

WILLMOTTS & WHY NOTS

DAVID J. WILLMOTT SR., EDITOR

What's Your Opinion?

You are the people who are going to pay for the LILCO-LIPA deal. What is your opinion of the deal? Is it in your best interest? Do you support it or oppose it?

LIPA claims that the deal will reduce the cost of your electrical bill by 14%. You probably are currently paying an average of 17.5 cents per kilowatt hour. The cost of this residential electricity will be reduced to about 15 cents per kilowatt hour, that's if all goes well and as projected.

Instead of paying the highest rate in the United States for electricity, you will be reduced to about the 85% highest. There are 170 utilities in the United States, you will be reduced from the 170th to about the 145th. You will still be paying double the national average, the seventh highest rate in the nation.

Part of the deal gets rid of part of the second certiorari suit. The settlement will be reduced from \$1.2 billion to about \$625 million. The deal also includes LIPA taking over the transmission and distribution systems of LILCO, and LILCO's interest in Nine Mile Point 2, a nuclear power plant upstate.

To fund this, LIPA will issue \$7.3 billion in new debt that you will be responsible for paying back. The total cost of interest and principal will range between \$20 billion and \$22 billion.

To pay off this debt, the average customer will be assessed \$61 per month, \$732 per year, \$21,960 over the 30-year life of the bonds. This fee will be charged to the average ratepayer before they buy one cent of electricity.

LIPA, in taking over the transmission and distribution system, will then lease the T&D system to LILCO to operate. This will negate the probability of competitive power coming into this market for at least 15 years. Although LIPA will physically own the transmission and distribution system, LILCO will be the operator, precluding any benefits from competition that would help the ratepayers.

In taking over LILCO's 18% interest in the Nine Mile Point 2 plant, the ratepayers are taking on the liabilities of this turkey. This plant has been plagued with both mechanical and human failures. It is halfway through its projected useful life and will have to be decommissioned. The cost of decommissioning has been estimated at five times the cost of building a new nuclear power plant. It cost close to \$5 billion to build Shoreham. With this deal, LIPA (the ratepayers) would be taking on the potential liability of decommissioning the Nine Mile Point 2 plant.

The electricity produced by Nine Mile Point 2 is the most costly in the nation. Proponents claim the cost is 10.2 cents per kilowatt hour. Opponents say the real cost is 14.3 cents per kilowatt hour. LIPA will be obligated to buy 100% of LILCO's share of the power under the LILCO-LIPA deal.

Even if LIPA could buy power competitively at three or four cents per kilowatt hour, it will have to take 180

megawatts of this expensive power and turn away the cheap power from other sources.

If changes in technology reduce the demand for electricity and sufficient revenues are not raised from the sale of power, the deal gives LIPA (a public authority) the right to require Nassau and Suffolk counties to assess a tax in order to make up for the shortfall.

Nassau County will pay a lower rate for future electricity compared to Suffolk County. This will make Suffolk less competitive for jobs, business and industry. Real estate values will also be lower in Suffolk County because of the differences in costs for electricity.

All Suffolk towns will share an equal burden by paying for the certiorari suit even though Brookhaven was solely responsible and was the sole beneficiary from the overassessment.

Is this fair, just or equitable?

Proponents claim that this deal is the last best hope, but that is exactly what Cuomo told us about his deal.

We believe that our last best hope is the Public Service Commission, if it is operating and fulfilling its responsibilities to the ratepayers and not just to the utilities.

PSCs around the nation are disallowing utilities' "stranded" investments. A very strong case can be made to disallow the Shoreham asset. First, this asset never met the legal criteria of being "used and useful." By law, it should not have been allowed to be worked into the rate base.

Second, the Cuomo-LILCO deal allowed the Shoreham plant to be considered an asset for a three-year period. LILCO increased rates 5% per year during this time.

The balance of the 30 years covered by the Cuomo-LILCO agreement was not a contract. It was a guideline and an outline, but the PSC was not obligated to fulfill these terms. The PSC can rule that the ratepayers have more than fulfilled their obligations over Shoreham because they were assessed for the cost of construction during construction through Construction Work in Progress Payments (CWIP) and Financial Stability Adjustment (FSA) payments.

Shoreham was paid for by the ratepayers twice. It never met the criteria for being "used and useful" and, therefore, it is not chargeable to the ratepayers. But the ratepayers were never given credit, nor were these funds used to reduce the Shoreham debt. The PSC can rule against LILCO.

Is the governor pushing for this deal because he is not able to influence or extend the office of the governor to the PSC? The Cuomo deal was bad for the ratepayers, the Pataki deal is even worse.

Judge Stark's decision on the certiorari suit pertaining to the overassessment of Shoreham by Brookhaven Town is under appeal. *Suffolk Life's* Lou Grasso has studied Stark's decision and found



the decision wanting.

Stark's inclusion of a "probability factor" into his final award is highly questionable. Former PSC Chairman Paul Gioia, who fed LILCO special help with CWIP funds and FSA funds amounting to over \$3.6 billion, testified for LILCO, claiming there had been a very low possibility that the plant would get a license (it did!) or go into commercial operation.

That testimony by Gioia, who is now a member of the law firm representing LILCO in the tax certiorari suit, added to the financial impact of Stark's decision. It was wrong. Stark appeared to bend over backwards in favor of LILCO and a number of points that he ruled on are subject to challenge.

The appeal could go in favor of the town with proper legal representation. It is a crapshoot, but one that may be worth pursuing. If the appeal fails, Brookhaven Town and Suffolk County ratepayers face paying \$1.2 billion, plus additional interest.

In reality, under the LIPA deal, what we are doing is trading this \$1.2 billion award for \$7.2 billion in liabilities that, with interest, could run \$20 billion to \$22 billion.

Do you consider this good business? We don't.

We have raised numerous questions that LIPA officials have refused to answer. We have had to make assumptions based on known facts. *Suffolk Life* has presented these to you honestly and forthrightly.

Since you are the people who are paying the bills in the future, we believe you should be given an opportunity to express your opinions.

We ask every LILCO ratepayer to take a postcard or an envelope and print on the back a simple "Yes" or "No."

A "Yes" would signify your support for the deal. A "No" will signify you are opposed to the deal. If you care to make a comment for possible publication, please include a note or a letter inside the envelope. Please put your name and return address on the envelope and mail it to: LILCO/LIPA Poll, c/o Suffolk Life Newspapers, PO Box 167, Riverhead, New York 11901.

Please send your opinion in no later than this coming Sunday, May 11. We will compile the results and publish them in the paper in the edition of May 14. We will forward the results to Governor Pataki and all other interested parties.

You should have a say in what happens to your future.

And why not?

Stop the Clock, Stop the Pay

They stopped the clock in the Albany legislature at 11:59 on March 31, 1997. This technicality allows New York State government to continue even though there is no budget in place.

Last year, we did not have a budget until July. In the last decade, we have not had one budget on time. Both the Democrats and the Republicans use the pressure of passing a budget to wheel and deal on their favorite programs. This is not all bad. Last year, Pataki was able to force the Workmen's Compensation reform through that would not have been passed any other way.

School districts and local municipalities dependent upon state aid are forced

to borrow money to cover expenses until the budget is passed and funds due them are released. The taxpayers feel the pinch, shouldn't the legislators?

Governor Pataki, Assembly Speaker Silver and Senate Majority Leader Bruno should voluntarily agree to suspend their own pay until the budget is passed. These three men control the budget process. Maybe if the three of them felt the pressure of no money coming in personally, they might get off their duffs, act prudently and responsibly and get the budget done.

What do you think?

And why not?

WILLMOTT & WHY NOTS

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Is Rough Justice For You?

In an interview with *Suffolk Life*, LIPA Vice-Chairman Pat Foye described the rebates from the LILCO-LIPA deal as "rough justice."

LILCO owes the ratepayers close to \$2 billion. This money should be refunded to the ratepayers on a dollar basis, exactly the way it was extracted from them.

Under the LILCO-LIPA settlement, it is proposed that Suffolk County residents will receive a \$101 rebate, while Nassau County residents will receive a \$231 rebate. The total of these rebates comes to \$15 million, that's \$1.985 billion short of what LILCO owes the ratepayers. There is no explanation as to what will happen to the rest of the money. That's not "rough justice," it borders on being outright thievery.

Even the piddling sum that LIPA proposes to refund is done in a circumvented manner. Nassau residents will receive \$231, Suffolk residents will receive \$101 because of the certiorari suits.

Hold it, guy, this is plainly unfair.

The Shoreham-Wading River School District received approximately 50% of the excess taxes. Brookhaven Town received about 25% and Suffolk County and the special taxing districts surrounding Shoreham received the rest.

Brookhaven and the Shoreham-Wading River School District benefited from the majority of these excess taxes. If justice is to prevail, they should be proportionally responsible for this liability. Where is the fairness in asking the other nine towns to assume the same liability as Brookhaven if they did not receive the benefit?

Supervisor Peter McGowan of Islip has been asking these questions, "Why should Islip Town residents have to pay higher electrical rates for Brookhaven's mistake? Why should our electrical rates be noncompetitive in comparison to Nassau?"

McGowan proposes a trifurcated formula, with Nassau receiving a refund and the nine towns in Suffolk receiving less than Nassau, but more than Brookhaven. He further states that future electrical rates should be

based on the same formula. It was refreshing to hear McGowan speaking out.

The deafening silence from other Long Island town supervisors is frightening. More upsetting is the total muteness coming from the Republican assembly and senate majority. Don't they have any questions? Don't they have any opinions? Have they all fallen in step behind the governor? Are they all marching to the same orders?

The Republican table is supposed to be a big table, wide open, embracing all philosophies. Don't our assembly people and senators realize the implications of this deal? Are they only concerned about getting reelected next year and not what the deal will do to Long Island for the next 30 years?

This is not a political battle, this is an economic battle.

As we outlined in previous editorials, the LILCO deal will cost every ratepayer a meter fee of \$61 per month, \$732 per year, for the next 30 years to pay off the cost of the bonds. This amounts to a \$21,960 lien against your house.

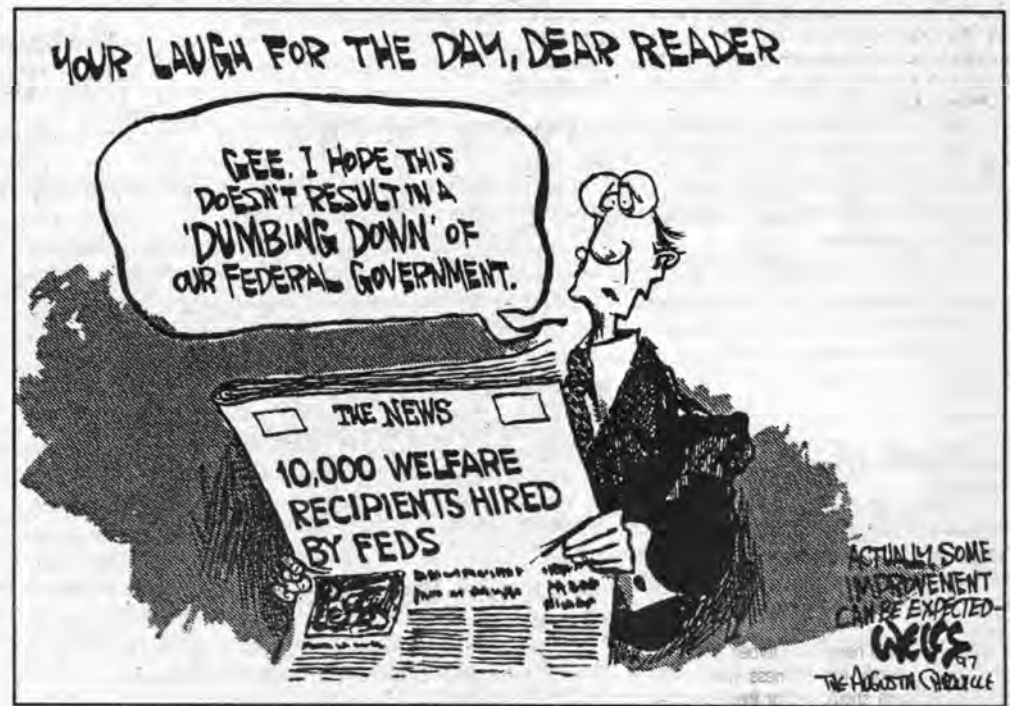
We doubt very much if many of our politicians would be standing around with duct tape covering their mouths if it wasn't for the ramifications of the second certiorari suit that has a potential liability of \$1.3 billion.

In effect, what those who are keeping their mouths shut are doing is trading this \$1.3 billion liability for a \$20 billion to \$22 billion liability over the course of 30 years.

We can't see how this will benefit the ratepayers and it may well bring down the Republican party on Long Island if it does not wake up and shape up.

The public will not stand for being sold out by politicians who lack the will or the foresight to fight back. We don't need "rough justice" on Long Island, we must have honest representation. Elected officials with the courage to fight from a position of knowledge, with the determination to fight for the average guy, who is just a bystander and who will be expected to pick up the bill.

And why not?



Lazio Vs. The Welfarers

Congressman Rick Lazio worked long and hard in developing a fair housing bill that would reform the 60-year-old, broken, public housing system.

One of the key provisions of the Lazio bill was that those who are receiving public housing assistance would be required to spend a limited number of hours each month doing community service work.

This seems fair and reasonable.

Unfortunately, this provision has come under attack by Congressman Jesse Jackson, the son of the civil rights activist. Jackson compares Lazio's work for benefit provision as involuntary servitude—slavery, if you will.

Jackson does not believe that people should have to contribute or work for their benefits.

Many public housing projects become slums almost overnight. They become littered with filth and graffiti. The public, which has made the investment to helping the poor and the working poor, is disgusted.

Lazio, in his bill, is attempting to make those benefiting from subsidized housing become accountable to their community. By contributing a few hours a month, they collectively could form neighborhood watches and clean-up crews, giving each other a sense of pride and responsibility.

What's wrong with requiring those who are receiving to give a little of their time in return?

We do not believe that Lazio meant to encumber the ill or the disabled. His bill would affect able-bodied men and women who are old enough to work and should be required to help keep their environment safe and clean.

Jackson is trying to make a name for himself. His father's shoes are pretty big to fill. Jackson shows promise as an outstanding congressman, but he should pick his fights more carefully.

Lazio has worked long and hard on this bill and he deserves praise, not criticism.

And why not?

Other State Representatives

State Senators

MARTIN CONNOR (D) 518-455-2701

KENNETH P. LaVALLE (R)

(P) 516-696-6900 (F) 516-696-2307

JAMES J. LACK (R)

(P) 516-360-0490 (F) 516-360-0420

CAESARTRUNZO (R)

(P) 516-360-3236 (F) 516-360-3386

OWEN H. JOHNSON (R),

(P) 516-669-9200 (F) 516-669-9007

CARLMARCELLINO (R)

(P) 516-922-1811 (F) 516-922-1154

State Assembly Members

PATRICIA ACAMPORA (R)

(P) 516-727-1364 (F) 516-369-38

FRED THIELE (R)

(P) 516-537-2583 (F) 516-537-2836

DEBRA MAZZARELLI (R)

(P) 516-447-5393 (F) 516-447-1870

STEVEN ENGLEBRIGHT (D)

(P) 516-751-3094 (F) 516-751-3082

PAULE HARENBERG (D)

(P) 516-589-8685 (F) 516-589-2947

ROBERT C. WERTZ (R)

(P) 516-724-2929 (F) 516-724-3024

THOMAS F. BARRAGA (R)

(P) 516-422-1321 (F) 516-422-6085

PHIL BOYLE (R)

(P) 516-665-0125 (F) 516-665-0125

JOHN J. FLANAGAN (R)

(P) 516-261-4151 (F) 516-261-2992

JAMES D. CONTE (R)

(P) 516 271-8025/(F) 516A24-5984

ROBERT K. SWEENEY (D)

(P) 516-957-2087 (F) 516-957-2998

Voice Your Opinion

If you are unsatisfied with the proposed LILCO-LIPA deal, contact the three elected officials who will have the final say on this issue:

Governor George Pataki (R)
Executive Chamber, The State Capitol, Albany, NY 12224, (518) 474-8390.

Joseph L. Bruno (R), Senate Majority Leader, State Capitol, Room 909 LOB, Albany, NY 12247, (518) 455-3191.

Sheldon Silver (D), Speaker of the Assembly, Room 932 LOB, Albany, NY 12248, (518) 455-3791.

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violations of agency requirements. The NRC stated, "Identified during NRC inspections conducted between October 7 and November 30, 1996, the violations fall into two main areas: the failure to identify and/or correct several adverse quality conditions, and the failure to maintain appropriate design controls."

Additional problems have been recorded at Nine Mile Point 2 as well. In December of 1994, the plant was shut down during an "unusual event" to investigate a water leak in the containment area. The shutdown came when the rate of the leak increased during a 24-hour period from one gallon a minute to four gallons a minute.

Another instance brought headlines in upstate newspapers when a discharge of about 1,000 gallons of a clay mixture into Lake Ontario that threatened to pollute the lake's waters.

Yet another "unusual event" and forced shutdown came as the result of malfunctioning governors in both backup diesel-powered generators. The backup generators are required to supply power to the reactor cooling system and other key equipment in case the main electrical source at the plant goes down, it was reported.

As to the cost of power generated at the plant, LIPA claims that cost is about 10 cents per kilowatt hour (KWH), while a group representing independent power providers estimates it at 14 cents per KWH. Considering the fact that the current glut of power available brings a price of 4 cents per KWH on the open market, where is the economic sense of locking Long Island into an upstate nuclear plant with known problems and a cost of 10 cents per KWH for its power?

There is an option, as we suggested in a *Suffolk Life* editorial last week. The New York Power Authority (NYPA) has already expressed interest in buying Nine Mile plants 1 and 2, and other nuclear plants in the state as a means of cutting costs and improving efficiency. NYPA already owns a nuclear power plant (Fitzpatrick) adjacent to the Nine Mile plants. Governor George Pataki should direct NYPA to buy Nine Mile Point 2, freeing Long Island from the potential liability of future problems at the plant and giving us the opportunity to buy power from the open market at a much lower cost.

LIPA asserts that *Suffolk Life* was wrong in stating that since Nassau will pay a lower rate than Suffolk, Suffolk will be less competitive for jobs, business and industry, and real estate values will also be lower in Suffolk because of the difference in costs for electricity. LIPA claims the LIPA plan will prevent massive property tax increases in Suffolk County, and the difference in rates would not put Suffolk at a disadvantage.

Homeowners and businesses take a look at the cost of utilities before they make a purchase. It is a competitive factor and it affects the purchase price, and the Suffolk County Legislature has come up with an alternative plan that will save

the ratepayers almost a billion dollars.

LIPA notes *Suffolk Life* believes that Judge Stark's tax certiorari decision is "wanting" and should be appealed, and that our statement "The appeal could go in favor of the town with proper legal representation. It is a crapshoot, but one that may be worth pursuing," is wrong.

LIPA exclaims: "To suggest that these taxing jurisdictions pursue a "crapshoot" appeal, when the LIPA plan offers a certain and positive solution to Brookhaven's tax certiorari dilemma is not only the height of arrogance, it's the ultimate in economic foolishness."

Sounds like we hit a nerve on this one. If an appeal proved to be successful, or if the appeal results in a reduced award, LIPA would lose its "financial devastation looms" weapon to push this deal.

Yes, we feel the decision handed down by Judge Thomas Stark is wanting. If it were based solely on assessment decisions by the town assessor at the time, there might be room for argument. But it wasn't.

A portion of that decision was based on testimony by former PSC Chairman Paul Gioia, who claimed that at various times during the assessment process Shoreham had a small chance, at times no chance, of ever going into commercial operation. This "probability factor" played a part in reducing, in Stark's decision, the assessed value of the plant.

Yet, all during the period Gioia claimed the plant had little chance of ever operating, he was granting (through

the PSC) CWIP funds and FSA funding, which enabled construction to continue, in the amount of \$3.5 billion. Why?

Gioia at the time of that testimony was a partner in the law firm that was representing LILCO in the certiorari suit. Thus, he was testifying as a witness on behalf of his own firm's client, responding to questions asked by fellow law partners. Does anyone smell a credibility problem here?

Yes, we feel an appeal has merit and a potential for success. LILCO Chairman William Catacosinos, according to testimony he offered in Albany at a State Assembly hearing on the deal, had some concerns about the appeal. When asked why he agreed to settle \$625 million on a reported \$1.2 billion award, Catacosinos said because the court decision was likely to be appealed. You never know what will happen on an appeal, he added. About \$400 million of that money is a claim by LIPA as a refund of Payments in Lieu of Taxes (PILOT) funds.

Talking about economic foolishness, as LIPA charged, it also should be noted that Suffolk officials have proposed an alternate financing plan to the LIPA deal. That plan, as reported in *Suffolk Life* last week, would save \$696 million over LIPA's plan to offer certiorari refunds, in cash and rate reductions, to non-Suffolk ratepayers. A second scenario of that plan, which would include the same payments to both Nassau and Suffolk ratepayers as proposed in the LIPA plan, could save \$603 million over the LIPA plan.

Two things come to mind: If LIPA had reached out to local jurisdictions in the

making of its proposed deal, instead of rushing to put together a politically motivated document, even greater savings might have been realized.

And, if that large savings can be realized in just one segment of the plan, what potential for savings, or put another way, what needless spending, exists elsewhere in this proposal which will require the largest bond issue ever in the nation?

There's a lot of money involved in the LILCO-LIPA proposal, millions upon millions, perhaps billions, to be made in commissions, legal fees, lobbying charges—money that will undoubtedly find its way back in the form of political contributions in the future from grateful recipients. Lots of money to be made, but, unfortunately, lots of money to be paid by the ratepayers.

One final note: In last week's LIPA ad criticizing *Suffolk Life*, the very last line quoted a rather famous proverb: "Where there is no vision, the people perish."

This proverb also just happens to be the logo (at the top of its editorial page) of Long Island's daily newspaper monopoly which receives a large-volume energy discount through LILCO and has consistently supported that utility's monopoly in Suffolk and Nassau. Now, that paper is helping to push through a public utility monopoly supplied exclusively by LILCO.

Are these corporate monopoly strings so tight that this portion of America has no further need for fair competition?

And why not?

LETTERS TO THE EDITOR

No Way!

Dear Editor:

As far as the LIPA/LILCO deal is concerned—no way!

The rates may come down a little bit, but the length and amount of the buy-out is unconscionable. Especially the ridiculous idea of ratepayers taking on the liability of Nine Mile Point 2.

It seems to me we have already bailed out the stockholders with the Cuomo settlement. Now they must share a large part of any deal which shall be consummated.

Catacosinos and the others who received huge bonuses at a time when ratepayers are struggling to pay their utility bills is obscene. That must be reversed. And why not?

Alexander J. Pepenecca
Commack

Forced To Move

Dear Editor:

After living on Long Island all our lives we find that we will be forced out when we retire. Outrageous school taxes and ridiculous LILCO rates make it impossible for us to stay in our home, which we worked hard all our lives for.

We will be forced to leave our families behind—or relocate them all.

This is not fair. This is not just.

My vote is "no," "no" as in "no" more.

'Leaving'
West Babylon

Corporate Welfare

Dear Editor:

I vote "no."

The LILCO/LIPA deal is the spineless political expediency at its worst and the biggest corpo-

rate welfare scheme in history.

Perhaps we should elect Catacosinos to the governorship.

Daniel A. Martin, DMD
Wading River

It's A Turkey!

Dear Editor:

As a resident of Brookhaven in Suffolk County, I feel we are already over-assessed and assessed unfairly. To think that LILCO, who was accused of racketeering and got away with it, will now dump this turkey in our lap and walk away with a sweet deal is terrible.

Where is the justice for the taxpayer. Where are our representatives and why are they keeping quiet. The taxpayer is the sacrifice again.

I vote "no" for the LILCO/LIPA deal.

Mrs. Mario Costa
Brookhaven

Can't Remember?

Dear Editor:

The governor, the Suffolk County Executive and the LIPA board all act like they we LILCO whatever it wants.

Whether there are bribes or blackmail involved—we can only suspect at this time. What seems certain is that everyone but you and Paul Herenberg have forgotten the long term interests of the ratepayers.

Donald W. Huszagh
Bayport

Strange Bedfellows

Dear Editor:

I would like to go on the record and declare my opposition to Governor Pataki for his reelection if he continues to occupy the same bed as Cata-

cosinos.

Please tell me, Mr. Willmott or Mr. Grasso, is there any way to get the people of Long Island off their you-know-whats-its and make a stand against these robber politician/utility executive. I hope the people of Long Island wake up and do something before it's too late.

Alan Evans and Family
Saint James

LIPA Deal Stinks

Dear Editor:

My family opposes this deal.

Why should we pay for Nine Mile Point 2 when we are paying for Shoreham—which we did not vote for!

This deal smells rotten to the ratepayers of Suffolk County. As you stated, Shoreham was paid for by the ratepayers twice!

We oppose this deal. We must be allowed to vote—for it or against it—not officials who do not even live on Long Island.

Please tell all our elected officials to voice a "no" opinion to Governor Pataki.

Additionally, the PSC does not serve the public when the members are appointed by political factions. The PSC officials must be voted out of office—and soon!

Debra and John Gilroy
Nesconset

Better Than A Lawsuit

Dear Editor:

Your April 23 editorial claiming that the proposed LIPA/LILCO transaction will add a meter fee" of \$61 per customer is a gross mischaracterization.

First, there is no "meter fee." Every utility, including LILCO, has fixed costs which are allo-

cated among its customers. It is unclear how you derived a \$61 per month fee, but the fact is, absent the LIPA transaction, every rate payer will continue to pay the fixed costs of the LILCO system, including the cost of Shoreham. The LIPA transaction reduces that fixed cost compared to what the ratepayer pays today by about \$20 per month for the average residential customer, or approximately 240 per year, or about \$450 million annually. Those are fixed costs which are eliminated, forever.

The choice is fairly simple—keep the status quo or reduce what you have called a "meter fee" by \$20 per month for the average residential user.

Alternatively, Long Island can try the Public Service Commission approach, as has been attempted in New Hampshire. The day after the New Hampshire Public Service Commission announced its plan to write down the Public Service of New Hampshire stranded investment, the action was stopped in court by a restraining order—the beginning of years of litigation. That fact was not mentioned in your editorial.

Regarding the RICO lawsuit, you are correct that if the judge had upheld the jury award and if he had imposed treble damages, the ratepayer would have been owed \$2.4 billion. However, the judge rejected the verdict and LILCO and the plaintiffs settled for \$400 million. The LIPA transaction accelerates the RICO payment to put those dollars into customers' hands sooner in the form of a lump sum rather than pennies per month until 2002.

The LIPA plan has certainly—rate savings that Long Island ratepayers can take to the bank. Doesn't that benefit ratepayers more than lawsuits? And why not?

Richard M. Kessel, Chairman
Long Island Power Authority