

**LONG ISLAND POWER AUTHORITY**  
**MINUTES OF THE REV COMMITTEE MEETING**  
**HELD ON MARCH 21, 2016**

The REV Committee of the Long Island Power Authority (the “Authority”) was convened at 9:38 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on March 16, 2016; and electronic notice posted on the Authority’s website.

The following Trustees of the Authority were present:

**Mark Fischl, Committee Chair**  
**Sheldon Cohen**  
**Matthew Cordaro**  
**Thomas McAteer**  
**Suzette Smookler**  
**Elkan Abramowitz**  
**Jeffrey Greenfield**

Representing the Authority were Thomas Falcone, Chief Financial Officer; Jon Mostel, General Counsel and Secretary to the Board of Trustees; Bobbi O’Connor, Deputy General Counsel and Assistant Secretary to the Board of Trustees; Rick Shansky, Managing Director of Contract Oversight; John Little, Managing Director of Planning and Strategy; Michael Deering, Director of Customer Service and Program Oversight; and Marilyn Gilbert, Director of Operations Services Oversight.

Representing PSEG were John O’Connell, Vice President of Transmission and Distribution; and Daniel Eichhorn, Vice President of Customer Service.

Representing the Long Island Office of the Department of Public Service was Julia Bovey, Director.

*Committee Chair Fischl welcomed everyone to the REV Committee meeting of the Long Island Power Authority Board of Trustees.*

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*Chari Fischl stated that the first item on the agenda is the adoption of the minutes*

*from the January 20, 2016 Committee meeting.*

*The Chair entertained a motion to accept the minutes of the January 20, 2016 meeting, which was duly made and seconded. The minutes were approved unanimously.*

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*Chair Fischl then stated that next item on the agenda is consideration of recommendation to approve Community Distributed Generation Net Metering and Dynamic Load Management Tariffs, which would be presented by John Little.*

*Mr. Little presented the following item and then took questions from the Trustees.*

### **Requested Action**

The Long Island Power Authority (the “Authority” or “LIPA”) Staff proposes to modify the Tariff for Electric Service (“Tariff”) effective April 1, 2016 to: (1) introduce Dynamic Load Management programs consistent with such programs in the rest of the State; and (2) introduce Community DG Net Metering for the benefit of customers in LIPA’s service territory, and other changes to the net metering tariff to be consistent with Public Service Law and Public Service Commission (the “Commission”) precedent.

### **Background**

The Governor’s REV initiative is advancing throughout the State in a number of discrete steps, primarily under the auspices of the Department of Public Service. The Commission’s December 15, 2014 *ORDER INSTITUTING PROCEEDING REGARDING DYNAMIC LOAD MANAGEMENT AND DIRECTING TARIFF FILINGS* set the stage for the Commission to approve three dynamic load management programs for the investor-owned utilities: direct load control; commercial system relief; and distribution load relief. The Commission also recognized the importance of expanding access to distributed generation among smaller users, and it authorized programs for community net metering among the regulated electric utilities. The below proposals provide for similar programs within the LIPA service territory.

### **Requested Changes to the Tariff**

#### **Direct Load Control Program**

The Direct Load Control program will pay customers to install devices that allow PSEG Long Island to turn off or limit the use of selected end uses, such as air conditioners and pool pumps. Consistent with programs elsewhere in the State, the customer would “bring

their own thermostat,” meaning that the customer would find a Control Device Provider<sup>1</sup> that would provide and install the control device, which would be connected to the home’s thermostat, for example, in the case of central air conditioning. Consistent with REV, the role of the utility is limited to identifying Control Device Providers that offer equipment that can communicate with the utility’s control system, choosing when and where to control customer loads, and making payments to the customer for the ability to control their load. In practice, Staff expects that Control Device Providers, rather than the Authority or PSEG Long Island (“PSEG LI”), will actively promote the program and sign up customers.

For the initial roll-out of this program, Staff proposes a one-time payment to participating customers of \$85 and recurring annual payments of \$25 for continued participation in the program.

### Commercial System Relief Program

The recommended Commercial System Relief Program creates the opportunity for market forces to identify and implement load relief measures that would allow PSEG LI to avoid building new distribution capacity at specific locations along the transmission and distribution system. The goal of the program is to have the market provide such solutions and for PSEG LI to pay less than it would have spent in remedying the situation using conventional utility solutions. Similar Commercial System Relief programs have been approved by the PSC for all of the investor-owned utilities.

As proposed by Staff, based on analysis of system costs conducted by PSEG LI, the Commercial System Relief Program offers:

1. Monthly reservation payments of \$5.00 per kW for commitments to reduce load on 21 hours’ notice during the five month capacity period (May through September).
2. Performance payments of \$0.25 per kWh for each kWh of energy curtailed during a called event lasting up to 4 hours.
3. Bonus payments of \$0.25 per kWh for each kWh of energy curtailed beyond the 4 hour limit of the performance payment.
4. Penalties for non-performance, in addition to reductions in the reservation payments, to ensure that participants are motivated to commit and achieve a realistic amount of load reduction into the program.
5. Locational premiums if and to the extent that specific areas of the distribution system that would benefit from this type of load relief are identified.

Staff also proposes a voluntary option for the Commercial System Relief Program. Customers choosing the voluntary option will not receive monthly reservation payments, and will not be subject to any penalties for non-performance associated with their voluntary participation.

### Distribution Load Relief Program

<sup>1</sup> Capitalized terms not defined herein shall have the meanings ascribed to them in the proposed tariff leaves presented at the meeting.

The recommended Distribution Load Relief Program creates the opportunity for the market to identify and implement load relief measures that would allow PSEG LI to reduce the cost of maintaining distribution capacity or having customers experience involuntary load curtailment at specific locations along the transmission and distribution system. Similar Distribution Load Relief programs have been approved by the Commission for all of the investor-owned utilities.

As proposed by Staff, based on analysis of system costs conducted by PSEG LI, the Distribution Load Relief program offers:

1. Monthly reservation payments \$3.00 per kW for commitments to reduce load on two hours' notice during the five month capacity period (May through September).
2. Performance payments of \$0.25 per kWh for each kWh of energy curtailed during a called event lasting up to 4 hours.
3. Additional payments of \$0.25 per kWh for each kWh of energy curtailed beyond the 4 hour limit of the performance payment (at the same rate as the first four hours).
4. Locational premiums in the future, if and to the extent that specific areas of the distribution system that would particularly benefit from this type of load relief are identified.

Staff also proposes a voluntary option for the Distribution Load Relief Program. Customers choosing the voluntary option will not receive monthly reservation payments, and are not subject to any penalties for non-performance associated with their voluntary participation.

#### *Cost Recovery of the Dynamic Load Management Program Payments*

Staff proposes to recover the cost of the payments to participants for all three Dynamic Load Management programs through the Power Supply Charge (also referred to as the Fuel and Purchased Power Cost Adjustment in the Tariff). Only the amount actually paid to participants will be recovered from customers through the FPPCA: no more and no less. Staff is requesting a corresponding modification to the Tariff leaf governing the costs recoverable through the Power Supply Charge, to avoid any confusion about this recovery. The Tariff already authorizes recovery of "The total actual cost of payments by the Authority to Customers who shed load during times of high system demands at the request of the Authority" (see Leaf 166, paragraph A.1.d) and Staff proposes to extend this definition to include "payments for participation in the Dynamic Load Management Programs contained in Section XIII". Any administrative costs for implementing these programs would be tracked against the Distributed Energy Resource expense budget and become eligible for recovery through the Distributed Energy Resource charge following approval by the Trustees.

#### *Community DG Net Metering*

Net metering, also known as net energy metering, allows customers with eligible behind-the-meter distributed generation to reduce their electricity bill in two ways: (1) electricity generated and used immediately reduces the amount of electricity that is bought from PSEG LI; and (2) electricity generated in excess of the customer's immediate need is injected into the grid, displacing generation from other sources, and credited against the customer's future electricity purchases.

Community Distributed Generation ("DG") Net Metering allows residential or commercial customers to collectively build and pay for a larger renewable generation facility at some central location and share the benefits of the renewable generation among the members. For example, a condominium association may choose to place solar panels on their roof as a single facility and designate the benefits to each individually-metered member of the association. Alternatively, someone might put the solar panels on the roof of some large building such as a store or a school or a community center and make arrangements to share the output with contributing members that are located around the community. The purpose of Community DG Net Metering is to expand participation in renewable distributed generation by removing the requirement that the eligible generation be constructed separately and located separately on each customer's site, since many individual customer locations are not suitable for certain types of distributed generation. Community DG Net Metering is also cheaper for the participants, since large systems tend to be less expensive per kW than multiple smaller systems.

The Commission approved Community DG Net Metering for the regulated utilities on July 17, 2015 to take effect on a limited basis in October 2015 and on a system-wide basis by May 1, 2016. The Commission also encouraged the Authority to implement a Community DG Net Metering program "to ensure consistent development of and access to Community DG programs across the State."<sup>2</sup> Accordingly, PSEG LI and Staff developed this proposal, which credits the excess energy to individual satellite accounts as if it had been recorded on each individual customer's energy meter.

Other changes to the net metering program are also proposed to bring the LIPA Tariff into conformance with the rest of the State, specifically to:

- Increase the maximum allowable size of fuel cell electric generating equipment from 1,500 kW to 2,000 kW;
- Increase the share of costs to be paid by farm waste generation greater than 25 kW to the full incremental cost of interconnection including transformers;
- Authorize the use of farm waste generation for remote net metering;
- Increase the size limits for solar installations applicable to Residential Farm Service Customer-Generators from 25 kW to 100 kW; and
- Extend remote net metering eligibility to include the designation of multiple host sites and the option to have on-site renewable generation for any satellite account.

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<sup>2</sup> Case 15-E-0082, Order Establishing a Community Distributed Generation Program and Making Other Findings, July 17, 2015, page 30.

### Financial Impacts:

The financial impacts of the three proposed Dynamic Load Management programs are expected to be favorable to ratepayers on a net present value basis. Each of the three Dynamic Load Management programs involves payments that are less than the costs that can be avoided from their implementation, producing a net benefit to ratepayers. Staff estimates that the overall benefit/cost ratio for these programs ranges from 1.02 for the Commercial System Relief Program to 1.34 for the Distribution Load Relief Program, based on PSEG LI's avoided costs, the estimated cost to administer the program, the proposed payments, and the number of times that the program may be called within each year. As with many such programs, benefits tend to accumulate over time, while costs are often greatest up front. The estimated first year expense (2016) if the participation assumptions are achieved is approximately \$3.9 million.

Dynamic Load Management Program	Participation Assumption	Estimated First Year Expense <sup>1</sup>	Benefit / Cost Ratio
Direct Load Control <sup>2</sup>	35 MW	\$3.28 million	1.06 – 2.35
Commercial System Relief <sup>3</sup>	10 MW	\$0.37 million	1.02 – 1.49
Distribution Load Relief	10 MW	\$0.29 million	1.34
<b>Total DLM Program<sup>4</sup></b>	<b>55 MW</b>	<b>\$3.94 million</b>	<b>1.12 – 2.01</b>

Note 1) assuming full participation in first year.

Note 2) lower benefit / cost ratio assumes generation savings only.

Note 3) lower benefit / cost ratio assumes participants enroll in both commercial system relief and distribution load relief programs.

Note 4) benefit / cost ratio is participation-weighted average.

The financial impact of the Community DG Net Metering program consists of reductions in power supply expenses that are offset by dollar-for-dollar reductions in power supply revenues and reductions in delivery revenues. Any lost delivery revenue in excess of that assumed in the Three-Year Rate Plan filing will be recovered from all customers through an increase in the revenue decoupling mechanism in the subsequent year.

### Public Comment

LIPA held public hearings on February 29, 2016 at the Omni Building in Uniondale and the H. Lee Dennison Building in Hauppauge and written comments were accepted through March 11, 2016. Three comments were received from the public at the public hearings, all in favor of the Dynamic Load Management and Community DG Net Metering proposals. The Energy Director of Suffolk County, speaking on behalf of County Executive Steven Bellone, supported the community net metering program in particular as an extension of efforts that Suffolk County is making to promote energy efficiency and the deployment of renewable resources at County facilities and within the County. The Executive Director of

the Sustainability Institute at Molloy College supported the Dynamic Load Management and Community DG Net Metering initiatives as well, and encouraged the Authority to initiate even more programs to promote clean energy solutions for Long Island. A representative of a New York City firm that provides energy efficiency and direct load control devices to customers encouraged additional payments directly to aggregators and equipment providers to encourage even more deployment of these beneficial technologies in order to increase participation. The representative also advocated the extension of the direct load control program to room air conditioners.

Staff also received four written comments expressing support for the programs along with some questions. A Joint Statement of Support for Community DG Net Metering was received from a coalition of 23 environmental groups, environmental and social justice groups, public health organizations, community groups, municipalities, and clean energy companies. The coalition “commends LIPA and PSEG LI on this forward thinking and far reaching proposal that ... will ensure greater access to and long-term certainty as customers adoption of renewable energy technology continues to grow on Long Island.” The City of New York “commends LIPA for implementing its Dynamic Load Management Programs, and encourages LIPA to continue promoting smarter, more efficient energy usage during times of peak load.” The City also made recommendations to increase the payments for participation to levels comparable to those paid by Con Edison and to improve its internal processes and products related to AMI metering<sup>3</sup>. An energy services company commented that the Commercial System Relief and Distribution Load Relief programs should be expanded to include transmission voltage customers and that the non-performance penalties should be removed from the Commercial System Relief Program. Lastly, a Long Island-based energy consulting firm asked for clarification on the tariff proposal, with the implication that the direct load control program should be extended to room air conditioners and similar smaller appliances.

Staff thanks everyone who took the time to participate in this process and who supported LIPA’s proposed implementation of the statewide initiatives in general. Regarding extension of the direct load control to smaller appliances like room air conditioners, Staff responds that the program as proposed is consistent with the efforts elsewhere in the State, and that smaller loads such as room air conditioners would need to be aggregated and centrally controlled to meet the 1 kW minimum for the program. Regarding recommendations to increase the payments to participants or create additional payments to aggregators and equipment providers, Staff is recommending payment levels that are consistent with the benefits (avoided costs) that exist on Long Island, as opposed to the more expensive network-based systems that exist in Con Edison’s service territory. Staff is also aware that, subsequent to the filing of LIPA’s proposal, Con Edison has received approval from the Commission to modify its programs. However, Staff notes that the Commission has not yet granted similar approvals to the other investor-owned utilities. The Department of Public Service has confirmed that the current proposal is consistent

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<sup>3</sup> Advanced Metering Infrastructure, or AMI, refers to a combination of wireless radio-frequency, fiber-optic and internet technologies to read meters remotely on a near-real-time and continuous basis. Staff recognizes the City’s concerns regarding the need to evaluate the existing remote meter reading charges in the context of AMI and will take the comments under advisement.

with current State policy on this issue at this point in time. Lastly, Staff has proposed that participation be limited to distribution voltage customers for a number of reasons. The Commission Order instituting these programs is clearly focused on distribution system impacts as noted in the December 2015 Order and elsewhere. Additionally, the Commission-approved tariffs for Con Edison, Orange and Rockland, National Grid (Niagara Mohawk), among others, are specifically limited to distribution voltage customers by virtue of the rate classes that are eligible. Furthermore, LIPA has only a few transmission (69 kV or higher) and subtransmission (23 kV and 33 kV) customers. These extremely high voltage customers can participate in the demand response and load control RFPs that LIPA has available, and are thus not precluded from participation in demand response broadly. However, Staff is committed to further exploring the extension of the programs to higher voltage customers and will work with the Department of Public Service to develop appropriate recommendations to the Board regarding eligibility, performance targets and payment levels that are consistent with the policies for the investor-owned utilities in the State.

This proposal and Staff's response to the public comments were reviewed by the Long Island office of the Department of Public Service ("DPS"). The DPS review was favorable regarding the proposed programs and a letter has been provided to the Trustees affirming DPS' support for the programs as proposed, subject to one modification that would make the program more consistent with the rest of the State. DPS is recommending that customers who choose to participate in both Commercial System Relief and Distribution Load Relief programs receive the reservation fees from both programs. Discussions between Staff and DPS concluded that such a change could be made while maintaining a positive benefit/cost ratio. Staff proposes that the Trustees adopt this one change to the tariff language as originally proposed, which change has been incorporated onto Leaf 336, paragraph 9.e and Leaf 348, paragraph 10.e of the LIPA tariff.

No other written comments were received and the period for public comment has closed.

### **Recommendation**

For the reasons stated, Mr. Little recommend approval of the above-requested action by adoption of a resolution in the form of the draft resolution below.

*A motion was made and seconded, and the Trustees unanimously adopted the*

*following resolution:*

**RECOMMENDATION FOR APPROVAL OF MODIFICATIONS TO LONG ISLAND  
POWER AUTHORITY TARIFF FOR DYNAMIC LOAD MANAGEMENT  
AND COMMUNITY DG NET METERING**

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**WHEREAS, the New York Public Service Commission has adopted tariff provisions that provide for Dynamic Load Management programs for the regulated electric utilities in the State; and**

**WHEREAS, the New York Public Service Commission has adopted tariff provisions that provide for Community Net Metering and certain other modifications to the Net Metering Law (PSL 66-j); and**

**WHEREAS, LIPA Staff issued a proposal to modify LIPA's Tariff to institute Dynamic Load Management programs which provide for payments to customers that reduce their load or provide additional distributed generation resources at times that would provide relief to the LIPA system; and**

**WHEREAS, LIPA Staff issued a proposal to modify LIPA's Tariff to institute Community Net Metering, allowing customers to contract with eligible renewable generation at one centralized location and utilize that excess generation to reduce the electric bills at each of the electric accounts held by the associated customers (the "Proposal"); and**

**WHEREAS, the proposed modifications are designed to make LIPA's Tariff consistent with sections 66-j and 66-l of the Public Service Law ("PSL") as required under the LIPA Act; and**

**WHEREAS, following Public Notice in the State Register on January 27, 2016, two public hearings were held in Nassau and Suffolk counties on February 29, 2016, where comments were received from the public, and the public was afforded the opportunity to submit written comments by March 7, 2016; and**

**WHEREAS, the oral comments received at the hearings and the written comments received after the hearings were supportive of the Proposal and do not otherwise warrant further modification to the Tariff at this time; and**

**WHEREAS, the Department of Public Service provided comments that were supportive of the Proposal and recommended one change which has been incorporated into the proposed tariff language as discussed in the preceding memorandum; and**

**WHEREAS, as discussed in the preceding memorandum, the Proposal is in the public interest; and:**

**NOW, THEREFORE, BE IT RESOLVED, that the REV Committee (the "Committee") of the Board of Trustees ("Board") recommends that the Board adopt the Proposal; and be it further**

**RESOLVED**, that the Committee recommends that the Board approve the Tariff leaves presented at the meeting; and be it further

**RESOLVED**, that the Staff of the Authority may develop and implement all necessary and appropriate procedures and activities to give effect to the programs authorized in this resolution.

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*Chair Fischl stated that the next item on the agenda is an update from DPS on Reforming the Energy Vision Initiative, which would be presented by Julia Bovey.*

*Ms. Bovey discussed the update from DPS on Reforming the Energy Vision Initiative and then took questions from the Trustees.*

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*Chair Fischl stated that the next item on the agenda is discussion of the status of the Interconnection Portal, which would be presented by John O'Connell.*

*Mr. O'Connell discussed the status of Interconnection Portal and then took questions from the Trustees.*

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*Chair Fischl stated that the next item on the agenda is discussion of PSEG LI's AMI Deployment Plan, which would be presented by Daniel Eichhorn.*

*Mr. Eichhorn discussed the AMI Deployment Plan and then took questions from the Trustees.*

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*Chair Fischl then entertained a motion to adjourn, which was duly made and seconded, after which the meeting concluded at approximately 10:10 a.m.*