THE SENATE
STATE OF NEW YORK

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July 29, 2015

Audrey Zibelman, Chair
NYS Public Service Commission
Three Empire State Plaza, 20th Floor
Albany, NY 12223

David M. Daly, President/COO
PSEG, Long Island
333 Earle Ovington Boulevard
Uniondale, New York 11533

Julia Bovey, Director
NYS Department of Public Service, LI
125 East Bethpage Road
Plainview, NY 11803

John McMahon, CEO
LIPA Corporate Office
333 Earle Ovington Boulevard, Suite 403
Uniondale, New York 12223

Hon. Kathleen Burgess
New York State Department of Public Service
Three Empire State Plaza
Albany, New York 12223

Dear Ms. Zibelman, Mr. Daly, Ms. Bovey, Mr. McMahon and Ms. Burgess:

We are writing to express our opposition to the most recent rate plan requests from PSEG-LI. We are, first and foremost, concerned about the potential negative impacts the proposed rate plan will have on homeowners, businesses, and local governments in our region, especially since many homeowners and businesses on Long Island, like in all parts of the State, are still struggling to recover from the most recent economic recession.

In addition, we are also very concerned with the current management of the LIPA debt levels and how this will affect ratepayers down the road. The reduction in the overall debt levels of LIPA that were expected after the implementation of the LIPA Reform Act of 2013 have not been realized and therefore continues to place upward pressure on already high rates.

We ask that LIPA and PSEG-LI respond to this letter, in a timely and comprehensive manner, and to the issues we are calling into question regarding various aspects of the power system on Long Island.

PSEG-LI Proposed Rate Plan

Earlier this year, PSEG-LI proposed a four percent, three-year rate increase on Long Island. The proposed rate plan is the first rate increase on Long Island in three years as a result of the rate freeze in the Reform Act. We are concerned with the size of the proposed increase and do not believe that the magnitude of such a request has been sufficiently justified given the already high rates. Ratepayers on Long Island simply cannot afford these increases. A greater effort needs to be made to reduce costs, increase efficiencies, and reduce other existing pressures on rates, such as LIPA's debt level.

Just as troublesome is the proposed "automatic cost recovery" mechanism. LIPA has, for many years now, been granted automatic pass-through for energy supply charges. The Reform Act also granted another unprecedented pass through: Utility Tariff Bond charges. But recently, PSEG-LI and LIPA, subsequent to the original rate proposal, are now requesting automatic "cost recoveries" for expenses not granted to any other utility in the nation. These costs include unrealized debt refinancing savings, costs of labor negotiations, interest on variable-rate debt, taxes on LIPA owned properties, or other property for which LIPA agrees to provide assessments (currently in tax grievance proceedings), and any other costs imposed by new laws, regulations or court decisions. Of course, the determinate of what these costs would be seems to be none other than LIPA / PSEG-LI. We find it hard to see how any of these requested automatic rate adjustments serve the public interest, and encourage LIPA and PSEG-LI to hold down costs and operate as efficiently as possible.

We are also following with great interest the revenue "decoupling" proposal that LIPA has recently adopted. We understand that some of the impetus for revenue decoupling has been the interface of Utility 2.0 with the REV proceedings emanating from Albany. However, we believe there has been a general lack of information and clarity about potential impacts on certain ratepayers, especially senior citizens and the disabled. How the mechanism for delivery service adjustments would actually be implemented is just not well explained.

LIPA's Management of their Debt Levels

As stated above, our most immediate concern is the rate increase request and its effects on Long Island ratepayers. However, no discussion of potential rate impacts is sufficient without PSEG-LI and LIPA providing greater clarity with respect to plans for progress in the areas of LIPA's debt levels.

The LIPA Reform Act of 2013 directed a transition to an independent operator and established a mechanism to reduce legacy debts that are a significant burden to LIPA and PSEG-LI. It was anticipated that a reduction in debt levels, not service costs, would result in an actual decrease in LIPA's and related entity's debt. However, LIPA debt levels have in fact risen from the $6.9 billion level we were provided in 2013, to a proposed $8.6 billion level by 2018. The Legislature did not agree to the creation of the Utility Debt Securitization Authority merely to allow LIPA to refinance existing debt. The goal was to rein in LIPA's overall debt to reduce pressure on rates.

In conclusion, as representatives of this region, we believe that protecting ratepayers must be the priority in any plan moving forward. The current rate plan request from PSEG-LI is neither in the short nor long term best interests of our constituents. We request an immediate response to our concerns, an extension of the comment period and further hearings by the LI-DPS to allow the above stated issues to be considered and resolved. This is the first time that rates are being addressed under the LIPA Reform Act and how this procedure is conducted will set the precedent for future rate proceedings. This process must be done with utmost transparency and deference to the ratepayers of Long Island.

Sincerely yours,

Kenneth P. LaValle
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John Flanagan
2nd Senate District

Thomas D. Croci
3rd Senate District

Phil M. Boyle
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