

December 16, 2014

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**SUBJECT: Amendment to Standby Rate Provisions of NYPA's
Governmental Customer Service Tariffs - Notice of Adoption**

SUMMARY

The Trustees are requested to take final action to approve proposed changes to the current standby production rate provisions of the Authority's Service Tariff No. 100 applicable to New York City ("NYC") Governmental Customers¹ and Service Tariff No. 200 applicable to Westchester Governmental Customers² (collectively, "Service Tariffs"). The proposed changes are contained within "Rider A – Standby Rate" of each Service Tariff and are attached as Exhibit 'A.'

This update to the standby provisions of the Service Tariffs represents an improvement over the existing standby production services currently offered because it provides clarity to the billing structure for customers with on-site generation supplying multiple accounts, and further encourages the adoption of on-site generation (also known as Distributed Generation or "DG") by customers.

BACKGROUND

At their July 29, 2014 meeting, the Trustees directed the Corporate Secretary to file a notice of proposed rulemaking ("NOPR") in the *New York State Register* ("State Register") to amend the currently effective standby rate provisions applicable to customers serviced under the Service Tariffs. The *State Register* notice was published on August 13, 2014 in accordance with the State Administrative Procedure Act ("SAPA"). The 45-day public comment period closed on September 27, 2014.

¹ The NYC Governmental Customers consist of the City of New York ("NYC" or "City"), the Metropolitan Transportation Authority ("MTA"), the New York City Housing Authority, the Port Authority of New York and New Jersey, the State of New York Office of General Services and six smaller governmental entities located in New York City.

² The Westchester Governmental Customers consist of the County of Westchester plus 103 cities, towns, villages, school districts, fire districts and other local government agencies located in the County of Westchester.

As explained in the July 29th memorandum to the Trustees, the Authority proposed these tariff amendments in order to:

- Reduce overall standby service costs due to a three-part demand charge contained in the original rate design by the means of elimination of the Supplemental Demand charge and adoption of a lower, 3% forced outage rate in development of Production Contract Standby Demand charge;
- Accommodate customers with multiple accounts connected to one Distributed Generation facility.

DISCUSSION

No public comments were filed in response to the NOPR. Based on the lack of any negative responses, and due to NYPA staff's previous, informal outreach with customers leading up to this NOPR, staff recommends the adoption of the proposed amendments to the Service Tariffs.

In addition to changes initially proposed at the July 29th meeting, the Authority recommends some minor ministerial changes to the Rider A – Standby Rate provisions of the Service Tariffs to improve their organization. Such changes are non-substantive in nature and do not constitute any changes to the original proposal in this SAPA proceeding.

The Trustees' approval being sought today would make these revised standby production rate provisions effective for the December 2014 billing period, which coincides with the commencement of operations of the Rikers Island Cogeneration Plant, a 15 MW DG facility constructed and financed by NYPA for the NYC Department of Corrections.³ Additional DG facilities are expected to be developed in the future by the City and the other NYC Governmental Customers, each of which would be able to avail themselves of NYPA's modified standby production service.

Implementation of billing consistent with the revised standby tariff provisions for the December 2014 billing period is contingent upon NYPA receiving appropriate metering data from Consolidated Edison Company of New York, Inc. ("Con Edison"), the local transmission provider for NYPA's governmental customers. To the extent this transfer of data is delayed, NYPA will work expeditiously with Con Edison on the data issues so that the standby production charges incurred in the December 2014 billing period can be included in the first practicable billing period thereafter.

FISCAL INFORMATION

The adoption of the proposed Standby tariff rider amendments is revenue neutral to the Authority. Any reduction in standby service revenues occasioned by these revisions will be recovered through standard production rates and established rate adjustment mechanisms

³ As noted in the July 29th Memorandum to the Trustees, the Rikers Island facility was expected to commence operations in October 2014. At the time of this writing, staff understands that commercial operations will commence December 2014.

applicable to all of NYPA's Governmental Customers in New York City and Westchester County.

RECOMMENDATION

The Vice President – Marketing Analysis and Administration and the Manager – Pricing and Energy Market Analysis recommend that the Trustees authorize the Corporate Secretary to file a Notice of Adoption for publication in the *State Register* for the purpose of amending the Authority's Service Tariff No. 100 and Service Tariff No. 200, as provided for herein and in Exhibit "A."

It is also recommended that the Senior Vice President – Economic Development and Energy Efficiency, or his designee, be authorized to issue written notice of the Authority's proposed action to affected customers.

For the reasons stated above, 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 Corporate Secretary of the Authority be, and hereby is, directed to file a Notice of Adoption for publication in the *New York State Register* in accordance with the State Administrative Procedure Act to amend the Authority's Standby Rate provisions of NYPA's Governmental Customer Service Tariffs, as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file such other notice(s) as may be required by statute or regulation concerning the proposed tariff amendments; and be it further

RESOLVED, That the Senior Vice President – Economic Development and Energy Efficiency or his designee be, and hereby is, authorized to take such other and further actions as may be necessary to effectuate the foregoing; 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 and 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.

**Amendment to Standby Rate Provisions of NYPA's
Governmental Customer Service Tariffs Amendment – Notice of
Adoption**

Exhibit "A"

**Revised "Rider A – Standby Rate"
Service Tariff No. 100**

**Revised "Rider A – Standby Rate"
Service Tariff No. 200**

Rider A – Standby Rate

A. Applicability

Applicable to Customers who would otherwise receive service under Service Classifications No. 65, 68, 69, 80, 82, 85, 91, 93 and 98 rates having generating facilities on their premises that are not in excess of eighty (80) megawatts, and which are interconnected with Authority through the Utility electric system. The nameplate rating of a Customer's on-site generation facilities must meet or exceed 15 percent of the Customer's maximum potential demand, consistent with the Utility tariff requirements.

Service under this Rider is limited to Customers who meet the requirements set forth in Rule 20 of Con Edison's Electric Tariff, P.S.C No. 10. Customers must also meet the requirements set forth in Service Class 11 of Con Edison's Electric Tariff, P.S.C No. 10 if they wish to receive compensation for Excess Energy from the Utility.

Customers receiving service under this Rider A may be required to pay for the installation and/or upgrade of equipment necessary to protect the safety or adequacy of electric service provided to other Customers, as set forth in Rule 20 and Service Class 11, if applicable, of the Utility tariff.

Customer shall provide upon request of the Authority all documentation necessary to bill the Customer under this Rider A, including but not limited to data necessary to determine Production Contract Standby Demand for each applicable Account, including load, generator, and interconnection data.

The Customer must also submit NYPA's application for production standby service to be considered. The application is available upon request. The Authority reserves the right to limit service under this Rider.

B. Type of Service

NYPA will furnish power for standby service hereunder. The type of service supplied will depend upon the voltage available from Utility.

C. Definitions:

Total Load: The total amount of metered demand in kilowatts consumed by a Customer and recorded on each Account's meter during each 30 minute interval in a Billing Period (as defined in section G of General Provisions), inclusive of kilowatts of power provided by the Authority and kilowatts of power generated by Customer's qualifying generating facility. For Customers with multiple Standby Accounts, Customer generation will be apportioned to each Account in accordance with the Utility tariff.

Production Contract Standby Demand: The Account's maximum Total Load in kilowatts from the preceding 12 months, or the months for which data is available if the Account has not been in service for 12 months. If insufficient history is available, or Account's Total Load is expected to change due to installation or removal of equipment, or Customer implementation of energy efficiency measures, the Authority will determine the Production Contract Standby Demand after consulting with Customer regarding project specifications and/or Account's past capacity needs. Customer may request in writing an adjustment to Production Contract Standby Demand once per calendar year.

As-Used Daily Standby Demand: The demand in kilowatts that is metered or calculated for each day as the maximum positive difference between the Account's Total Load less the generation kilowatts allocated to the Account in any 30-minute interval of each day during the Billing Period. In no instance will the As-Used Daily Standby Demand be less than zero.

Excess Energy: Energy generated by the Customer that exceeds Customer's total energy usage in an interval and is exported to the Utility's system.

D. Rules of Service

All Accounts at the Customer's premises taking standby service shall have interval metering and shall be billed under applicable Service Class rates.

The Production minimum demand charge as discussed in Section VI. B of the Service Tariff will not apply under this Rider A.

Authority power delivered under this schedule shall not be used for resale or as a substitute for power contracted for or which may be contracted for under any other schedule of Authority tariff.

Rate adjustments for NYC Governmental Customers under this Rider A will occur in accordance with the Annual Planning and Pricing Process (described in their 2005 Long Term Agreements with Authority) to establish new rates effective January 1 of the following year.

Customer shall provide Authority with 30 days advance written notice of planned maintenance outages, specifying the starting date and duration of the planned outage

E. Determination of Production Standby Demand Charges

The Production Standby Demand Charges in any Billing Period shall be the sum of the "Billed Production Contract Standby Demand Charge" and the "Billed As-Used Daily Standby Demand Charge" for the Billing Period, each as set forth below:

Billed Production Contract Standby Demand Charge: this shall be equal to the Production Contract Standby Demand determined for each Account multiplied by the applicable Production Contract Standby Demand Charge (see below). Where there are multiple Accounts, these values will then be summed.

Billed As-Used Daily Standby Demand Charge: this shall be the sum of the Account-level daily charges, calculated as the maximum As-Used Daily Standby Demand in each day during the Billing Period multiplied by the applicable As-Used Daily Standby Demand Charge (see below).

Service Classification 65 Conventional

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.260 | 0.250 |
| As-Used Daily Standby Demand Charge (\$/kW-day) | 0.276 | 0.265 |

Service Classification 68 Conventional

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.470 | 0.443 |
| As-Used Daily Standby Demand Charge (\$/kW-day) | 0.500 | 0.471 |

Service Classification 68 Time of Day

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.427 | 0.402 |
| As-Used Daily Standby Demand Charge (\$/kW-day) | 0.453 | 0.427 |

Service Classification 69 Conventional

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.356 | 0.336 |
| As-Used Daily Standby Demand Charge (\$/kW-day) | 0.378 | 0.357 |

Service Classification 69 Time of Day

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.388 | 0.372 |
| As-Used Daily Standby Demand Charge (\$/kW-day) | 0.412 | 0.395 |

Service Classification 80 Conventional

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.053 | 0.050 |
| As-Used Daily Standby Demand Charge (\$/kW-day) | 0.056 | 0.053 |

Service Classification 82 Conventional

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.317 | 0.298 |
| As-Used Daily Standby Demand Charge (\$/kW-day) | 0.337 | 0.317 |

Service Classification 85 Conventional

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.401 | 0.389 |
| As-Used Daily Standby Demand Charge (\$/kW-day) | 0.426 | 0.413 |

Service Classification 91 Conventional

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.303 | 0.286 |
| As-Used Daily Standby Demand Charge (\$/kW-day) | 0.322 | 0.304 |

Service Classification 91 Time of Day

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.409 | 0.386 |
| As-Used Daily Standby Demand Charge (\$/kW-day) | 0.435 | 0.410 |

Service Classification 93 Conventional

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.241 | 0.229 |
| As-Used Daily Standby Demand Charge (\$/kW-day) | 0.256 | 0.244 |

Service Classification 98 Conventional

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.145 | 0.136 |
| As-Used Daily Standby Demand Charge (\$/kW-day) | 0.154 | 0.145 |

Service Classification 98 Time of Day

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.304 | 0.291 |
| As-Used Daily Standby Demand Charge (\$/kW-day) | 0.323 | 0.310 |

F. Production Energy Service

Authority will provide energy service to the Customer under the production service class energy rates applicable to the Customer's Account(s).

G. Excess Energy Compensation

The Authority will assist the Customer in applying to the Utility to receive compensation for Excess Energy exported into the Utility system.

H. Delivery Service Charges

Such charges for Delivery Service will reflect a direct pass through of the currently effective Utility tariff rates, including all Special Provisions, applicable to the Customer, as amended from time to time by Utility.

I. Metering

The Customer's metering, for each Account, will conform to the Utility's metering provisions.

In the event the Customer requests an additional meter for standby service, the Customer shall pay the cost of the meter and installation.

J. Power Factor Correction

The Power Factor will be handled by the Utility in accordance with the Utility tariff or any applicable agreements between the Customer and Utility.

Rider A – Standby Rate

A. Applicability

Applicable to Customers who would otherwise receive service under Service Classifications No. 68, 69, 82 rates having generating facilities on their premises that are not in excess of eighty (80) megawatts, and which are interconnected with Authority through the Utility electric system. The nameplate rating of a Customer's on-site generation facilities must meet or exceed 15 percent of the Customer's maximum potential demand, consistent with the Utility tariff requirements.

Service under this Rider is limited to Customers who meet the requirements set forth in Rule 20 of Con Edison's Electric Tariff, P.S.C No. 10. Customers must also meet the requirements set forth in Service Class 11 of Con Edison's Electric Tariff, P.S.C No. 10 if they wish to receive compensation for Excess Energy from the Utility.

Customers receiving service under this Rider A may be required to pay for the installation and/or upgrade of equipment necessary to protect the safety or adequacy of electric service provided to other Customers, as set forth in Rule 20 and Service Class 11, if applicable, of the Utility tariff.

Customer shall provide upon request of the Authority all documentation Necessary to bill the Customer under this Rider A, including but not limited to data necessary to determine Production Contract Standby Demand for each applicable Account, including load, generator, and interconnection data.

The Customer must also submit NYPA's application for production standby service to be considered. The application is available upon request. The Authority reserves the right to limit service under this Rider.

B. Type of Service

NYPA will furnish power for standby service hereunder. The type of service supplied will depend upon the voltage available from Utility.

C. Definitions:

Total Load: The total amount of metered demand in kilowatts consumed by a Customer and recorded on each Account's meter during each 30 minute interval in a Billing Period (as defined in section G of General Provisions), inclusive of kilowatts of power provided by the Authority and kilowatts of power generated by the Customer's qualifying generating facility. For Customer's with multiple Standby Accounts, Customer generation will be apportioned to each Account in accordance with the Utility tariff.

Production Contract Standby Demand: The Account's maximum Total Load in kilowatts from the preceding 12 months, or the months for which data is available if the Account has not been in service for 12 months. If insufficient history is available, or Account's Total Load is expected to change due to installation or removal of equipment, or Customer implementation of energy efficiency measures, the Authority will determine the Production Contract Standby Demand after consulting with Customer regarding project specifications and/or Account's past capacity needs. Customer may request in writing an adjustment to Production Contract Standby Demand once per calendar year.

As-Used Standby Demand: The demand in kilowatts that is metered or calculated for each day as the positive difference between the Account's Total Load less the generation kilowatts allocated to the Account in any 30-minute interval of each day during the Billing Period. In no instance will As-Used Daily Standby Demand be less than zero.

Excess Energy: Energy generated by the Customer that exceeds Customer's total energy usage in an interval and is exported to the Utility's system.

D. Rules of Service

All Accounts at the Customer's premises taking standby service shall have interval metering and shall be billed under applicable Service Class.

The Production minimum demand charge as discussed in Section VI. B of the Service Tariff will not apply under this Rider A.

Authority power delivered under this schedule shall not be used for resale or as a substitute for power contracted for or which may be contracted for under any other schedule of Authority tariff.

Rate adjustments for WES Governmental Customers under this Rider A will occur in accordance with the provisions of the 2007 Supplemental Agreement with Authority to establish new rates effective January 1 of the following year.

Customer shall provide Authority with 30 days advance written notice of planned maintenance outages, specifying the starting date and duration of the planned outage

E. Determination of Production Demand Charges

The Production Standby Demand Charges in any Billing Period shall be the sum of the "Billed Production Contract Standby Demand Charge" and the "Billed As-Used Daily Standby Demand Charge" for the Billing Period, each as set forth below:

Billed Production Contract Standby Demand Charge: this shall be equal to the Production Contract Standby Demand determined for each Account multiplied by the applicable Production Contract Standby Demand Charge (see below). Where there are multiple Accounts, these values will then be summed.

Billed As-Used Daily Standby Demand Charge: this shall be the sum of the Account-level daily charges, calculated as the maximum As-Used Daily Standby Demand in each day during the Billing Period multiplied by the applicable As-Used Daily Standby Demand Charge (see below).

Service Classification 68 Conventional

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.068 | 0.064 |
| As-Used Standby Demand Charge (\$/kW-day) | 0.072 | 0.068 |

Service Classification 69 Conventional

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.054 | 0.051 |
| As-Used Standby Demand Charge (\$/kW-day) | 0.057 | 0.054 |

Service Classification 69 TOD

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.077 | 0.074 |
| As-Used Standby Demand Charge (\$/kW-day) | 0.082 | 0.079 |

Service Classification 82 Conventional

| | Low Tension | High Tension |
|--|--------------------|---------------------|
| Production Contract Standby Demand Charge (\$/kW) | 0.068 | 0.064 |
| As-Used Standby Demand Charge (\$/kW-day) | 0.072 | 0.068 |

F. Production Energy Service

Authority will provide energy service to the Customer under the production service class energy rates applicable to the Customer’s Account(s).

G. Excess Energy Compensation

The Authority will assist the Customer in applying to the Utility to receive compensation for Excess Energy exported into the Utility system.

H. Delivery Service Charges

Such charges for Delivery Service will reflect a direct pass through of the currently effective Utility tariff rates, including all Special Provisions, applicable to the Customer, as amended from time to time by Utility.

I. Metering

The Customer’s metering, for each Account, will conform to the Utility’s metering provisions.

In the event the Customer requests an additional meter for standby service, the Customer shall pay the cost of the meter and installation.

J. Power Factor Correction

The Power Factor will be handled by the Utility in accordance with the Utility tariff or any applicable agreements between the Customer and Utility.