminary COS is primarily attributable to decreases in purchased power costs of the variable costs component related to energy purchases necessary to serve the Customers. The fixed costs are projected to decrease by 27.2% as compared to the preliminary 2016 COS. The decrease in the fixed costs is primarily due to the decrease in Operation & Maintenance as compared to the preliminary 2016 COS.

In 2016, 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 2015 and final 2016 proposed rates with the 2.37% overall decrease in revenues are shown in Exhibit “A.”

FISCAL INFORMATION

The adoption of the 2016 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 \$1.09 million as compared to the Final 2015 COS. The Energy Charge Adjustment mechanism will protect NYPA’s net revenues from the effects of movements in variable costs above those projected.

RECOMMENDATION

The Manager – Pricing and Energy Market Analysis and the Vice President – 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 the adoption of a production rate decrease applicable to the Authority’s 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 a 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 decrease the production rates of the Westchester County Governmental Customers by 2.37% as compared to 2015 rates; 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 agreements, certificates 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 | |
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| SC 62 Conventional | \$0.00 | \$0.00 | 5.187 | 4.858 | | | | | 4.678 | 4.349 | | | | |
| SC 66 Conventional | \$0.00 | \$0.00 | 4.513 | 4.098 | | | | | 4.513 | 4.098 | | | | |
| SC 68 Conventional | \$1.90 | \$1.40 | 5.975 | 5.762 | | | | | 5.466 | 5.253 | | | | |
| SC 69 Conventional | \$1.49 | \$1.17 | 5.971 | 6.012 | | | | | 5.463 | 5.503 | | | | |
| SC 69 TOD | \$2.09 | \$1.61 | | | 6.834 | 6.723 | 4.692 | 4.610 | | | 5.760 | 5.649 | 4.631 | 4.520 |
| SC 82 Conventional | \$1.90 | \$1.40 | 5.975 | 5.762 | | | | | 5.466 | 5.253 | | | | |

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 | |
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| SC 68 Conventional | \$0.057 | \$0.042 | \$0.053 | \$0.039 | \$0.061 | \$0.044 | \$0.056 | \$0.041 |
| SC 69 Conventional | \$0.045 | \$0.035 | \$0.042 | \$0.033 | \$0.047 | \$0.037 | \$0.044 | \$0.035 |
| SC 69 TOD | \$0.063 | \$0.048 | \$0.059 | \$0.046 | \$0.067 | \$0.051 | \$0.063 | \$0.049 |
| SC 82 Conventional | \$0.057 | \$0.042 | \$0.053 | \$0.039 | \$0.061 | \$0.044 | \$0.056 | \$0.041 |