

December 16, 2014

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**SUBJECT: Village of Tupper Lake – Increase in Retail Rates –
Notice of Adoption**

SUMMARY

The Board of the Village of Tupper Lake (“Village Board”) has requested the Trustees to approve revisions to the Village of Tupper Lake’s (“Village”) retail rates for each customer service classification during three consecutive years. These revisions will result in additional total annual revenues of about \$225,000, or 5.6%.

BACKGROUND

The Village Board has requested the proposed rate increase primarily to provide additional revenues to allow for sufficient working funds and to meet forecasted increases in operation and maintenance expenses and additional debt payment requirements. The current rates have been in effect since April 2010. Because the Village is a full requirements customer of the Authority, its retail rates are subject to Authority oversight in accordance with sections 1005(5)(g) and 1005(6)(d) of the New York Public Authorities Law.

The Village Board has developed a capital program for electric system amounting to \$1,084,000 in order to provide reliable service to its customers. Upgrades will be directed primarily at substation distribution equipment and consumer meters, as well as purchasing a Bucket Truck and a meter reader vehicle and a SCADA system. The Village is planning to debt-finance its capital program by issuing a new bond.

Under the new rates, a residential customer that currently pays about 5.4 cents per kWh will pay about 5.7 cents per kWh after the increase. A small commercial class customer that currently pays on average 6.2 cents per kWh will pay 6.5 cents per kWh; a large commercial customer in service class number 3A rate will increase from an average of 5.4 cents per kWh to 5.7 cents per kWh; customers under the large commercial service class number 3B that currently pays on average 6.1 cents per kWh will pay 6.5 cents per kWh and the large commercial “Sunmount” service class number 4 rate will increase from an average 5.2 cents per kWh to 5.5 cents per kWh.

DISCUSSION

The proposed rate revisions are based on a cost-of-service study requested by the Village and prepared by Authority staff. A public hearing was held by the Village of Tupper Lake on August 27, 2014. Several ratepayer comments were received at the public hearing. The Village Board addressed the inquiries and has requested that the proposed rates be approved.

Pursuant to the approved procedures, the Senior Vice President – Economic Development and Energy Efficiency requested that the Corporate Secretary file a notice for publication in the *New York State Register* of the Village’s proposed revision in its retail rates. Such notice was published on October 1, 2014. No comments concerning the proposed action have been received by the Authority’s Corporate Secretary.

An expense and revenue summary, comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits “A,” “B” and “C,” respectively.

RECOMMENDATION

The Vice President – Market Analysis and Administration recommends that the attached schedule of rates for the Village of Tupper Lake be approved as requested by the Board of the Village of Tupper Lake to take effect beginning with the first full billing period following the date this resolution is adopted.

It is also recommended that the Trustees authorize the Corporate Secretary to file a notice of adoption with the Secretary of State for publication in the *New York State Register* and to file such other notice as may be required by statute or regulation.

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 proposed rates for electric service for the Village of Tupper Lake, as requested by the Village Board, be approved, to take effect with the first full billing period following this date, as recommended in the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, authorized to file a notice of adoption with the Secretary of State for publication in the *New York State Register* and to file any other notice required by statute or regulation; and be it further

RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive 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.

Village of Tupper Lake
Expense and Revenue Summary

	<u>Five-Year Average</u>	<u>Proposed¹</u>
Purchase Power Expense (NYPA hydro and incremental)	\$ 2,302,650	\$ 2,660,512
Distribution Expense (City-owned facilities)	735,404	754,010
Depreciation Expense (On all capital facilities and equipment)	181,591	181,400
General and Administrative Expenses (Salaries, insurance, management services and Administrative expenses)	<u>329,045</u>	<u>396,046</u>
Total Operating Expenses	3,548,690	3,997,968
Net Rate of Return – (average five years – 0.4%, proposed – 8.5%) (includes debt service on current and planned debt, cash reserves and contingencies)	<u>8,917</u>	<u>237,149</u>
Total Cost of Service	\$ 3,557,608	\$ 4,235,118
Rate Revenue at Present Rates		<u>4,011,988</u>
Deficiency at Current Rates		223,129
Revenue at Proposed Rates		\$ 4,235,118
Increase % at Proposed Rates		5.6%

¹Based on five years of historical and projected data.

Village of Tupper Lake
Comparison of Present and Proposed Annual Total Revenues

<u>SERVICE CLASSIFICATION</u>	<u>PRESENT REVENUE</u>	<u>PROPOSED REVENUE</u>	<u>% INCREASE</u>
Residential – SC1	\$ 2,661,063	\$ 2,809,060	5.6%
Small Commercial – SC2	364,981	385,280	5.6%
Large Commercial - SC3A	664,754	701,725	5.6%
Large Commercial – SC3B	108,054	114,064	5.6%
LC Sunmount Development Center – SC4	143,295	151,264	5.6%
Security Lighting –SC5	8,451	8,921	5.6%
Street Lighting – SC6	<u>61,390</u>	<u>64,804</u>	5.6%
Total	<u>\$4,011,988</u>	<u>\$4,235,118</u>	5.6%

Village of Tupper Lake
Comparison of Present and Proposed Net Monthly Rates

Present Rate		Proposed ¹ <u>Rates</u>
<u>Residential S.C.1</u>		
\$3.26	Customer Charge	\$3.28
\$0.03576	Energy Charge Non-Winter (May-October), per kWh	\$0.04386
	Energy Charge Winter (November-April), per kWh	
\$0.03576	First 1,500 kWh	\$0.04386
\$0.07675	1,501 – 4,500 kWh	\$0.07712
\$0.11224	Over 4,500 kWh only	\$0.11278
<u>Small Commercial S.C.2</u>		
\$3.25	Customer Charge	\$3.62
\$0.04488	Energy Charge Non-Winter (May-October), per kWh	\$0.04993
\$0.06411	Energy Charge Winter (November-April), per kWh	\$0.07132
<u>Large Industrial S.C.3A</u>		
\$4.50	Demand Charge, per kW	\$5.02
\$0.03646	Energy Charge, per kW	\$0.04071

¹ Average annual purchased power adjustment (PPA) reflected in present and proposed rates.

Village of Tupper Lake
Comparison of Present and Proposed Net Monthly Rates

Present Rate		Proposed ¹ <u>Rates</u>
	<u>Large Industrial S.C.3B</u>	
\$4.75	Demand Charge, per kW	\$5.23
\$0.03953	Energy Charge, per kWh	\$0.04353
	<u>Large Industrial S.C.4 Sunmount</u>	
\$5.50	Demand Charge, per kW	\$6.16
\$0.03899	Energy Charge, per kWh	\$0.04368
	<u>Security Lighting S.C.5</u> (Charge per Lamp, per month)	
\$9.26	150 High Pressure Sodium	\$9.99
\$9.26	175 Mercury Vapor	\$9.99
\$16.58	250 High Pressure Sodium	\$17.89
\$16.58	400 Mercury Vapor	\$17.89
	<u>Street Lighting S.C.6</u>	
\$6.79	Facility Charge, per lamp	\$7.37
\$0.01635	Energy Charge, per kWh	\$0.01774

¹ Average annual purchased power adjustment (PPA) reflected in present and proposed rates.