# WILLMOTTS & WHY NOTS

DAVID J. WILLMOTT SR., EDITOR

## Troubling Questions

One of the more troubling aspects of the LIPA-LILCO deal is that LIPA is saddling itself with assuming LILCO's 18% ownership in the Nine-Mile Point II Nuclear Power Plant, located on the shores of Lake Ontario.

Under the deal, LILCO will continue to own the power plants located on Long Island which are gas or oil fired. Part of this deal requires LIPA to take over LILCO's share of Nine-Mile Point II. We believe the negotiators for LIPA got suckered and we, the ratepayers, will be asked to pick up that tab.

Nine-Mile Point II is a non-profitable power generating facility. Oil would have to be $52 per barrel for the power to be competitive. Nine-Mile Point II has been plagued with mechanical and procedural problems. It was shut down for an extended period of time because of human errors in operating the plant.

Few people realize that there is a huge cost for utilities when dismantling an active nuclear reactor after its useful life. When we served on the Shoreham Commission, experts estimated that the cost of dismantling an active nuclear power plant would be five times the cost of construction.

If Nine-Mile Point II costs are similar to Shoreham, the cost of dismantling the plant will be $25 billion. Under the proposed LILCO-LIPA plan, the ratepayers of Long Island would be saddled with close to $5 billion in long-term liability.

Why would the LIPA negotiators agree to allow LILCO to keep its fossil fuel generating plants and then agree to take on the liability of Nine-Mile Point II?

**What's in it for the Ratepayers?**

From where we stand, the only benefit for the ratepayers will be just another liability that will continue to cripple Long Island. This power plant will continue to be an economic nightmare that LILCO is being allowed to walk away from.

LILCO got itself into the nuclear business.

The investors could have stopped the board, they did not. Nine-Mile Point II is the investors' liability, and under no circumstances should that cost be transferred onto the backs of the LILCO ratepayers. We do not need it, we do not want it, LILCO and its stockholders should be made to keep it.

**Statewide Transportation and Distribution**

This week, we received the annual report from the New York Power Authority. In reading the report, it became very clear that the power authority is gearing up for competition.

NYPA states in the report, "We support the State Public Service Commission for full customer choice in electrical supply and urge the Commission to set an early date for the start of retail competition.

"The Public Service Commission did just that with a landmark decision in May of 1996, calling for competition to begin on the wholesale level in 1997 and for retail customers in 1998.

"The Power Authority has proposed that it be the single owner of the state's high voltage system with savings to the ratepayers of $3 billion in the first five years.

"The New York Power Authority can purchase the large power lines of the state's investor-owned utilities. The Power Authority can assure access to all buyers and sellers of electricity, eliminating barriers that create inefficiencies and increased costs.

"The New York Power Authority already owns 1,400 circuit miles of high voltage lines, more than any other utility in the state."

***Why would the ratepayers consider allowing themselves to be saddled with contracts requiring us to buy electricity exclusively from LILCO, regardless of the price.***

During the Shoreham hearings, it became apparent to us that the state or a state authority would be the proper vehicle for transmission and distribution (T&D). If the government controlled T&D, it would eliminate the stranglehold that investor-owned utilities have, and would break the backs of those monopolies.

The State Power Authority is poised to put this plan into action. Why would LIPA consider purchasing LILCO's facilities if the state is going to do it? If wholesale competition will be a reality this year and retail competition next year, why should Long Island's ratepayers allow LIPA to go forward with this deal?

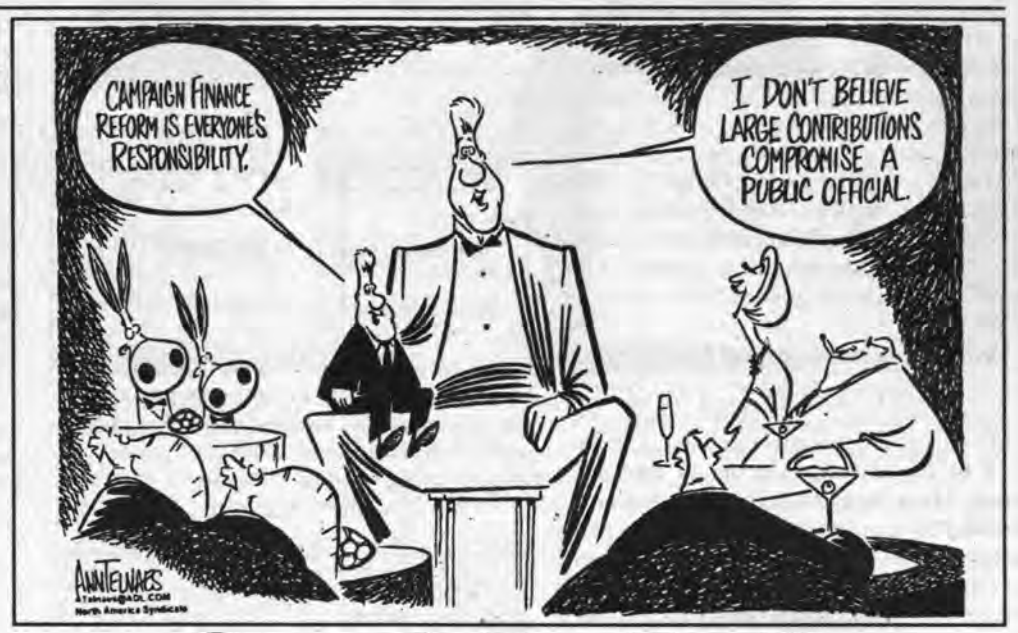
Why would the ratepayers consider allowing themselves to be saddled with contracts requiring us to buy electricity exclusively from LILCO, regardless of the price, when we can buy power cheaper from utilities off Long Island?

Why would the ratepayers agree to a deal that requires them to continue doing business with LILCO or its successor company to manage the T&D system into the future without the benefit of competitive bidding?

Why should the ratepayers consider excluding themselves from the benefit of competition that will lower electrical rates? Doesn't this deal only benefit LILCO at the cost of the consumers?

These are only a few of the obvious questions that have been raised. Until these and many more questions are answered, no one, private citizen or politician, should be signing on to support this proposed deal.

And why not?




## Search For Truth

The Suffolk County Legislature was urged last week to conduct public hearings on the proposed agreement between the Long Island Power Authority and the Long Island Lighting Company (LILCO) for a partial takeover of the utility's holdings.

Legislators were told that with the subpoena powers the legislature possesses, it is the public's last hope that all the details, all the truths about the pros and cons of the proposal can receive full scrutiny.

The legislators should jump at the chance to follow that advice. They have bristled over the fact that they have been left out in the cold while the deal was being negotiated even though the impact of any agreement could have a far-reaching effect, not only on the lives of their constituents, but on the county itself, on its economy and revenue stream.

All should be astute enough to know the ramifications of the deal between former Governor Mario Cuomo and LILCO to close the Shoreham nuclear power facility. While that proposal did bring about the end of Shoreham, it did so at a cost so high, the economy of Long Island has suffered tremendously.

We have the highest energy rates in the nation. Businesses have been forced to leave for more favorable business climates elsewhere. Jobs have been lost. All because the main focus was on the death of Shoreham. Little attention was given to the details where, it was discovered far too late, the devil was hiding.

Have we learned anything from that experience? Are we willing, again, to give up our future to escape the threat of this presence? The immediate acceptance of this proposed deal by some public officials, despite the scarcity of full details, is an indication they have learned nothing from the past. They are motivated by the financial threat of the Shoreham tax certiorari decision by Supreme Court Judge Thomas Stark, which would force the refund of $850 million in tax overpayments because of erroneous assessments. This is expected to grow to $1.2 billion if a refund of LIPA PILOT payments is added.

There is no doubt the tax certiorari issue is a major financial threat.

But who gets that money? Does LILCO? Or the ratepayers who paid the tax bills, with LILCO in the role of tax collector?

If the tax certiorari problem did not exist, would this be a good deal for ratepayers?

Should LIPA pay one-and-a-half times the book value for the transmission and distribution system, one which not too long ago was labeled as antiquated because of a lack of proper maintenance by LILCO?

Is the deal a bailout for LILCO shareholders, as has been claimed?

Having paid for Shoreham several times over, are you willing to pay again through the LIPA assumption of the regulatory asset, which the ratepayers will pay?

Is Catacosinos, a shrewd negotiator who outwitted Cuomo and his negotiators before, now doing it to Governor George Pataki, at ratepayers' expense? Again?

Is this the best possible deal that can be had? Or are there alternatives which would be less costly?

We are being told we have to hurry up on this because we have a June 1 deadline for LILCO to seek an exemption of $2 billion in capitol gains tax. Where does that $2 billion play in the equation? Is that on the ratepayers' side of the ledger in the deal, or simply another chunk of gold in LILCO's pockets?

The answers to these questions can only come from the hard questions that must be asked by county legislators and their experts, and a quest seeking to separate truth from fiction. The power of discovery and the subpoena can bring the answers that will not be extracted from the deal proponents any other way.

We urge the county legislators to act on the scheduling of public hearings on the LIPA-LILCO proposal without delay.

Let's get the truth once and for all, then either approve the proposal or throw it in the trash can and seek an alternative that will better serve the ratepayers.

And why not?

# WILLMOTTS & WHY NOTS

DAVID J. WILLMOTT SR., EDITOR

## LIPA and Nine Mile Point 2 Because the "Cat" Demanded It

Last Tuesday, we met with a contingent from the Long Island Power Authority (LIPA). They were here to try to answer some of our questions and to sell us on the merits of the LILCO "deal." We covered a wide range of subjects, and for your edification, over the coming weeks, we will discuss individual items rather than the whole deal as a package.

**Nine Mile Point 2**

One of the more curious and disturbing points of the deal is that LIPA has agreed to take over LILCO's interest in the Niagara Mohawk nuclear power plant known as Nine Mile Point 2. If this deal is approved, we will be paying $301.2 million for LILCO's 18% interest in that nuclear plant.

LILCO will continue to own and operate the rest of its power plants. It will sell electricity to LIPA under a 15-year contract.

Why would LILCO keep the gas and oil power plants and insist on selling the nuclear power plant to LIPA? Why would LIPA agree to buy a nuclear power plant when it was the Shoreham fiasco that got us into this mess to start with?

At our meeting, the reasons became clear. The "Cat," as Catacosinos is known, backed Pataki's negotiators into a corner and insisted that LIPA take over this turkey. The plant has had more than its share of problems, both mechanical and those brought about by human error.

The electricity generated by the Nine Mile Point 2 nuclear power plant is the most expensive in the nation. The total cost of the energy generated is 10.2 cents per kilowatt hour. In comparison, electricity generated by fossil fuel plants ranges from two cents to four cents per kilowatt hour, depending on the age of the plant and the cost of fuel. Oil would have to be $55 a barrel for the electricity generated by Nine Mile Point 2 to be competitive.

Under the current arrangement, LILCO must buy its 18% share of the electricity generated by the plant. This amounts to 180 megawatts at 10.2 cents per kilowatt hour. It is part of the reason we are paying the utility rates that we pay on the Island. LILCO wants to transfer this liability to LIPA.

If there was a nuclear accident at this plant, LILCO would be responsible for 18% of the costs associated with the accident up to the limits set by the federal government.

Most nuclear power plants have an expected lifespan of 20 to 30 years. This plant is already past the halfway mark.

During the Shoreham hearings, it was estimated that the cost of decommissioning an active nuclear plant would be five times the cost of constructing a plant. Using this formula in the cost of Shoreham, LIPA may well be saddling itself with an additional $5 billion, plus interest liability, down the road. This will have to be paid for in the future by us, under the terms of this proposed LILCO-LIPA deal.

To us, this is not good business. It is not prudent and it is not fair. The acquisition of Nine Mile Point 2 is bad for the ratepayers, and if LILCO insists that LIPA take over the plant, Pataki should walk away from the deal. It's not an asset that is advantageous for LIPA to buy, it is a liability.

LIPA will have to buy LILCO's share of this high cost power at 10.2 cents per kilowatt hour, when it could buy electricity on the open market at under four cents per kilowatt hour.

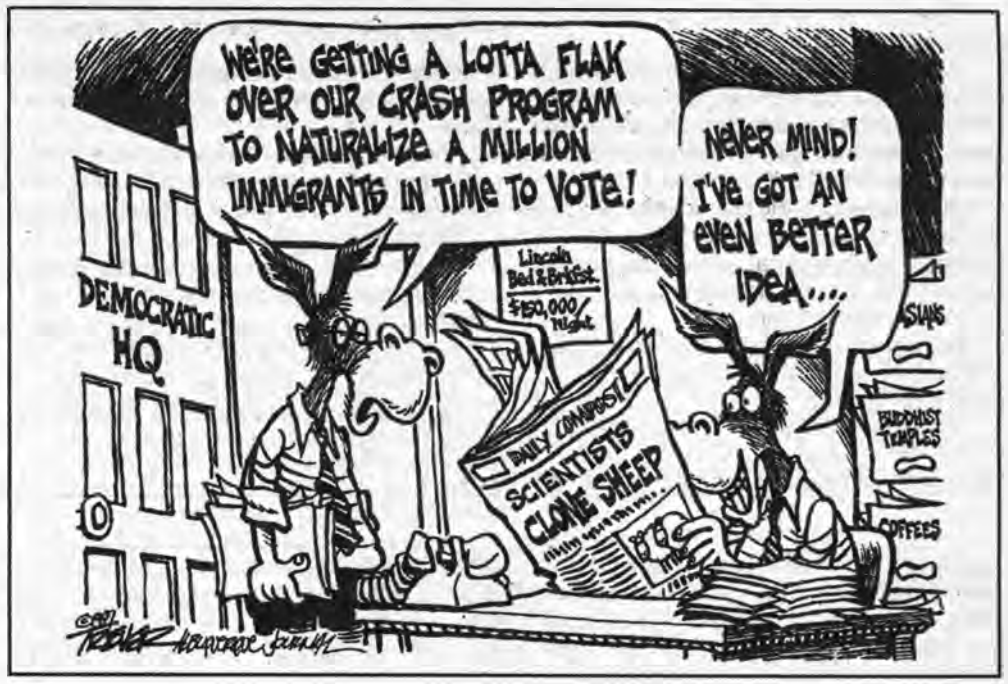
If LIPA, by contract, must buy this expensive electricity, there will not be the kind of rate relief in the future that proponents are claiming.

If $5 billion plus interest has to be factored into the rates in the future to cover the cost of dismantling Nine Mile Point 2, our grandchildren's grandchildren will still be paying for the ghost of Shoreham.

Just because the "Cat" demanded it does not mean the ratepayers have to accept it.

The deal was supposed to be a compromise. Even as a political compromise, it stinks. If the ratepayers are forced to assume LILCO's liability for Nine Mile Point 2, they have been snookered.

And why not?




## Do the Right Thing

The Suffolk County Legislature recently voted overwhelmingly to become active in seeking a resolution to the energy cost crisis that has seriously impacted the economy of our area.

They seek to intervene before the state Public Service Commission (PSC) to have LILCO shareholders, rather than ratepayers, shoulder a larger cost of the ill-fated Shoreham nuclear power plant fiasco which was foisted on us by an arrogant, monopolistic utility. They also seek to have a say in the current controversy over the partial takeover of LILCO by the Long Island Power Authority (LIPA).

The legislators have the ability to hold public hearings, with subpoena powers, to search out the full details of what has been proposed. Critics of this $7.3 billion proposal claim it is little more than a bailout of the utility and its shareholders, one which will have ratepayers paying once again for LILCO's Shoreham folly. Proponents include some county and local officials who are seeking to get out from under a tax certiorari award which refunds taxes resulting from over assessments of the Shoreham plant. County Executive Robert Gaffney is among the staunchest supporters of the deal, not because he knows the full details, but because it removes the certiorari problem. The spin doctors who are promoting the proposal have Gaffney's ear.

There are some concerns Gaffney will veto the legislation recently passed which calls for an outside analysis to be done for the legislature. He would be making a serious mistake if he does. He would simply be against an effort to get at the truth.

Gaffney ran for reelection on a dump-LILCO platform. He has claimed he would do battle against any bailout of the utility. He, therefore, should be interested in making certain the proposed deal is in the best interest of the ratepayers, not LILCO and its shareholders.

Without the means to get at the truth, which may well involve subpoenaing documents that may not otherwise be forthcoming, Gaffney, and everyone else, will have to rely on those who concocted the proposal to provide documentation to prove the claims they make.

We have serious reservations about the proposal, as do many others. We have been burned before by the promises of some who are even now involved in the new proposal. We have been told "This is the best deal we can possibly hope to get," but do not know what alternatives were considered to reach this conclusion.

Ratepayers seek the lowest possible rates for a reliable energy supply. Will they get what they want from this latest proposal? There are many doubts.

What we do know is that LIPA will suddenly become a major player in our energy future, a far cry from the calls for its abolition not all that long ago.

Consultants are making, and will continue to make, enormous sums of money if the deal progresses. Lawyers and investment houses and bankers will giggle all the way to the bank, their pockets stuffed with the rewards of the bonding costs and legal fees.

Politicians seek praise and credit for an end to the LILCO problem, but without any assurances we won't simply be substituting that for a LIPA problem.

The stakes are high. We've learned in the past that it's the people, the ratepayers and taxpayers, who wind up footing the bills for failed promises of miracle solutions.

If Gaffney does, indeed, veto the legislators' efforts to shed light on all the details of the takeover proposal, he will be putting aside the best interests of the ratepayers to cover his own desire to pass at all costs, without full disclosure, what may well be a duplicate of the Cuomo-LILCO deal which has hurt our area so much.

If Gaffney submits a veto, legislators should override his action immediately. They must do the right thing. The ratepayers need someone who cares.

And why not?

## It's Gaffney's Ball

County Executive Robert Gaffney's team negotiated pay increases for the county work force. The contract was sent to the legislature for ratification. The Suffolk County legislature's Budget Review Office (BRO), analyzed the contract and predicted a tremendous shortfall in county income. They additionally raised the flag over the potential liability that the county has over the arbitration case concerning the past step increases for county employees.

Gaffney indicated to the union he had the money to cover the cost. The BR0 has not been able to find it. Gaffney has been known to play fast and loose with figures before, relying on the word of not-so-trustable advisors.

It is imperative for Gaffney to spell out, in specific detail, where the money is that he claims is there to fund this contract. No smoke, no mirrors, we want plain, hard facts that can back up and justify his position.

The taxpayers of Suffolk County cannot afford another political settlement that will result in a tax surprise in November.

Come clean, Bob, if you can.

And why not?

# WILLMOTTS & WHY NOTS

DAVID J. WILLMOTT SR., EDITOR

## The Ghost of Shoreham

In 1988, when Richard Kessel was out trying to sell the Cuomo/Catacosinos deal that shut down Shoreham, we had a lot of questions about Kessel that the governor chose not to answer.

We warned then that the "devil is in the details." We did not like the Shoreham deal and we warned Suffolk ratepayers that it was not in their best interest to support it.

The essence of the Cuomo deal was that Shoreham was closed as a nuclear power facility. It gave LILCO a 5% rate increase for three years. That deal ended after three years.

We were told then that nothing was carved in stone; LILCO would be returned to financial health and any additional rate increases it would get would be through normal regulatory proceedings. The deal gave an outline of operation for 30 years, but did not indenture the ratepayers or the government to continue with this outline.

At that time, we questioned the methodology and the math that went into that deal. We wanted to know where the ratepayers were given credit for the $2.5 billion Construction Work in Progress (CWIP) funds they had paid towards the construction of the plant, and where and how the $985 million Financial Stability Adjustment (FSA) payments that had been charged to the ratepayers were utilized. The cumulative total of both these payments, when combined with the imprudency charges LILCO was assessed at, totaled more than the total cost of the plant.

This being the case, how can LILCO still be carrying the cost of Shoreham at $4.5 billion on its books? We never received an answer to these questions and LILCO was able to establish a regulatory asset that didn't exist then and does not exist today except on paper.

This was the Achilles' heel of the Cuomo deal and is the Achilles' heel of the Pataki deal.

In addition, for a utility to build a regulatory asset into the rate base, the asset must be "used and useful." Shoreham was never developed to a point where it was commercially viable and usable. It was never "useful."

Paul Joya, who was the head of the Public Service Commission (PSC) that authorized the CWIP funds and FSA payments, testified before Judge Stark in the certiorari suit that during the construction period, he believed the chance of the plant ever being operated commercially was 10% or less. This hardly meets the criteria for "used and useful."

The facts of the Shoreham case cry out for a thorough investigation by State Attorney General Dennis Vacco. We do not believe there ever has been another case that so wantonly twists the law and abuses the citizens.

We know already that LILCO, the corporation and the management, are convicted racketeers. They lost the federal RICO suit which dealt with their lying and cheating over the Shoreham project.

Where did the CWIP funds go? Were they not applied to the cost of construction as intended? Where did the FSA payments go? Why have they not been discounted against the cost of the Shoreham construction? Why hasn't the law pertaining to "used and useful," which governs utilities, been applied?

Attorney General Vacco has spearheaded a number of initiatives to protect the consumers and residents of New York State. He should direct his office to investigate the ghost of Shoreham and, once and for all, come up with the truth and let the chips fall where they may.

Vacco was elected to protect the people of New York State. He is a Republican. Does he have the courage to rock the boat that Governor George Pataki is steering? We hope so.

And why not?

## Show Some Courage

Suffolk County Presiding Officer Joseph Rizzo must be commended for attempting to clean up the mess created by County Executive Bob Gaffney when he agreed to the proposed union contract for the 6,600-member Association of Municipal Employees (AME).

Gaffney claims the county has the money to pay for the five-year contract, but the legislature's Budget Review Office claims there is no money available for 1996 or 1997, and that it could cost the taxpayers an additional $38 million in 1998.

The proposed AME contract gives the county employees two raises. The first is a flat salary increase of 2.5%. Then the contract proposes giving these workers automatic step increases of 3% a year. That provides the AME members with a 5.3% to 7.6% increase each year, depending on what step one is on. Cumulatively, these employees will receive a 33% raise over the five-year life of the contract. This increase will cost an average of $36 million each year of the contract.

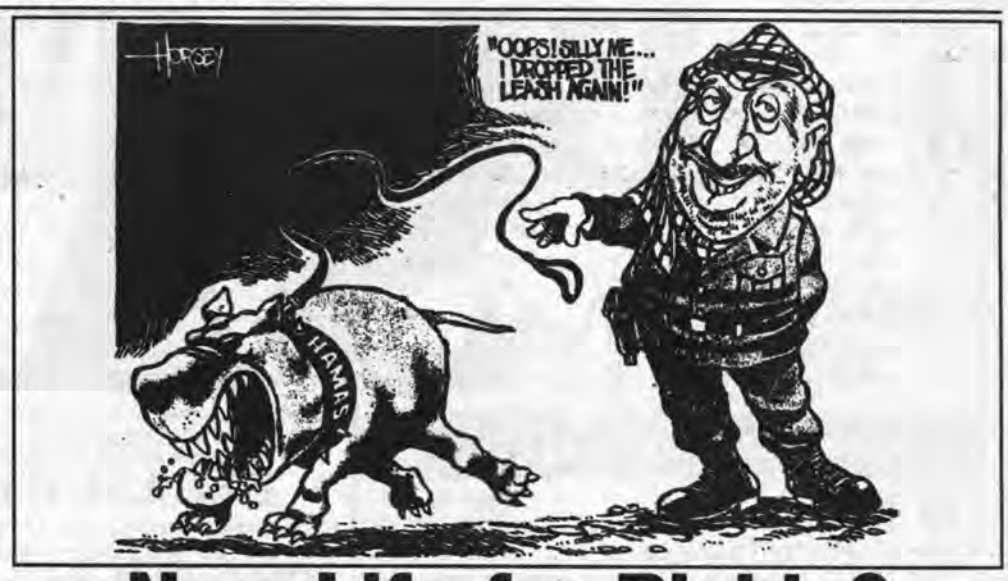
Rizzo's proposed legislation would cut items from the budget that have previously been regarded as "sacred cows." Those items include many special interest groups such as police, senior citizens, exempt employees, the luxury of county cars and car phones, administrative positions and capital project restrictions.

Most of these recommendations are good ideas, but will the legislature have the courage to withstand the pressure it will experience from those special interest groups who will be affected by these proposed budget cuts?

Without the legislature's support for these and other cuts, there is no money to pay for the AME contract Gaffney has agreed to.

If the legislature wants to approve the AME contract, each member must decide whether he or she is willing to cut into the existing budget to pay for this contract, or risk the wrath of the taxpayers by increasing taxes more than 50%.

And why not?




## New Life for Richie?

Shortly after his election, Governor George Pataki declared he had no confidence in the Long Island Lighting Company (LILCO), describing the utility as "poorly run." He then turned his criticism in another direction: "On the other hand, I think that if there is anyone who could run it worse, it would be Richie Kessel," he added.

Kessel, who served as the executive director of the state Consumer Protection Board under former Governor Mario Cuomo, has enjoyed a meteoric rise in status in recent times. Named as Long Island Power Authority (LIPA) chairman by Cuomo, he was removed from that position by Governor Pataki when he engineered the revamping of LIPA.

Now, on the heels of the recent resignation of LIPA Chairman Frank Zarb, Pataki is reportedly considering naming Kessel to replace Zarb in the agency's top position.

The Pataki reorganization of LIPA established 15 trustee positions, nine selected by the governor and three each by the assembly and the senate. This revamping eliminated a provision of the original LIPA Act which called for the election of 21 trustees by the public.

Kessel was appointed by Democratic Assembly Speaker Sheldon Silver, an archfoe of Pataki, a move seen as designed to antagonize the governor and to give Silver insight and a voice in LIPA activities.

Pataki's choice for chairman was New York City attorney James Gill, who has since left the post. Gill and Kessel became bitter enemies. A takeover proposal by Gill was bitterly opposed by Kessel, who remained a thorn in Gill's side until Gill resigned the post.

Pataki then tapped Frank Zarb, former federal energy czar, to lead LIPA. Zarb forged a relationship with Kessel, and it was Zarb and Kessel who formed the LIPA negotiating team for the current deal.

Politics, it is said, makes strange bedfellows, and that apparently holds true in this instance. The proposed LILCO-LIPA deal must be approved by the state's Public Facilities Control Board before it can become a reality. That board is made up of three people—Governor Pataki, Assembly Speaker Silver, and Senate Majority Leader Joseph Bruno. A negative vote by any one of the three would kill the proposal. Since Silver's approval of any deal is necessary, Kessel's role is seen as an important factor for ultimate passage.

Zarb assumed a new post in February as chief executive officer of the National Association of Securities Dealers and has been serving as LIPA chairman as well. He indicated when the LILCO-LIPA agreement was announced that he would be leaving LIPA to assume his new duties. Speculation was growing at that time, as was previously reported in *Suffolk Life*, that Kessel is in line to replace him as LIPA chairman.

That speculation was strengthened last week when Kessel was introduced by Louis Tomson, the governor's deputy, who acts as liaison with public authorities and the state Public Service Commission as LIPA's "vice chairman," at a briefing last week for town and village officials on the LILCO-LIPA agreement.

With Zarb otherwise occupied with his new position, Kessel has taken the lead role in trying to sell the current takeover proposal. It is not a role that is new to Kessel. He was the prime salesman for the Cuomo-LILCO deal which closed Shoreham, but escalated rates to the highest in the nation and created the $4.5 billion Shoreham regulatory asset which LIPA seeks to assume in the current proposal.

The initial Cuomo-LILCO deal ran into opposition from local state legislators as well because of concerns over the cost factors, and stalled. Cuomo revised the deal the next year, excluding required approval by state legislators, and the pact was signed and approved by Cuomo and LILCO Chairman William Catacosinos.

When Cuomo put forth a LILCO takeover proposal in the waning days of his election campaign against Pataki, it was again Kessel who went on the stump in an effort to garner support for the Cuomo plan. Pataki's victory over Cuomo ended that proposal, and the start of Pataki's disdain toward Kessel.

But this is a new day and there's a new deal—Pataki's deal—on the table. To gain the political advantage of fulfilling a campaign promise to put an end to LILCO's monopolistic hold on Long Island, Pataki appears willing to swallow his words of ridicule and put past feelings aside to sell his deal.

With the Pataki deal front-loaded with a "refund" check and promised rate reductions in the early stages of its time frame, we can only hope it does not turn out to be a replica of the Cuomo deal in the long run, when the benefits run out and the real cost is tabulated.

And why not?

# LETTERS TO THE EDITOR

## Newsday Attack is Pathetic

**Dear Editor:**

The Newsday editorial board's attack on the Hauppauge Industrial Association is an appalling attempt to silence the voices of thousands of ratepayers who oppose the ill-conceived LIPA/LILCO takeover plan.

That Newsday would attempt to discredit our chief energy spokesman, Jack Kulka, was the lowest form of irresponsible journalism.

To set the record straight, Jack Kulka—who has the full authorization and support of the HIA Board of directors—is implementing our energy policy.

He has volunteered hundreds of hours of his time researching this issue and organizing a coalition of more than 30 leading civic, environmental, consumer advocates and business groups who share the belief that the LILCO bailout would have catastrophic effect on Long Island ratepayers for the next three decades.

Newsday's blatantly false claim that business will benefit at the expense of residents is a pathetic attempt to divide a unified coalition of business and residential groups.

**Marcy Tublisky, Executive Director**
**Hauppauge Industrial Association**

## Too Little, too Late

**Dear Editor:**

Wow. Senator D'Amato and Congressman Forbes (R-Shirley) are riding in on their white horses like knights in shining armor to save the people who live on the outskirts of the Brookhaven National Laboratory. Both D'Amato and Forbes find it necessary to do some good deeds to overcome the damage they have done to the Republican Party.

Many people will not forget how D'Amato controlled and manipulated the Republican Presidential Nomination Process and forced out anyone who disagreed with his political philosophy. A potential candidate who disagreed with his political philosophy was called the "Ayatollah," which also branded those who supported him.

Forbes had the opportunity to demand the resignation of Bill Clinton for illegally gathering over 500 FBI files to develop his Republican enemies list, for illegally using the FBI to fire White House Travel Agents, for illegally preventing the FBI access to Vince Foster's office after his death, for illegally using the White House for fund raising, and for illegally accepting money from rich and powerful, Chinese Communist. Instead of demanding that the so-called leader of these United States resign, Forbes chose an easier target. He demanded the resignation of the leader of Congress who, for the first time in over 40 years brought some cohesiveness to the Republican Party.

Thanks to Senator D'Amato and Congressman Forbes, that cohesiveness has been destroyed.

**Name Withheld**

## We Deserve it

**Dear Editor:**

"Will Real Estate Taxes Increase Over 50%" in the March 19 issue was very disturbing. Did you ever stop to realize that civil service workers do not get increases based on merit. Their only way to get a raise is within the contract and our step increases. Why is this unfair? Our salaries are matters of public concern—and rightly so. We haven't had any type of raise, not even a cost of living for quite a while.

The problem begins when we can't get a contract on time and the county then is faced with retroactive pay. The steps are now in arbitration. I am at the bottom of the pay scale and certainly deserve a fair contract for my difficult and dedicated work.

A local paper recently ran an article about politics and power around Long Island. How about attacking the politicians or is that just too sensitive of an issue for you? It's safer to just single out the "helpless" public servants.

**Marie Nolan**

## Check it Independently

**Dear Editor:**

You are eminently correct in your opinion questioning the value to be received by the ratepayers of Long Island from the proposed acquisition of LILCO assets.

In my nearly 40 years of legal practice in New York City—much of it devoted to mergers and acquisitions of publicly—traded companies—no major deal could go forward without an investment banking opinion of fair market value.

In all such matters, it is customary for each side to the deal to select for itself an independent banking firm having no monetary interest in the mergers render its valuation of the fairness of the merger or acquisition. That is to say, the banker representing the seller would opine on its fairness to the seller, and the banker for the purchaser would opine on the fair market value of the assets being acquired. To date, I have read nothing of the existence of such opinions.

In the context of the purchaser's value, the banker representing the purchaser could not assign a value of $4.5 billion to the asset represented by the defunct Shoreham plant. Nor, in light of your representations about the potential liability of dismantling the nuclear plant of Nine-Mile Point II, could any such banking firm put a value on that asset. Moreover, I would question the legal and banking opinion that would advise the acquisition of such asset without solid guarantees of reimbursement in the eventuality you describe. This is especially so in view of the fact that the production from Nine-Mile Point II undoubtedly will never see use on Long Island.

I would urge the Suffolk County Legislature, at an appropriate time, to engage the services of such an independent banker to oversee the fairness of the deal to the ratepayers.

**Charles E. McGuiness**
**Southampton**

# WILLMOTTS & WHY NOTS

DAVID J. WILLMOTT SR., EDITOR

## Appoint A Farmer

The Riverhead Planning Board has been asked by the town board to consider the advantages and disadvantages of upzoning Riverhead's almost 15,000 acres of remaining farm land.

The proposed upzone would require anyone looking to construct a single-family home to purchase two acres instead of the current code's requirement of one acre.

The town board claims it is simply looking to preserve open space and farmland areas, but nothing in the proposal, presented by the town's engineers indicates that point or need.

More important, not one person on the planning board is currently involved in the farming industry.

Under New York State Town Law statutes Riverhead, like most other municipalities, have a standing planning board of five or seven members who are appointed by the village, town or county legislators.

This code also provides that a member of the "agricultural" community be appointed to the planning board, if "at least 20 percent of the area...is devoted to agricultural pursuits."

Many of Riverhead's farmers are concerned that the town's proposed upzone is not being done to preserve anything, but rather to prevent them from eventually selling their land and that will negatively impact their investment in their land.

If Riverhead's Town Board and Planning Board are truly considering the merits of upzoning farmland for preservation reasons, why not reassure the farming community and appoint a sixth member to the planning board who is an active farmer.

And why not?

## Thanks for the Sympathy and Love

**Dear Editor:**

The family of Leonard Sheldon wishes to thank his friends, associates, neighbors, doctors and their staff, the members of the Flanders/Northampton Volunteer Ambulance Corps, and the clergy for their expressions of sympathy and love.

During the funeral mass on April 9, the honorary pallbearers included friends and associates of both Sheldon's past and present. These six individuals reflected qualities that Sheldon shared and admired.

We wish to thank Vince Cannuscio of Hampton Bays, Mardy DiPirro of Westhampton Beach, Walter Guldi of Westhampton Beach, Gene Hamilton of Holtsville, Rev. Jerry Hill of Northampton, and Bill Swan of Quogue.

The family also wishes to thank Marsh Crowley of Hampton Bays for his moving eulogy. Crowley shared his insight as to why Sheldon was able to touch so many with his sense of dignity and to inspire us with his commitment to build a better community.

Leonard Sheldon was an architect, designer and planner by profession. Throughout his long career, he sounded the call to preserve the vast open spaces of what he termed the "Enchanted East End." We trust his innovative plan for preserving the quality of life on eastern Long Island will continue. It would be a fitting legacy.

Thank you all and God bless.

**The Sheldon Family**
**Northampton**

**SUFFOLK LIFE NEWSPAPERS**
and **SUFFOLK COUNTY LIFE**

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# WILLMOTTS & WHY NOTS

DAVID J. WILLMOTT SR., EDITOR

## Follow the Money

Pure and simple, the LILCO/LIPA deal is just about money, your money, and how this corporation can take it from you.

During the eighties, as a ratepayer of LILCO, you virtually paid for the Shoreham nuclear power plant in advance.

In an unprecedented move that many consider illegal, the Public Service Commission (PSC) granted LILCO the right to add a surcharge onto your electric bills to pay for the construction of the plant while it was being built. The total monies you paid LILCO in Construction While In Progress (CWIP) funds amounts to $2.5 billion.

In addition to these CWIP funds, the PSC allowed LILCO to add Financial Stability Adjustment (FSA) charges to your bill. The combination of these two extra charges amounts to more than the legitimate cost of the plant.

LILCO is proud to proclaim that it is a tax collector for the government. It points out that over 20 cents of every dollar you are charged for electricity goes to pay taxes. LILCO collects taxes for the federal government, the state government and the local municipalities. These taxes are collected from you, passed through by LILCO to these governmental entities.

In the eighties, the federal government changed its tax rules. LILCO had already collected close to half a billion dollars in taxes for the federal government. Because of the change in rules, LILCO did not have to forward this money to the federal government.

These taxes, collected from you, should have been returned to you. LILCO never returned the money. It has been sitting on that money ever since. The company claims it planned to return these taxes to the customers over a 30-year period. You are still owed this money.

LILCO sued Brookhaven Town for overassessing the Shoreham nuclear power plant and other power-generating facilities. It won the first case and was awarded $81 million. Suffolk County paid LILCO this award and has bonded the indebtedness. Part of your county taxes are being used to pay back the bonds. Yet, the money collected for taxes by LILCO has not been returned to you as it should have been.

LILCO recently won the second certiorari suit and was awarded $1.2 billion. By all that is right and fair, this should be returned directly to the ratepayers and not allowed to be kept by LILCO and its investors.

In addition, LILCO was sued in federal court under the RICO (Racketeer Influenced and Corrupt Organizations) act. LILCO was found guilty of racketeering because its management lied and cheated over the Shoreham project.

The jury awarded the litigant—us, the ratepayers—over $800 million. Federal Judge Jack Weinstein could have tripled the damages since the racketeering act provides for this penalty. But instead of making the judgment $2.4 billion, Weinstein reduced the jury's verdict to $400 million and allowed LILCO to work this judgment into the rate base.

LILCO still owes $180 million of this judgment. The LIPA board plans on using part of these funds to issue a rebate of $100 to $200, depending on whether you live in Suffolk or Nassau County. It is using this rebate of your own money as a cheap tactic in an attempt to gain citizens' support for the deal.

In total, between the RICO penalty and the certiorari suits and the federal tax monies, LILCO owes the ratepayers close to $2 billion.

There are roughly one million LILCO customers. This means each ratepayer is owed $2,000. This is a far cry from $100 to $200, and it is one good reason why no one should sign this deal, it's not fair to the ratepayers. This is our money LILCO is holding. The PSC should force LILCO to immediately and directly return this tax money to the ratepayers. This is only fair and just.

### The New Meter Fee

LIPA proposes to borrow $7.2 billion to fund the takeover of the transmission and distribution system and acquire LILCO's 18% interest in the Nine Mile Point 2 plant. It is estimated that the total debt, with interest, for this borrowing will be $20 to $22 billion over the 30-year lifespan of the bonds.

In effect, to pay for LIPA's borrowing, every ratepayer will be forced to pay a "meter fee" of $61 per month for the next 30 years. This is before one cent of electricity is used. This $732 per year charge will be on top of the rates charged for electricity. We know of few people who can afford to add $61 per month to their utility bill and still keep their heads above water.

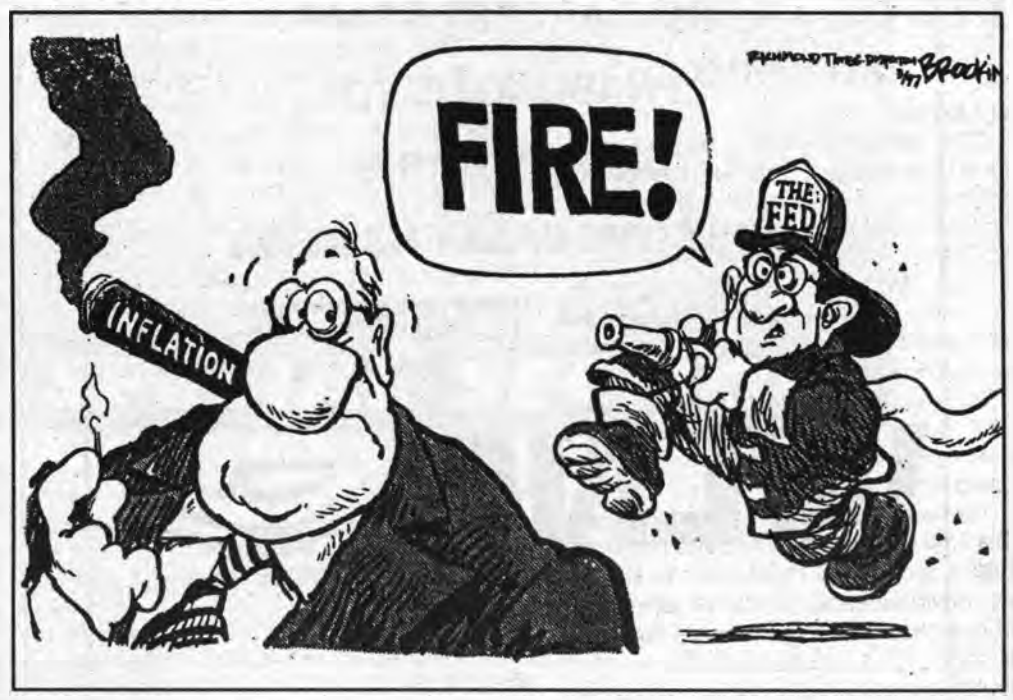
This is an enormous penalty that will be imposed on the ratepayers, who will be the ones paying for the Pataki deal.

This payment does not include the liabilities LIPA will incur for the future shutdown of Nine Mile Point 2, or for additional generating capacity or transmission lines that may be needed in the future. Each time LIPA expands the system, the cost of construction will go on top of the Shoreham/LIPA debt.

Public Service Commissions around the nation are taking a new look at their responsibilities to the consumers. They are not only ordering utilities to be opened up to competition, but they are denying utilities the right to recover stranded investments. If there ever was a stranded investment that should be written down or written off, it is Shoreham.

The ratepayers paid, in advance, for the construction of Shoreham, and because of the Cuomo deal, LILCO was allowed to charge them again for this stranded investment.

We paid for Shoreham during the first three years of the rate increases granted under the Cuomo deal. We are still paying LILCO; and instead of using these monies to reduce and eliminate the Shoreham debt, LILCO used them for dividends to bolster the price of its stock.




The Cuomo deal did not protect against this and, as a result, LILCO is still carrying almost the whole cost of Shoreham on its books. This Ponzi scheme should have collapsed under its own weight, and would have, if the PSC had acted responsibly.

Pataki has named a new chairman for the PSC, and members of the commission are being changed. When the new commission emerges, it is expected that it will give favorable treatment to the ratepayers.

The New Hampshire Public Service Commission recently ruled that North East Utilities can no longer include its stranded investments in the rate base because of its ill-fated nuclear power plant. A new New York Public Service Commission could well order the same and this would be definitive, real rate reduction to LILCO customers, without the cost of a LIPA deal.

Follow the money. The deal will cost every ratepayer $61 per month to finance, that's $732 per year, $21,999 over the life of the bonds. This won't buy you one cent of electricity, cheap or expensive, it will just be taken out of your hide for the privilege of having a meter. It's your money.

And why not?

## Correct the Statistics

MADD is an acronym for Mothers Against Drunk Drivers. This is a good organization that keeps the pressure on the legislature to develop laws to take drunk drivers off the roads. They effectively use the media to make people aware of the tragedies caused by drunk drivers.

Currently, in New York State, you are considered "impaired" if your alcohol blood level reaches .05 percent. You are considered "drunk" if your alcohol blood level is above .10 percent.

MADD wants this level dropped to .08 percent, and that is exactly what Governor Pataki is proposing in his bid to get tough on drunk driving.

The governor and MADD have been quoted as saying that an average male, weighing 170 pounds, can consume four drinks in an hour on an empty stomach and still be considered sober.

This is totally erroneous and false. We know very few people who can drink four drinks in an hour and still remain sober. A spokesman for MADD said that people will have to limit their consumption of alcohol to three drinks per hour to meet the proposed requirements.

But according to the Alcohol and Substance Abuse division of the Suffolk County Department of Health, a person can only consume one drink per hour in order to safely stay within the legal limits of the law.

The health department reports that a person's liver has the ability to metabolize one ounce of alcohol each hour. A drink is supposed to measure about an ounce of alcohol, but it could actually be stronger or weaker than that. The department notes there are other variables involved as well, such as food consumption and the weight of the person drinking.

Since nearly 8,000 accidents and 500 deaths are caused by intoxicated drivers in New York State, the governor and MADD have a point in wanting the maximum alcohol blood level dropped to .08, but please do not use statistics that are misleading.

These misleading figures could lead to more drunk drivers rather [illegible]. If a less knowledgeable pers[illegible] statistics and assumes t[illegible] or she may have the t[illegible] figuring that a DV[illegible] passed, but the[illegible] around a pol[illegible] alcohol was[illegible] last thing [illegible]

And

# WILLMOTTS & WHY NOTS

DAVID J. WILLMOTT SR., EDITOR

## Keep Asking Questions!

Suffolk County Executive Robert Gaffney was reportedly irate recently when members of the Suffolk County Legislature overrode his veto of legislation seeking to scrutinize the proposed deal between the Long Island Power Authority (LIPA) and the Long Island Lighting Company (LILCO). He complained that the legislators were more interested in killing the deal than examining its contents and impact.

Gaffney is wrong. He was wrong for vetoing the resolution, and wrong in questioning the motives of those who do not share his overwhelming, no-questions-asked support of the LILCO-LIPA deal.

He, more than anyone else, should be asking questions to determine the full impact of the proposal and the accuracy of the information we have been given. "We must be vigilant that we do not repeat the mistake of the past..." he said in his veto message.

That's sound advice that Gaffney himself should heed.

Several years back, Gaffney was heralding the then-proposed contract for Suffolk Community College faculty as a good contract, one that contained a couple of zeros in the first couple of years and provided raises of 12% over four years.

The legislature's Budget Review Office (BRO) stated that the SCC contract gave raises of 24% to 42%. The BRO analysis was right and Gaffney was wrong.

The county executive later claimed he "didn't have all the facts." The BRO said the contract would lead to financial woes in the future. They were right again, and today, Gaffney is at war with the college over finances.

Gaffney then came up with a car leasing deal that turned out to be a financial disaster then and threatens to be one in the future.

The current controversy over the Association of Municipal Employees (AME) is another example of Gaffney's financial astuteness.

AME employees claim they were told during negotiations that the county had the money to cover the contract and that tax increases would not result.

The BRO claims the money's not there for the AME contract and other labor contracts the county has negotiated. Gaffney has offered no clue as to where the money is coming from to pay for the AME contract he is supporting.

This county executive is now an enthusiastic supporter of the LILCO-LIPA deal. He doesn't have all the facts, he just knows the deal will get him off the hook for the county's portion of the tax certiorari award handed down by Supreme Court Judge Thomas Stark.

The deal will also absolve his political allies in Brookhaven Town, where Gaffney lives, from a major certiorari headache. All Suffolk ratepayers will be footing the bill with an extra charge on rates to pay for the certiorari settlement.

We applaud the 14 legislators who voted to override Gaffney's veto and encourage them, and all others, to question the deal and continue to do so. If the answers to the questions being asked wind up killing the deal, then so be it. Better now than having to face the impact of a bad deal that can't be changed once it is done.

Surely we should learn from the mistakes of the past. We should know from the experience of the deal (Deal 1) between former Governor Mario Cuomo and LILCO which closed the Shoreham nuclear plant. This deal drove electric rates to the highest in the nation. That has crippled the economy of the area, put a Shoreham Regulatory Asset on the books which is now costing us billions of dollars to pay again. It also gave LILCO $4 billion as a financial boost to improve its bond ratings.

The prospect of ending the Shoreham threat to Suffolk residents caused some to sign off on the Cuomo deal just to end the nuclear threat. In effect, they sacrificed the financial future for immediate relief.

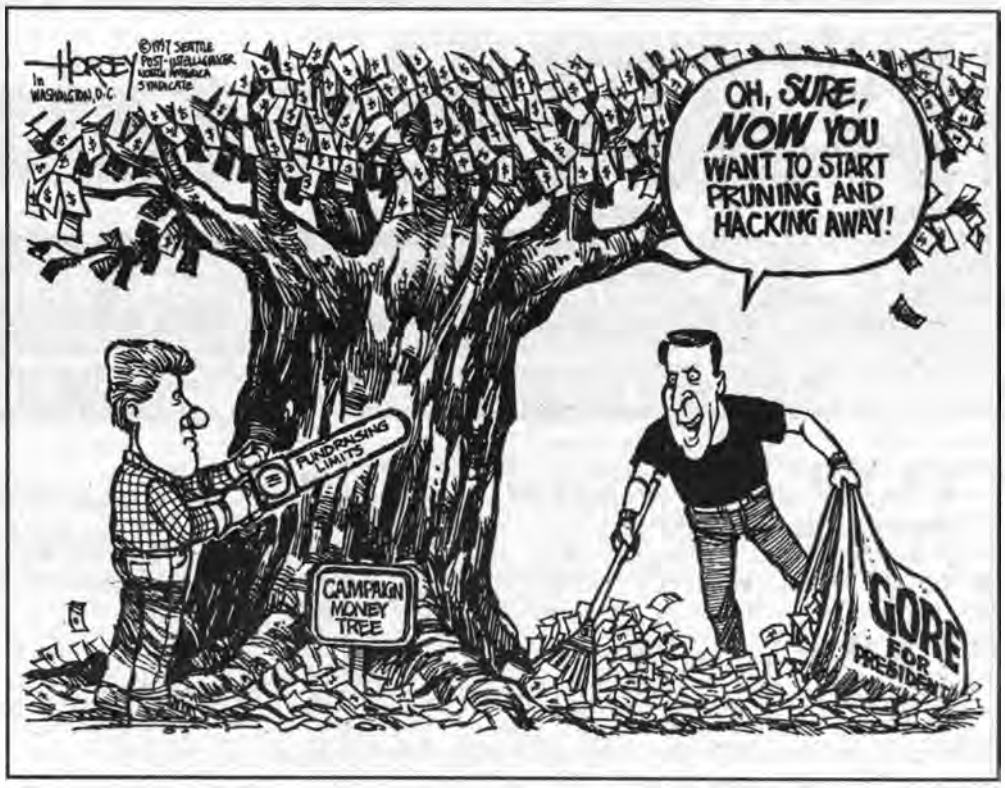
The same is happening today. Many people are willing to accept the current deal (Deal 2) without question just to end the certiorari threat of today, without worrying about the financial impact of tomorrow.

What are Suffolk residents getting from the deal besides the certiorari relief? A 12% reduction based on LIPA's lower interest costs and exemption from federal taxes. The remainder of the 16.4% immediate rate reduction and 20.53% in five years come from other factors: 2% from savings generated from a LILCO-Brooklyn Union Gas (BUG) merger, and 2.21% from the bonding out of the certiorari proceeds.

And, lest we forget, we're also getting LILCO's 18% share in the Nine Mile Point 2 nuclear plant in upstate New York. We're getting that, and all the potential liabilities it could offer, because LILCO couldn't get rid of it any other way. It was a "take the nuclear plant or there is no deal" stipulation put forth by LILCO Chairman William Catacosinos and LIPA capitulated and took it.

LIPA claims it will continue to pay tax entities in the form of Payments in Lieu of Taxes (PILOT) funds. But LIPA was an intervener in the LILCO suit against Brookhaven's assessments, and claims it is entitled to a $400 million refund based on the lowered assessments set by Stark. Will LIPA file tax certiorari suits of its own in the future? Does the deal guarantee it won't?

There are so many questions, but so few answers. Each day gives us a stronger feeling that we have been




down this road before, even to those who strongly supported Deal 1 and are now pushing hardest for Deal 2. That list includes Newsday, the Long Island Association, and the prime Cuomo deal pitchman, Richard Kessel, who is now key spokesperson for the Pataki deal and the new LIPA chairman.

Frankly, nothing would please us more than to have a bonafide deal put before us that settled the LILCO problem, and the certiorari threat as well.

We have fought this fight for decades and want it to end. But not at a price that will hurt the people or the area as Deal 1 did. The only way to ensure that won't happen is to look at every detail and question every assumption.

There's a small core of individuals who are doing just that. Proponents of the deal don't like the many questions they have, and LIPA officials have refused documents sought in a Freedom of Information request by Larry Shapiro, senior attorney for the New York Public Interest Group. This group of questioners is performing a public service for all ratepayers and should be applauded for doing so. It refuses to be forced into a rush judgment to meet a deadline, real or imagined.

We will have to live with the results of this deal for the next 30 years. It is LIPA's responsibility to answer every question, regardless of any deadlines.

We urge everyone to ask as many questions as possible. If you don't like the proposed deal, say so! Don't give up, and don't give in.

If the answers come, with necessary documentation to prove the figures given are plausible, and that documentation clearly shows the deal is good and will end our problems without sacrificing our future, that is when we embrace the deal and get on with life.

If it doesn't stand the test of scrutiny, it deserves to die.

And why not?

## Santa Comes Early

I guess Bob Gaffney is Santa Claus and Suffolk's 18 legislators are his elves.

Suffolk County Comptroller Joseph Caputo sent Suffolk County Attorney Robert Cimino a letter this past week inquiring about the legality of "member items," a gratuitous giveaway of county taxpayers' money.

Suffolk County legislators, like their Albany counterparts, have authorized giving away close to a million dollars to various community organizations and groups throughout Suffolk.

This is the first we have heard of this giveaway and, in a time of economic crunch, it seems ludicrous.

Three hundred and fifty-eight organizations will receive close to a million dollars without any control or oversight. These gifts range from $500 to $32,000. With few exceptions, there is no indication as to what the money is intended for. This money goes to PTA's, Chambers of Commerce, Arts Councils, sports clubs, teen centers and a whole host of other organizations—many of which we have never heard of or even knew existed.

Caputo inquired about the legitimacy of this giveaway and pondered whether the real purpose is for the reelection of the 18-member legislature.

Legislator Joseph Ri[illegible] assembled a number of [illegible] measures. This giveaway [illegible] payers' money to sr[illegible] groups should be plac[illegible] the list.

And why not?