

WILLMOTTS & WHY NOTS

DAVID J. WILLMOTT SR., EDITOR

Need A Plan, Not A Deal

Suffolk County Republican Leader John Powell made the statement while speaking with us last week that Governor Pataki does not consider the LIPA deal a "done" deal.

According to Powell, Pataki told him that the deal is there for public question and scrutiny. If parts of the deal are unacceptable, they can be renegotiated. If the deal does not meet public scrutiny, it should not be approved.

Before LIPA negotiated with LILCO, it should have had a plan. The plan should have had an objective, pure and simple. "What will benefit the ratepayers most?" If this had been the criterion, we doubt the LIPA deal with LILCO would have seen the light of day.

The public has two main concerns. They are paying 100% more for electricity throughout the country. They want and need lower rates. The taxpayers of the Shoreham-Wading River School District, Brookhaven Town, and to a lesser degree, the other towns in Suffolk, face the potential of a \$1.2 billion penalty resulting from the certiorari suit.

For the ratepayers to obtain relief, LIPA would have been wise to consider condemning only the LILCO transmission and distribution (T&D) system. The book value of this system is a little less than \$668.9 million. If LIPA were to take control of the T&D system and hire an operator through competitive bidding, the Long Island ratepayers would be freed from the monopolistic LILCO has over them.

The ratepayers would be free to take advantage of deregulation and the competitive pricing of power. LILCO would be forced to compete openly with all other power producers. All would have access to the T&D system. LIPA would establish the wheeling rates to compensate for the acquisition of the system and its repair, maintenance and upgrade.

There are those who say there are not sufficient power lines coming from the

outside to bring power onto Long Island. There are, however, companies who are eager to build new power lines and complete the project within a couple of years.

The Suffolk County Legislature and the Budget Review Office have come up with an innovative plan to finance the liquidation of the certiorari judgment. It will cost about half the amount proposed by the LIPA deal and will take half the number of years to pay off. The legislature could enact this plan immediately and it would be funded by a 1/4 percent sales tax.

Before one dime is paid to LILCO, the county should proceed with an aggressive appeal of Judge Stark's ruling that brought about this judgment. This is not a crapshoot. LILCO Chairman William Catacosinos, in public testimony before the New York State Assembly Committee on Power, stated there was a chance LILCO could lose the suit or have the verdict substantially reduced if it were appealed.

That's the reason he was willing to settle with LIPA now for about half. If the county was to enact its plan immediately and bank the proceeds from the sales tax, it could earn interest that would offset the interest LILCO is accumulating on the judgment.

Both of these moves work to the advantage of the ratepayers. They may not be good for LILCO, they may not be good for Wall Street, and they may, in the short haul, not be good for the politicians who have hitched their wagon to the LIPA deal.

But in the long run, if ratepayers see a 40% to 50% reduction in their utility costs, politicians who had the courage to do what was right for the people will be recognized and rewarded.

A deal struck along these lines could be financed for a fraction of the \$7.2 billion proposed by LIPA. It will bring immediate competition, lower rates and a way out of the Shoreham-LIPA fiasco.

And why not?

Longtime Supporter

A recent editorial in Long Island's only daily newspaper unjustly criticized the Citizens Advisory Panel because the group announced that it is opposing the LILCO-LIPA deal on the grounds that the specific details of this proposed bailout have not been provided despite repeated requests.

The Citizens Advisory Panel was created in the late eighties by an Appeals Court ruling as a utility watchdog, responsible for looking after the public's interest as part of the settlement of a Racketeer Influenced and Corruption Organizations (RICO) lawsuit against LILCO. Long Island's only electric utility was found guilty of lying to the Public Service Commission and was ordered to return \$390 million to the rate payers. A portion of this money is now being used as a carrot to convince people to support the LILCO-LIPA deal which is estimated to cost the ratepayers \$18.8 bil-

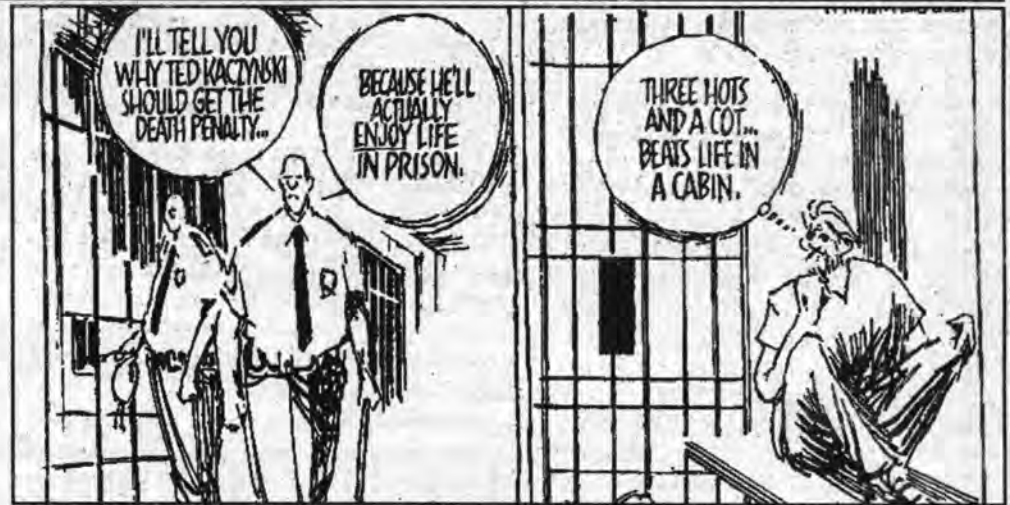
lion over the next 30 years.

The Citizens Advisory Panel got off to a slow start, but has begun to show some interest in fulfilling its objective under the leadership of Executive Director Gordian Raacke.

The Citizens Advisory Panel, like the rest of Long Island, has a right to know what is in the contract that LIPA will be agreeing to in this proposed LILCO bailout. No one should support any deal where proponents are reluctant to provide the specific financial and overall details that will become legally binding.

Newsday should be embarrassed by its blind and self-centered support of LILCO management and stockholders. But its bias and careless attitude towards the public comes as no surprise.

And why not?



Protect the Jobs

Over the past seven months, Senator Al D'Amato and Congressman Mike Forbes successfully pushed to close the High Flux Beam Reactor at Brookhaven National Laboratory so that a 14-year-old tritium leak could be corrected.

They helped convince the federal Department of Energy, which owns the lab, to conduct a legitimate investigation into the leak. Because that investigation proved malfeasance on the part of the facility operator, the federal contract with Associated Universities Incorporated (AUI) was terminated.

Earlier this week, DOE and AUI officials announced at a meeting with lab scientists that most of the positions would remain intact, but an AUI memorandum circulated at the meeting suggested that numerous positions could be terminated.

In the next six months, the DOE will be

hiring a new facility operator and its official line is that in other facility operator changes, most of the scientific jobs were maintained.

Last week, Energy Secretary Federico Pena told BNL employees that the facility is "a crown jewel of our country," and that there has been "excellent science" performed at BNL, "But excellent science is not enough."

Well, just telling these highly skilled employees that their jobs are secure is not enough either. Pena must include the protection of those jobs in any contract signed with any plant operator.

To ensure that, D'Amato and Forbes must refocus their political clout to provide as much job protection to lab workers as possible. BNL employs 3,200 people and those jobs are important to the area's economy.

And why not?

Must Consider Ability To Pay

Police departments, under the law, are forbidden to strike when they reach an impasse in contract negotiations. When both sides can't agree, an arbitrator or a panel of three arbitrators is set up to investigate both sides of the argument. A decision is reached that becomes binding to both the municipality and the police.

On a three-member panel, the union has the right to choose one arbitrator, the municipality has the right to choose the second arbitrator and a third arbitrator is appointed by PERB, the Public Employees Relations Bureau. On the surface, this system would seem to be fair, but the results of binding arbitration have been crippling.

The arbitrators give great weight to parity, the comparison of what one police department is getting paid in a jurisdiction that is in geographical proximity to the union that is in negotiations. This is called "piggybacking," and in most settlements, the union that is doing the petitioning receives more than their neighbors and it becomes a vicious circle—a vicious circle the public can no longer afford.

The compensation for police has surpassed the compensation for teachers. The hours worked by both segments of government are about the same. Their benefit packages are similar except that the police can retire after 20 years of service.

The arbitrators are not required to take into consideration the communities' ability to finance such an award. The municipality must

accept whatever award the arbitrator hands down, even though it might lead to large tax increases, layoffs and cutbacks in services, or eventual bankruptcy.

The New York State Legislature has before it a bill, S.814 in the senate and A.1604 in the assembly. The bill mandates that arbitration boards must consider a municipality's ability to pay and this would be accorded substantial weight by arbitration panels when determining the appropriate level of wages and benefits. Governor Pataki has proposed this taxpayer relief in his comprehensive budget bill.

Your assembly person and senators must hear from you now. The mandated binding arbitration provisions are set to expire June 30, 1997. Now is the time to reform this unjust measure.

The bills must be passed in the assembly and the senate. The governor has indicated he will sign them into law. We urge you to contact your assembly person, senator and the governor today. Let them know they must pass this legislation that makes the ability to pay part of the binding arbitration process.

If you don't stand up for yourself, no one else will. It's your government, make it work for you. The police unions throughout the state have already marshaled their forces and unless the public speaks loud and clear, we will continue to suffer and be at the mercy of the unions' greed.

And why not?

WILLMOTTS & WHY NOTS

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Eye For An Eye

New York State finally has a death penalty, and not a moment too soon. The horrendous killing of Cynthia Quinn in Yaphank last week sent the community into shock. Quinn was not only a mother and a respected member of the community, she was also an inspiration to many young people as a teacher and coach at Patchogue-Medford High School.

The Suffolk County Police Department is to be commended on its rapid apprehension of the alleged killer, Stephen LaValle. LaValle is reported to be a career criminal. He was paroled less than three months ago.

LaValle was convicted of a similar sexual attack on a woman about a decade ago when he used a car as his weapon. Although LaValle had served hard time upstate, he came out of prison as much a criminal as he went in.

District Attorney James Catterson has 120 days after LaValle is arraigned to make up his mind whether to ask for the death penalty. This is an election year and he will be accused of political grandstanding no matter what decision he makes.

Catterson must weigh all the evidence and the perpetrator's background and reach a decision from a position of logic, not emotion.

Philosophically, we have never been an advocate of the death penalty, but at the same time, there are some crimes so heinous that those who commit them must be executed for the good of society. LaValle's total disregard for life seems to make him unredeemable and he should face the death penalty.

The Bible says, "an eye for an eye."
And why not?

Take it or Leave it?

The Long Island Power Authority (LIPA) is currently seeking to promote an agreement in principle with the Long Island Lighting Company that calls for partial acquisition of LILCO's assets. The proposed deal would require LILCO ratepayers to shoulder a \$7.6 billion bond issue over the next 33 years, the highest-ever bonding issue in the nation.

While LIPA has held public hearings on the matter, and professes to be amenable to possible changes in the document, it has attempted to rush the proposed deal to meet an IRS deadline, which some claim is self-imposed and has miraculously been postponed.

In many ways, LIPA has adopted a "take it or leave it" stance on its proposal. If that is, indeed, the way it is, we'll leave it, thank you! We think ratepayers should do the same.

We, and many others, have studied this deal extensively. We initially said the proposal contains provisions that are "Good, Bad and Ugly," and we have found no reason to change that description.

While the proposed acquisition of the transmission and distribution (T&D) system is good, there are other areas—the pitiful number of tangible assets received in return for an overwhelming price tag and the proposed acquisition of LILCO's share of the Nine Mile Point 2 nuclear power plant in Oswego County upstate—that are downright ugly.

LIPA officials and deal proponents have met opposition to the proposal with the same response: "The deal is not perfect, but it is the best there is. What is the alternative?" Yet, any alternative put forth is met either with stony silence or a lack of enthusiasm.

A case in point: the presiding officer of the Suffolk County Legislature, Joseph Rizzo, and the legislature's Budget Review Office (BRO) developed a proposal that could save Suffolk ratepayers between \$600 and \$700 million by revising the manner in which LIPA proposes to bond the deal's settlement of the Shoreham tax certiorari award.

LIPA calls for the issuance of coupon bonds that, over time, would ultimately cost Suffolk ratepayers to repay, with interest, approximately \$1.2 billion.

The Rizzo-BRO proposal, which would be funded through the county's lower cost general obligation bonding and a quarter-percent increase in the county's sales tax, would be for a shorter period of time and at a lower interest cost.

The huge potential savings would appear to be an incentive for LIPA to sit down with Suffolk officials and explore the matter further, without a formal invitation, but instead, LIPA felt forced to point out the Rizzo-BRO plan would work only if the LIPA plan is approved.

LIPA officials insisted, with some disparaging add-on comments, that the county "should have known" the LIPA settlement was based on the LIPA plan and if the plan fails, the \$625 million settlement figure would go back to the \$1.2 billion the court awarded.

The fact is, the county plan was not put forward as a replacement to the deal. It was offered as an improvement of the financial structure of the LIPA deal. It doesn't take a high-priced consultant to know where the settlement figure came from. But, LIPA's response bolsters speculation that the \$625 million figure is the only part of the settlement that is showing. The "other considerations" are included somewhere in the deal. It also proves the claim that LIPA is using the tax certiorari award as a weapon to sell its deal.

There are a couple of other options. One is a vigorous appeal process, seeking to overturn or reduce the \$1.2 billion award. Second, the county and Brookhaven Town could attempt to settle the matter with LILCO one-on-one. LILCO Chairman William Catacosinos said in testimony in Albany recently that one of the reasons for the settlement agreement with LIPA was a concern about what would happen in the appeal process.

If LILCO's concern is real, and there are no "other considerations" in the LIPA deal to offset the reduction, there should be



no reason why LILCO would not agree to a settlement with the county.

If, as Catacosinos said in his Albany testimony, the entire \$1.2 billion certiorari refund, which belongs to the ratepayers, would result in a rate reduction of 10% over five years, and the county could come up with a feasible plan to fund that amount through the Rizzo-BRO plan, the impact would not be the "ghost town" scenario that deal proponents pontificate about over future property tax increases. Add to that the 2% synergy savings that would come from the proposed LILCO-Brooklyn Union Gas merger deal and the savings would be 12%.

There is a potential for more: Last February, the state Public Service Commission (PSC) issued an Order to Show Cause to examine various opportunities to reduce LILCO's electric rates. In July, the PSC staff recommended that LILCO's rates be

reduced on a temporary basis by 4.2%, effective October 1, 1996, until the permanent rate case is decided.

LILCO, of course, argued that the current electric rate levels were appropriate and there was no justification to reduce them. Although expedited evidentiary hearings were held on the matter, to date there has been no decision or action by the PSC to follow through or reject the recommendation.

We suspect the delay is based on the negotiations over the current LIPA deal. If the PSC had approved the 4.2% reduction, LIPA's proposed "significant" reduction would likely have shrunk by that amount, not a happy political prospect for Governor George Pataki.

Add the 4.2%, if approved, to the potential 12% cited earlier, and the total comes to 16.2%. LIPA's projected savings is 16.4%. The 16.2% would not come with a back-loaded \$7.6 billion price tag, and could offer additional savings through competition, which could come much earlier.

Are there risks in achieving the potential savings listed? Yes, there are. But there are also many risks in the LIPA plan which are being revealed as it is further analyzed by experts. Much of LIPA's financial projections are back-loaded to make the initial savings look better. Over the long haul, after the deal is passed and it's too late, the savings may well evaporate in a sea of debt and faulty projections.

Take it or leave it? If you stripped the tax certiorari award from the deal, would you want to mortgage the future with a \$7.6 billion debt, for which you would get an antiquated transmission and distribution system and a troubled upstate nuclear power facility which no one else would buy?

And why not?

Another Home Run for Rizzo

The state recently reneged on its promise to donate land for a professional ballpark at the Pilgrim State site. It now wants the county to buy that land for \$3.5 million.

Last year, Senator Owen Johnson engineered a deal, under the member items privilege, that called for the state to donate the land and to provide \$14 million for the construction of a stadium. Joseph Rizzo, presiding officer of the Suffolk legislature, learning that the state is welshing on its promise of free land, immediately suggested that the stadium be built on vacant land that the county owns in Yaphank—a site that already had been suggested for another ballpark.

The Yaphank site is currently under option to a group that has been trying to put together the financing for a privately owned ballpark. It is reported that this group has been unable to find investors and will probably lose the option on the land. That option expires in August.

As we have stated in past editorials, we are opposed to member items. Most member items are pork, wasteful spending by the state and often used to bolster the reelection efforts of the incumbents. We would like to see these done away with in their entirety, but they have become a way

of life. Without an outpouring of opposition from the public, these member items are here to stay, so we might as well get our piece of the action.

As much as we are opposed to member items, we are also opposed to the government building sports facilities for private, profit-making team owners. But again, the money for this project has been allocated, and rather than see it go elsewhere, we had better do the best we can with what we have.

If there is going to be a stadium, Yaphank is a superb location. It is the midway point between the Nassau/Suffolk line and the East End of the Island. It's close to the Long Island Expressway, offering good egress. It will boost our tourist economy, and give another reason for people to come as day trippers, vacationers and second home owners.

The county must negotiate the contract with the prospective tenants carefully to make sure that not only all maintenance and operating costs are covered, but also that the stadium makes a profit for the residents of the county from day one. The new stadium must be a revenue producer rather than a cost to the residents. If this can't be guaranteed, then we should turn the money back to the state.

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The Best Graduation Gift

In the next couple of weeks, thousands of young adults are going to graduate high school. They will be beginning their new life. They will be in a position to make choices for themselves.

At this age, most kids spurn advice from adults, particularly about personal choices. Sometimes, however, when young adults are approached with logic, reason and with a little bit of greed thrown in, they will stop and think and you may have an effect.

Many kids who are graduating have already started smoking. Hopefully, they are not totally addicted. If you want to give these young adults a gift for graduation that will reward them for the rest of their lives, try explaining to them the economics of smoking.

The average smoker consumes two packs of cigarettes a day. Thirty years ago, cigarettes cost twenty-five cents a pack. Today, on average, cigarettes cost well over \$2.50 and the price is going up faster than the rate of inflation.

If a person smokes two packs of cigarettes a day at the current cost, he or she is smoking away \$5 a day, that's \$1,825 per year. By the time that individual retires, he or she will have spent

\$82,125 at today's prices on cigarettes.

This does not include the cost of burned clothes and upholstery, nor the cost of the damage done to one's health, the shortening of one's life and the denial of things that could have been bought with this wasted money.

If young adults make a conscious decision not to smoke, and instead prudently invest that \$5 per day in a good investment account with an amortization of 10% when they retire, they will have a fund worth \$888,504.50. They will retire with more money than they will probably be able to spend in their golden years.

This is a conscious decision they will have to make today. Do they want to be rich, with relatively good health, or do they want to burn up their assets and put their health in jeopardy?

I wish someone had given me the gift of this knowledge when I was a young man. Instead, everybody smoked, it was the thing to do. Nobody gave a thought to either the economic or the health consequences.

Forty years later, I am fighting this demon, an addiction that I can only guess rivals drugs. With the grace of God, I will overcome it and win, but in the mean-



...Yet another group attempts mass suicide.

time, I know I won't have the money I spent on cigarettes to help me with my retirement.

Do your graduates a favor, sit them down, talk to them, take out a pad and pencil and show them the economic realities of life. They may believe that they

are invincible as far as health is concerned, but they are not going to change the economics.

Then wish them a happy graduation for me.

And why not?

We just finished reading the Studness Research Report on the proposed LIPA deal. Dr. Studness is a respected economist who publishes a weekly Electronic Power Review for utilities and Wall Street clients.

Studness has done extensive research in the past on LILCO and Shoreham. In Volume 19, No. 22, published May 30, 1997, he paints an alarming picture for both investors and ratepayers if the LIPA deal goes through.

According to Studness, LIPA has refused to talk about rates after the first 10 years. Studness did his own study and the reason LIPA has refused to discuss the long-term implications is that after the first 10 years, ratepayers will have losses brought about by increased rates, rather than the reductions touted by the LIPA deal supporters.

Studness notes that the illusory savings during the first 10 years of the LIPA deal are brought about by deferring the real cost of the deal to the last two-thirds of the deal's payback period.

Studness goes on to point out what everyone knows but LIPA. Competition is coming, it is being forced by Public Service Commissions throughout the nation, and by the development of smaller, more efficient generating plants.

The fuel cost to operate these modern plants is 40% less than older plants now owned by LILCO. Plants will be sized to such a degree that businesses and industries and some homeowners may be able to generate their own electricity cheaper than mega-power producing companies. They would be free of T&D and other operating costs, and fuel charges would be 40% less expensive.

Bad Today, Worse Tomorrow

This future development will cause a substantial part of LIPA's customer base to dissipate, leaving those who remain on the system to pick up the slack through higher rates.

Studness further reveals that PSCs in California, Massachusetts and Rhode Island have ordered competition to begin in January. Ratepayers in these states will be free to choose their electrical supplier. There is expected to be fierce competition and rates will drop substantially. Most other states are developing programs patterned after the California, Massachusetts and Rhode Island examples.

In California, utilities are being given a five-year window, ending in December, 2001, to recover their stranded costs. The shareholders will be responsible for stranded costs not recovered during this period. Electrical rates are being frozen at the 1996 level through 2001. Beginning in 1998, customers' bills will be broken into three components, a price for power, a charge for transmission and distribution, and a competitive transition charge (CTC).

Savings from cost reductions will be applied to the CTC, which is dedicated to stranded cost recovery. At the end of the rate freeze in 2001, the CTC disappears and the price of electricity will only equal the cost of electricity and a transmission and distribution charge. Once the transition ends, rates will fall by the amount of the CTC and whatever savings can be achieved by buying power cheaper than

what the utility charges to supply it. The average rate in 2002 can be expected to fall at least 30% to 35% from the current California average of 10.5 cents per kilowatt hour.

Studness again notes that if the New York State Public Service Commission, now controlled by Governor Pataki, had gone ahead with its ordered rate reductions, which were supposed to take effect this past September, ratepayers would have saved \$55.7 million this year alone, or a rate reduction of 5.7%.

Under Pataki's directives, the PSC has taken a hands-off approach to LILCO. The PSC has ordered all other utilities to prepare for competition and develop plans similar to the California model.

The LIPA deal, during the first 10 years, projects savings of 12% to 16%. After the first 10 years, the savings disappear. To insure the funding of the bonds issued by LIPA, competition cannot be allowed and Long Islanders will not see the 30% to 35% in rate reductions that the rest of the nation will experience.

In the PSC hearings, Suffolk County had requested a 10.6% rate reduction. Studness indicated this rate reduction did not come about because of Governor Pataki's intervention. If the rate reduction had been ordered as proposed by the PSC, there would only be a few percentage savings from the LIPA deal, not enough to warrant LIPA going into hock for almost \$19 billion that will become a

permanent mortgage payment for the ratepayers.

Studness also points out the lack of competition that this deal will allow for. The ratepayers will only be buying less than \$2 billion in real assets while paying \$7 billion for it.

Studness lays out a good case for how LILCO created the scenario for the bailout, while making it appear the company was a victim of its own circumstances. Anyone who takes the time to read the Studness report has to come to the conclusion that the proposed LIPA deal is the worst deal for the ratepayers that could be envisioned.

Studness' economic model vividly points out that ratepayers, over the life of the deal, will pay higher rates than under the current scenario, with LILCO projecting increases on top of its rate base.

Studness takes apart LILCO's rate increase assumptions, which are hypothetical. The utility industry and economists who study them foresee nationwide rate reductions of 10% to 30% rather than rate increases. If the LIPA deal goes through, Long Island will never take part in rate reductions; it will become even less economical to do business on Long Island and that will result in loss of jobs and devalued homes.

The report is scary. The implications are far-reaching—they spell disaster for Long Island and its future. The LIPA deal is a political deal developed for short-term political reasons. The deal has nothing to do with fairness, economics or that which is good for the residents of Long Island.

And why not?

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Rush to Judgment

The rush to judgment to gain approval of the proposed LILCO-LIPA agreement continues, even though a final decision on a proposed IRS rule change, which is vital to the proposal, has been delayed.

When the LILCO-LIPA deal was announced on March 19, LIPA urged swift approval (by June 1) of the deal that would burden LILCO ratepayers with a \$7.6 billion debt. In return for that debt, the highest bonding proposal ever in the nation, LIPA would get LILCO's transmission and distribution system and the troubled upstate Nine Mile Point 2 nuclear power plant. LIPA would also assume a \$4.5 billion Shoreham Regulatory Asset, and would gain control over the Shoreham tax certiorari award, which it would settle for \$625 million and repay with a surcharge on rates for Suffolk ratepayers. Other certiorari suits filed by LILCO would also be dropped, LIPA claims.

LIPA trustees, by a vote of 13 to 0, with one abstention and one trustee absent, approved the deal early last week. The next day, the LILCO board did the same.

Last Tuesday, Governor Pataki issued a demand that the Public Authorities Control Board (PACB), made up of Pataki, Senate Leader Joseph Bruno and Assembly Speaker Sheldon Silver, approve the proposal at a scheduled meeting last Wednesday.

The following day, however, Pataki moved away from that demand and agreed to delay the vote. A Pataki spokesman claimed the change of mind was a matter of "courtesy" to the assembly to allow more time to resolve questions.

The truth is, Silver trumped Pataki's demands by stating that if forced into a vote, he would vote no. A unanimous vote of the PACB board members is required for passage.

Silver did the right thing and we applaud him for his determination to fully explore the deal before being pushed into a vote that could impact the people of Long Island for the next 30 years.

A joint Assembly Committee has spend countless hours holding public hearings and exploring the proposal. That committee, chaired by Assemblyman Paul Tonko, had just held its last public hearing the day before the PACB meeting was held. The committee members and staff had no chance to fully formulate an opinion or to prepare a complete report. To expect Silver to have wasted the efforts of that committee was ludicrous.

Whatever the opinion and recommendations of that committee may be, Tonko did a superb job of asking the right questions—the hard questions—which brought forth a wealth of information that would otherwise not have been forthcoming in the Pataki-LIPA-LILCO rush to judgment.

Newsday, in an editorial last week, claimed: "But to date, the Assembly hasn't publicly displayed any serious effort to evaluate the plan impartially or even shown much grasp of its details..." Nothing could be further from the truth. Newsday's comments are another example of the

"forget about the facts, or the impact on the ratepayers, just approve the deal" philosophy that dominates the rush to judgment.

In an earlier PACB meeting, Silver, who has expressed concerns about the proposal, requested a 30-day delay in voting on the proposal. Although Silver has said that a 20% reduction is something he would look favorably toward, he has since voiced some major concerns about the viability of the projected savings in future years.

In an article which appeared in a recent issue of Bond Buyer, Silver detailed those concerns:

Silver said that his main concern is whether the deal's promise to cut LILCO's sky-high electric rates by about 20% over the next 10 years will still look good at that point and beyond, as electric industry competition advances. "The question is," he said, "what will Long Island look like as opposed to the national average—even the New York State average—15 years from now?"

"If Long Island's rates are cut by 18%, and the rest of the country is cut by 30 to 40%, then we've put Long Island in a worse position under this deal than they were when they started."

In that interview, Silver said he sees no reason for the PACB to give even preliminary approval until the IRS publishes its proposed regulations that would affect the deal. The IRS in January proposed regulations that would force LILCO to recognize gain on \$5.2 billion of the assets it would transfer to LIPA under the deal. LIPA has repeatedly said that such a liability—estimated at \$2 billion—would kill the deal. Instead, Silver said, the authority should wait to seek a private letter ruling from the IRS until the regulations are published. "If the regulation isn't out there by the IRS, there can't be a final submission," Silver said.

Silver also questioned the provision of the proposed deal under which the Brooklyn Union Gas Co. (BUG) and LILCO—which are in the process of merging—will continue to operate the transmission and distribution assets to be transferred to LIPA, for up to 15 years. "My concern is we've precluded the possibility of competition for that extended period," he said.

The rush to action by Pataki-LIPA-LILCO, according to critics of the deal, is prompted by growing criticism of the proposal by economists and utility experts, and last week by State Comptroller Carl McCall.

That criticism focuses on the projected savings and the estimated LILCO rates they are based on, and deferral of debt to future years to produce a larger immediate saving to prompt support for the proposal. The Suffolk County Legislature has approved the holding of evidentiary hearings on the proposal, which would put the savings estimates and other proclaimed benefits of the deal under closer scrutiny. PACB approval, as demanded by Pataki, would diminish the impact of those hearings and the \$200,000 worth of consultant



reports authorized by the legislators.

The LIPA trustee who abstained on the deal approval last week, former Riverhead Town Councilwoman Harriet Gilliam, did so, she said, because she believes the Suffolk County Legislature's evidentiary hearings should be held first to allow for a full exposure of all the facts and future ramifications of the deal. We applaud her for that rational action, and her courage to stand above the rush to judgment without all of the facts revealed.

Governor Pataki has apparently forgotten an important lesson learned by former Governor Mario Cuomo, whose infamous agreement with LILCO Chairman William Catacosinos sold the ratepayers

out to enrich LILCO. Pataki faces reelection next year. He will have to run for reelection based on his record, one that features late budgets, which he said he would not tolerate, and other problems. If Pataki thinks a rush to judgment by the PACB will end the criticism, he is very wrong. Every aspect of the LILCO-LIPA deal will be targeted by intense scrutiny between now and Election Day 1998, and Pataki will be under fire with each new critical assessment of the proposal.

"Haste makes waste" are words Pataki should well heed. Haste to approve the LILCO-LIPA deal could well waste Pataki's political future.

And why not?

We, The People

Every 20 years, the citizens of the State of New York have an opportunity of convening a constitutional convention. The purpose of this endeavor is to allow the people to elect delegates from their own ranks to review, modify and change the state constitution as they see fit. This gives the people an opportunity to address issues and enact the will of the people on matters our elected state legislators have been too intimidated to address, or have ignored for political reasons.

The question of whether to hold a constitutional convention will be on this November's ballot. If the voters signify that they want a convention, delegates will be elected in November 1998. A convention will be convened in April of 1999.

The recommendations of the convention, either in its entirety or as individual items, are then posed as ballot questions in the following election for approval or disapproval by all the voters in New York State. This is true democracy. Who could be opposed to it?

Well, we have received mailings from some front groups vehemently opposing a constitutional convention. These special interest groups like our government as it is. They don't want any changes. They are doing very well under the current rules and regulations.

Most of the people opposed to a constitutional convention come from the unions and other elements that benefit from the high New York State taxes and lack of control by the citizens. A constitutional convention is free to look at every aspect of state government and the consti-

tution, which is the blueprint on how the government is to be run.

The last constitutional convention we had was a disaster. The delegates were primarily current sitting assemblymen and senators. The people were locked out of the process. These same senators and assembly people have it within their power to change the laws any time they want. The public, the citizens, do not enjoy this privilege.

If the delegates to the constitutional convention come from grassroots New York State, they can make enormous corrections in state policy. They could finally give New York an Initiative and Referendum mechanism for citizen petition. They could put a cap on real estate taxes, similar to what has proven so successful in Massachusetts and California. They could make our environmental laws more stringent and protect our quality of life. They could address our turnstile criminal justice system and a whole host of other specifics. They could do the job our legislature has failed to do. They could even reorganize the legislature and make it into a real people's government.

You will be hearing a lot of reasons why you should not approve a constitutional convention. Those reasons will range from "not enough room on the ballot" to "elected officials knowing better than the people."

Those who oppose a constitutional convention will be protecting their own butts because you are paying for it.

Voters, beware!

And why not?