

March 29, 2017



Board Update:

## LIPA's Board Policy on Regionally Competitive Rates

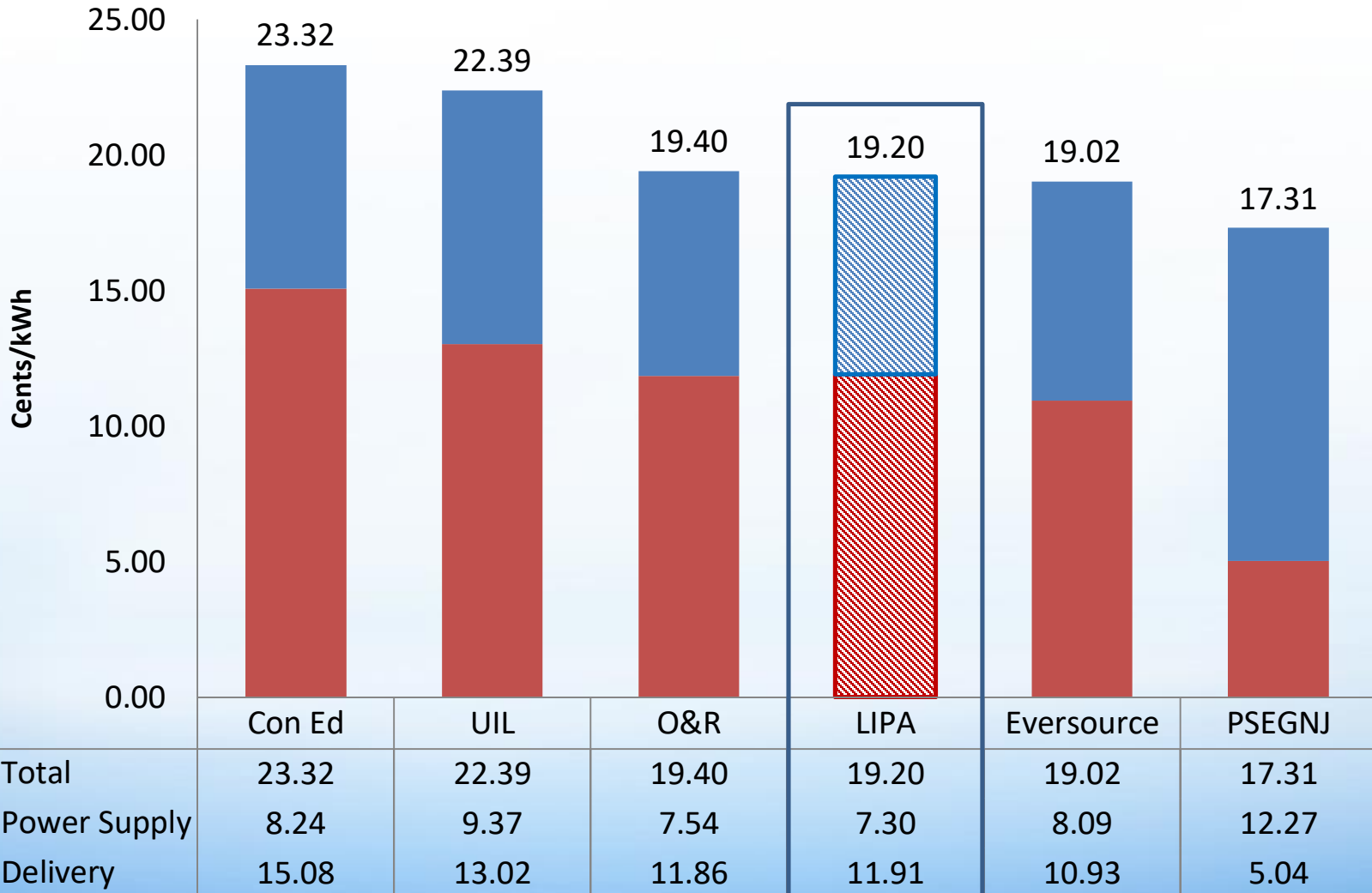


## **LIPA's rates should:**

- ▲ Be competitive with the rates of our neighboring utilities
- ▲ Be consistent with prudent utility practice
- ▲ Be simple and easy to understand
- ▲ Equitably allocate costs across and within customer classes, taking into consideration the cost to provide service
- ▲ Be consistent with statewide policies, including REV
- ▲ Be affordable to our customers, including customers with low incomes and customers with severe medical conditions



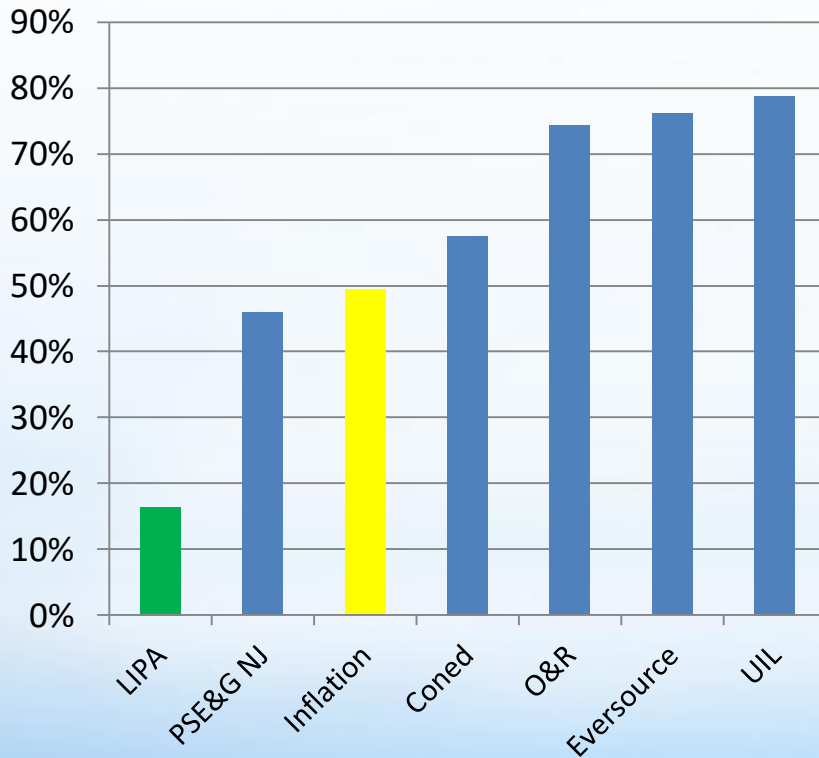
# LIPA's 2016 Average Residential Rates are Comparable to Similarly Situated Neighbors



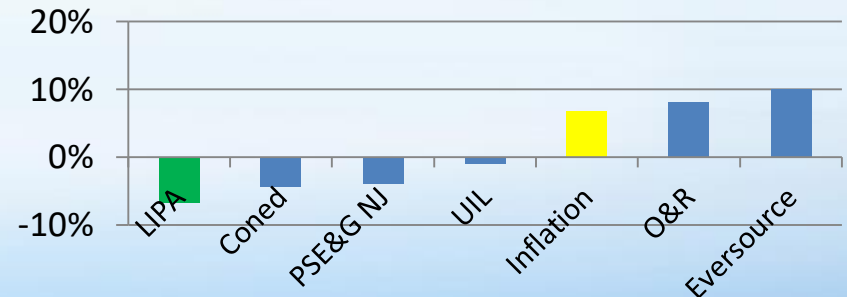
# LIPA's Rates Rose More Slowly Than Neighbors' Rates and Inflation



### Total Increase in Regional Rates (1997-present)



### Total Change in Regional Rates (2011-present)





# Due to Declining Natural Gas Prices, LIPA's Electric Rates in 2016 Were the Lowest Since 2007

### Annualized Daily Average Gas Prices (NYMEX Henry Hub)

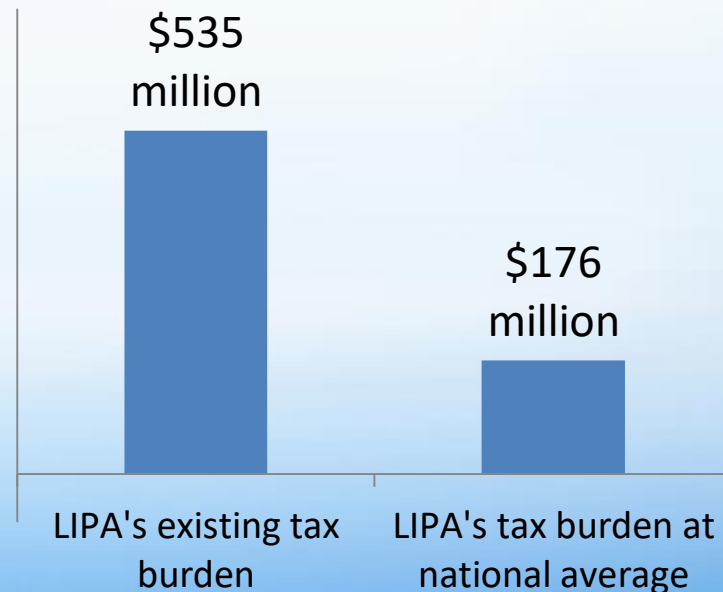
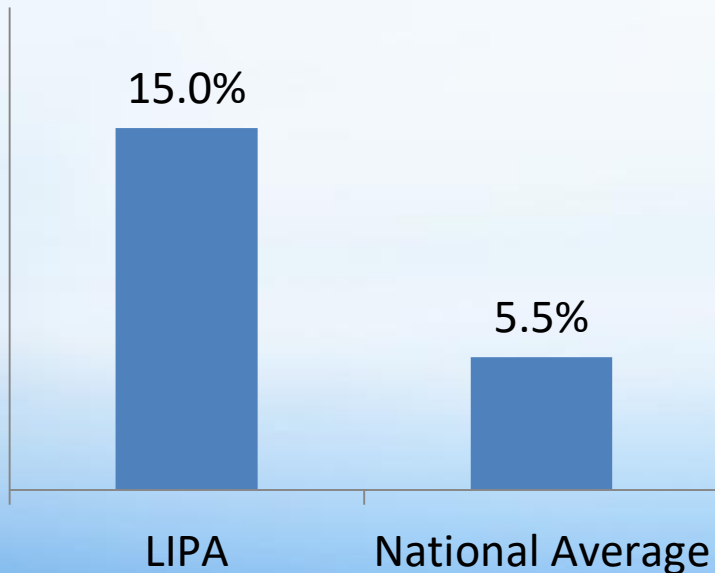


### LIPA's System Average Rates



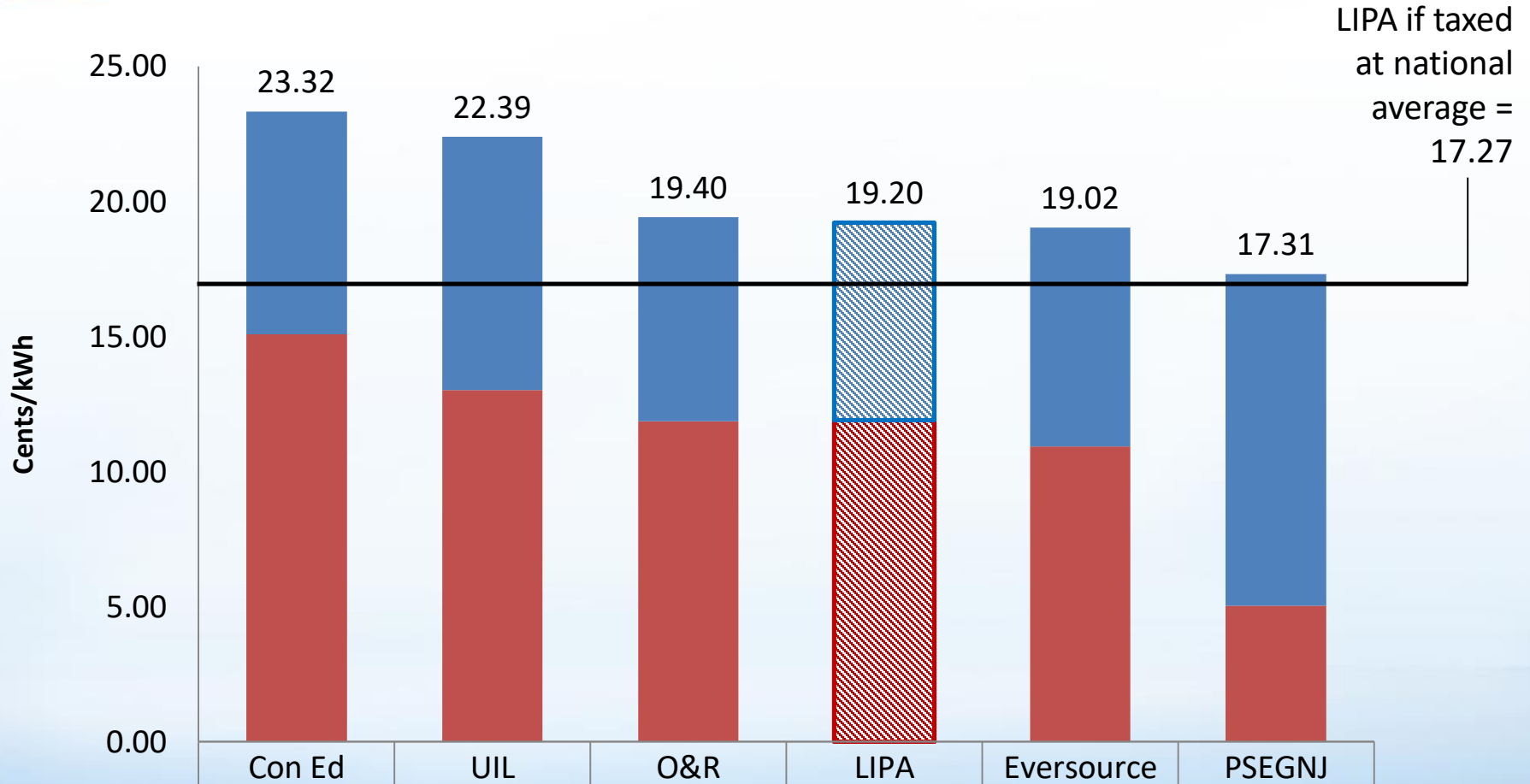
# Cost Containment Helps Minimize Rate Increases

- ▲ Debt re-financings have generated \$445 million of NPV savings and will save \$40 million more by 2018
- ▲ Enforcement of 2% tax cap has saved a cumulative \$160 million and will save \$420 million more by 2020
- ▲ Tax reform could save millions more
  - ✧ LIPA's taxes, PILOTs, and fees are 15% of customer bills
  - ✧ National average is 5.5%





# If LIPA were taxed at the national average of 5.5% instead of 15%, its average residential rates would be 10% lower



	Con Ed	UIL	O&R	LIPA	Eversource	PSEG NJ
Total	23.32	22.39	19.40	19.20	19.02	17.31
Power Supply	8.24	9.37	7.54	7.30	8.09	12.27
Delivery	15.08	13.02	11.86	11.91	10.93	5.04

# Highlights of Recent Regional Rate Cases

## Drivers of Recent Rate Case Filings

- ▲ **Flat or declining sales**
  - ✦ Energy efficiency
  - ✦ Slower economic growth
  - ✦ De-coupling of economic growth and electricity
- ▲ **Continued infrastructure investment to maintain reliability**

## ConEd

- ▲ Approved rate increases of 2.4%, 2.6%, and 2.6% (total bill) for 2017-2019
- ▲ Drivers: lower forecast of sales, increased property taxes, increased depreciation expenses, and increased plant in service
- ▲ First rate plan approved since REV Track II Order, includes \$99 million in energy efficiency spending, \$1.3B AMI rollout, encouragement of DER interconnection, alternatives to traditional utility infrastructure investments

## O&R

- ▲ Last rate case approved rate increases of 2.1% of total rates in 2016 and 1.9% in 2017 driven by property taxes and storm recovery costs.

## Eversource

- ▲ Last rate case approved a rate increase of 3.3% of total rates in 2015 driven by capital improvements to upgrade the distribution system and modernize its systems in order to improve resiliency.

## United Illuminating

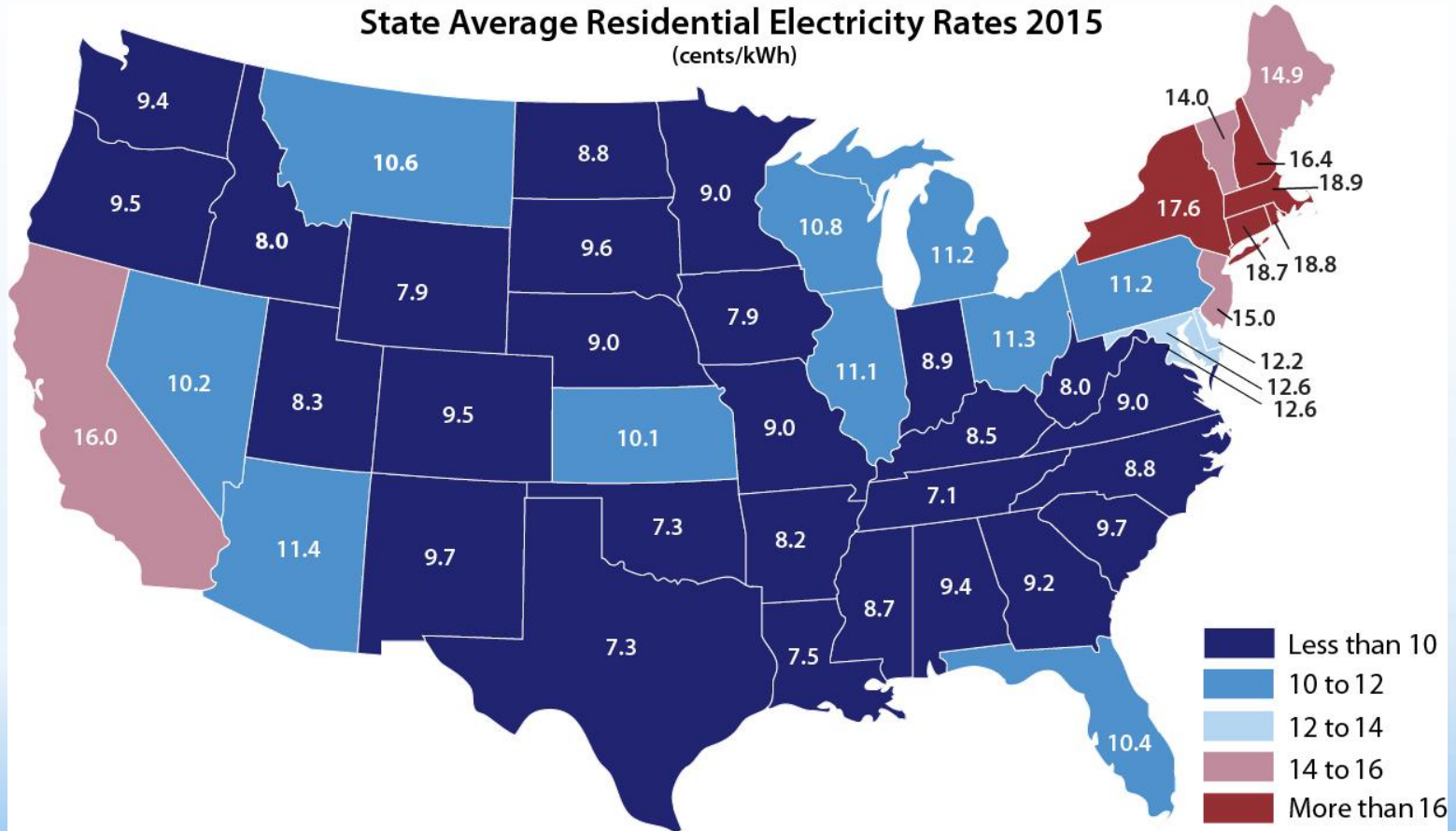
- ▲ UIL filed a rate case in 2016 requesting a 4% rate increase each year through 2019 to invest in tree trimming, system upgrades, and infrastructure.



# Electric Rates Are Based On Cost And Vary Significantly By Region



State Average Residential Electricity Rates 2015  
(cents/kWh)

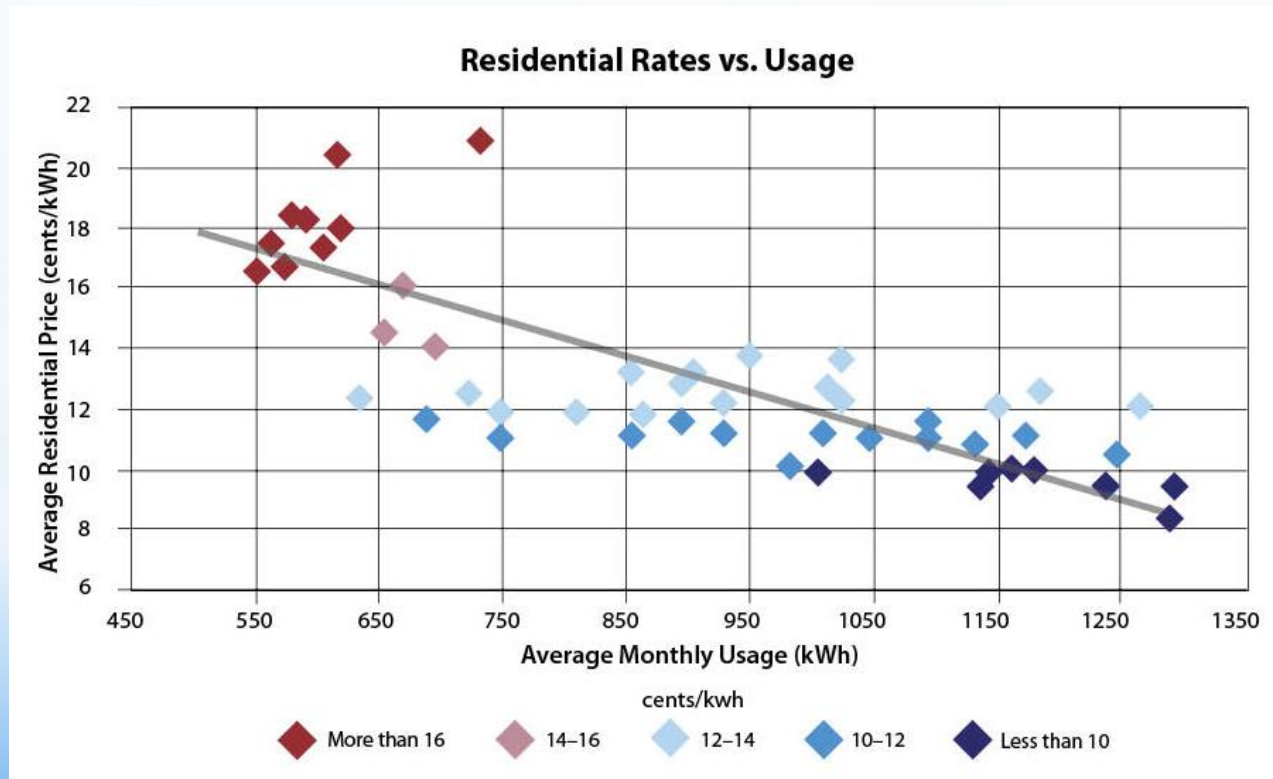


Source: Edison Electric Institute; U.S. Energy Information Administration

# Differing Usage by Region is One of the Largest Variables That Impacts Unit Rates for Electricity



- ▲ Differences in weather patterns heavily influence electric rates between regions of the country as warmer climates use more climate control and spread the electric utility's fixed costs over more kWhs of sales.
- ▲ Regions with low usage have above average electric rates and regions with high usage have below average electric rates.

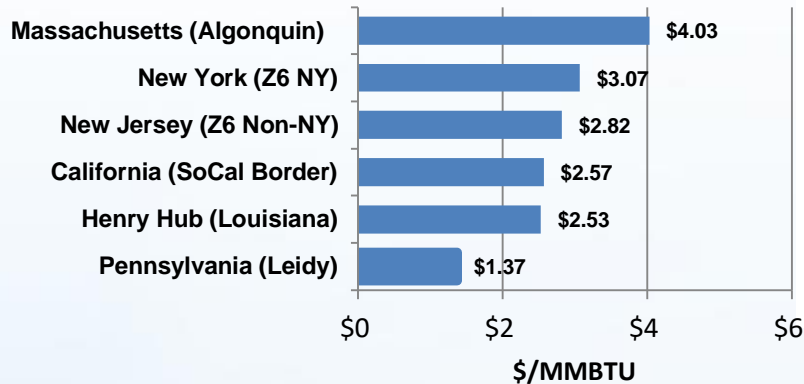


# Other Costs Also Vary By Region (con't)

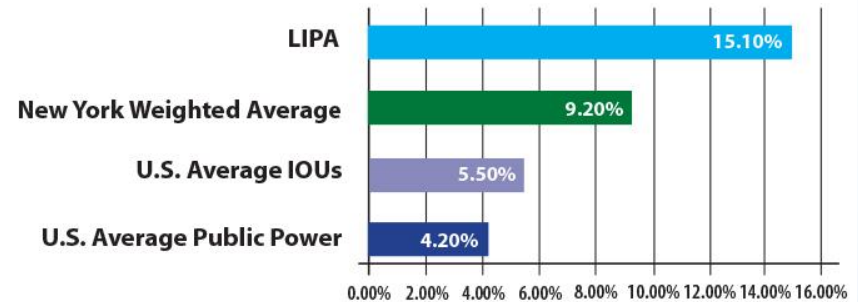


**Key Point:** The New York metro area has higher natural gas prices and a higher costs of living, taxes, and doing business than the national average

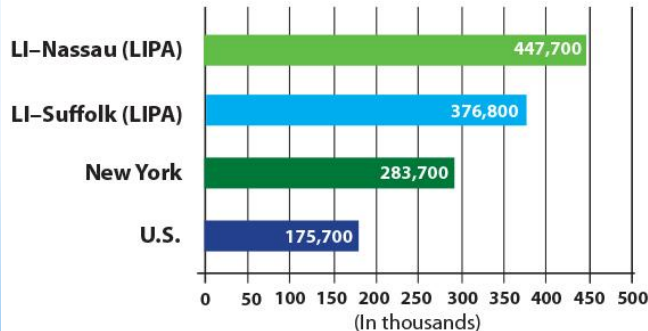
**Natural Gas Average Prices (2015-2016)**



**Electric Utility Non-Income Taxes as % of Revenue**



**Median Home Value**



**Median Annual Household Income**

