

SETTING ELECTRIC RATES

This information is provided by the New York State Department of Public Service for customers of PSEG-LI.

The LIPA Reform Act (LRA) provides the framework for Long Island Power Authority (LIPA) and PSEG-LI's rate-setting process and for oversight to be exercised by the Department of Public Service (DPS). In accordance with the LRA, the DPS will review and make recommendations to the LIPA Board of Trustees (BOT) with respect to rates and charges to be established by LIPA and become applicable on or after January 1, 2016. The purpose of the review is to make recommendations designed to ensure that LIPA and PSEG-LI provide safe and adequate electric service at the lowest level consistent with sound fiscal operating practices.

This fact sheet explains certain charges on your electric bill and generally how electric rates will be reviewed and established.

Electric Service Charges: The total charge for electric service is made of several parts, with the two main components being Supply and Delivery charges.

- **Delivery & System Charges** – the cost to bring electricity to Long Island customers through LIPA's delivery system, to maintain the network, and provide administrative services. Delivery charges (also known as rates) do not fluctuate with market conditions and are set through the rate-making process described below.
- **Power Supply Charges** – the costs associated with the purchase of fuel that is used to produce electricity and for the purchase of additional power from the energy marketplace. The supply price of electricity is set by national and international markets and is not controlled by LIPA, PSEG-LI or the DPS. Supply rates can change monthly. On average, supply costs make up 50 percent of electricity bills for Long Island customers, so fluctuations in the marketplace cost of energy can have a large impact on the overall bill.
- **Efficiency and Renewables** – the cost of LIPA and PSEG-LI's energy efficiency and renewables programs. Energy Efficiency programs help reduce the cost of electricity by assisting customers in using less. Renewable energy programs help offset fossil fuel generation with clean energy sources like solar. More information about these programs can be found on PSEG-LI's website.
- **New York State Assessment**– Assessment imposed on all utilities and collected on behalf of the State.
- **Revenue-Based PILOTS** – (Payments in Lieu of Taxes) Payments that take the place of taxes to local governments on utility revenues. This does not include property taxes LIPA and PSEG-LI pay which make up 15 percent of an average residential bill.

LIPA and PSEG-LI Rate Schedule:

- The LRA requires LIPA and PSEG-LI to submit for DPS review and recommendations a rate proposal no later than February 15, 2015 to set rates and charges for a three-year period starting January 1, 2016.
- In accordance with the LRA, the DPS will review subsequent requests for rate increases of more than 2.5 percent of LIPA's aggregate revenues. DPS will also review smaller rate requests if asked to do so by LIPA and/or PSEG-LI. LIPA is required to hold public hearings in Nassau and Suffolk counties when implementing proposed rate increases that are not reviewed by the DPS.

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Rate-Making Process:

- The initial step is that LIPA and PSEG-LI file a request for a rate increase with DPS. The request must include the proposed new rates and supporting documentation. DPS will review the filing and make its recommendation to the LIPA Board of Trustees (BOT). The review and recommendations by the DPS may take up to eight months.
- An Administrative Law Judge (ALJ), who is independent from all parties in the case including DPS, is assigned to preside over the case, conduct hearings, and recommend a decision on the rates to be approved and the reasons why.
- An interested person or group can participate in the case in two ways:
 - **Case Intervenor:** Intervenors can be active throughout the process: they can examine the rate proposal, submit testimony, cross examine other witnesses and participate in negotiations. Intervening parties may include representatives of industry, labor groups, government agencies, residential customers, low-income customers, municipalities and environmental advocates.
 - **Submit Comments:** The rate increase proposal, as well as documents filed by DPS Staff and Case Intervenors, will be made publicly available through the Department's website. The public can submit comments on the rate request electronically, by regular mail, or by calling a toll-free number. In addition, before a decision is reached, the ALJ will conduct public statement hearings on Long Island to provide the public with an opportunity to offer its opinions, concerns, or support for the rate request. These comments will be considered before a decision in the case is reached.

Following the public hearing, DPS, PSEG-LI and other parties may either administratively litigate before the ALJ the issues raised in the rate filing or negotiate a proposed resolution. If the case is litigated, the ALJ will hold evidentiary hearings, which are conducted like a trial with testimony, cross examination and written briefs. During the hearings, the burden is on LIPA and PSEG-LI to prove the rate increase is justified. In a negotiated settlement, LIPA, PSEG-LI, DPS Staff and Case Intervenors will hold confidential meetings to discuss issues and the need for the proposed increase. If agreement is reached, the terms are made public. Prior to accepting a negotiated settlement, the ALJ will conduct a hearing to ensure that the terms of the agreement are appropriate.

- The ALJ issues a Recommended Decision (RD) which summarizes party position on the issues and presents the Judge's determination on whether the rates should increase and if so, by how much. DPS staff, LIPA, PSEG-LI and other intervenors may submit written comments on the RD. The comments will be taken into consideration and DPS will provide final recommendations to the LIPA BOT.
- After DPS provides final recommendations:
 - The LIPA BOT will have 30 days within which to disagree with the DPS recommendations.
 - If the LIPA BOT disagrees, within 30 days after it notifies DPS of its decision to disagree, LIPA must hold a public hearing.
 - After the public hearing period, the LIPA BOT will have 30 days to announce its final determination and planned implementation with respect to the recommendations.
- The LIPA BOT's final determination can be appealed through an applicable judicial proceeding including review pursuant to Article 78 of the New York State Civil Practice Law and Rules.

If you have additional questions about the rate-making process, you may contact the Department of Public Service at **1-888-275-7721** or visit our website at www.dps.ny.gov/longisland/