

High rates and rating high

■ **PSEG goal:** Boost client approval, shake pricey rep

■ **Aims to offer** customers tools for keeping bills down

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As PSEG Long Island enters its fifth year operating the LIPA electric grid, it is considering ways to recast its reputation as one of the highest-cost utilities in the nation while giving customers more tools to lower their bills.

The campaigns are aimed at addressing one of the lingering drags on PSEG's steadily improving customer satisfaction rating — LIPA's deeply embedded reputation for high rates — and giving customers the tools to cut their costs.

The efforts face challenges.

PSEG and LIPA, which hiked 2018 rates by more than \$7 a month in January, are considering filing for a formal state rate proceeding next year that could increase rates again, starting in 2020.

While the power supply portion of bills was less volatile last year than in the previous decade, it was steadily above 10 cents a unit for most of the year. It went up again in February after dipping in January.

Some critics also have taken aim at a PSEG billing line item called “revenue decoupling” that allows the utility to recoup costs when utility revenues are reduced by factors including efficiency measures.

Recently introduced state legislation would “prevent LIPA from increasing rates to offset revenue losses due to ratepayer energy-conservation efforts,” according to a statement from sponsor Assemb. Fred Thiele (I-Sag Harbor). The bill is pending.

PSEG Long Island president Daniel Eichhorn, who took control of the Long Island operation in October, said last week that the measures will go a long way to reaching the company goal of becoming the top utility in the region.

“We’ve made great progress in customer satisfaction, but we’re not quite where we want to be,” Eichhorn said in an interview. “I aspire to be the best. I



PSEG has enjoyed climbing customer satisfaction ratings, but recent and possible future rate hikes are a drag on the utility's reputation.

won't be happy until we're the best in our peer group.”

The company has logged steady gains in the JD Power customer satisfaction survey, lifting the utility from last place nationally out of more than 100 companies. But Eichhorn noted that while PSEG has made strong gains in reliability and customer service, its price scores continue to lag.

“The rumor of our rates being the highest in the country has been a tough one to shake,” he said. “People believe it. It's not really factual anymore. Our rates are probably above the midpoint in the country. But we're by far not the highest in the country.”

A 2016 Newsday analysis of federal utility data found LIPA rates were in the top third of peer utilities in the Northeast and among public power companies nationwide.

But PSEG has been brainstorming at its Uniondale headquarters to find ways to push back against the image.

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you pay [for] the services that we provide, the customer satisfaction, the reliability work that we're doing, you are getting a much higher value of service from your utility company than you have in the past,” Eichhorn said.

While TV ads have been driving the message — and riling some customers who say the money should go toward lowering rates — PSEG is looking at more direct ways to address the issue of price and perhaps be “a little more aggressive” in com-

municating the numbers.

One possible approach would be to discuss the money PSEG has saved customers simply by making hard decisions on power sources. PSEG early on put the brakes on LIPA plans to build new power plants in light of LIPA projections of steadily increasing customer usage, even though trends indicated use was leveling off or declining.

PSEG determined no new power sources will be needed for decades. It scuttled a LIPA plan to build a large gas-fired power plant called Caithness II in Yaphank, saving customers \$2 billion in long-term costs, Eichhorn said.

Other moves to delay construction of transmission lines or scuttle plant overhauls ultimately could save customers more than \$7 billion to \$8 billion, he said.

To boost efficiency measures, PSEG in coming weeks will send direct mail pieces to customers to encourage use of smart thermostats, and a program that allows PSEG to remotely adjust them to shave

peak-power use in summer. The mailers also assert that PSEG customers have seen more than \$100 million in bill savings through such measures over the last two years.

“It's cost avoidance, and it ultimately reduces the customer bill from where it would be if you don't take any action,” Eichhorn said.

PSEG also is working with LIPA on a plan that will allow the utility to offer a range of rate plans based on customer preferences.

“One of the ways we want to give customers choice is to say, ‘well, you pick your rate,’” Eichhorn said. “If someone's interested in saving money, they can go on a time-of-use rate, move their usage outside the peak, and save money based on that.”

There would be a “convenience” option with a flat rate — even a green rate with a slight premium for renewable power such as solar or wind.

A plan for the new rates will be submitted to the state this summer with a possible rollout next year, he said.