

COUNTY OF SUFFOLK



OFFICE OF THE COMPTROLLER

JOHN M. KENNEDY, JR.
Comptroller

October 19, 2015

Honorable Ralph Suozzi, Chairman
Long Island Power Authority Board of Trustees
Earl Ovington Blvd.
Uniondale, N.Y.

Re: PSEG-LI Rate Increase Proceeding
File # 15-00262

Dear Chairman Suozzi:

I write to you today, as the Chief Fiscal Officer of the municipal corporation known as the County of Suffolk in relation to the above referenced rate increases request on the part of PSEG-LI. **On the behalf of the 1.5 million residents, the 580,000 real property owners, and all who have an interest in the wellbeing of Suffolk County, I ask that you reject the Department of Public Service (DPS) Recommendation, and that further, you suspend the review proceedings at this time, to allow for further examination of the impacts of this request.**

As you are well aware, the LIPA Reform Act (LRA) significantly altered the operations model for the utility, placing greater authority and budget functions within the hands of the selected operator, PSEG-LI. Along with the alterations of the operations structure, the operator would now become subject to the review of the newly created Long Island Office of the New York State Department of Public Service.

The process that has ensued , from the initial PSEG-LI filing in January , to the 175 page DPS recommendation concerning the whole of a complex , mutli faceted rate application has been intense, and involved, with many pages of memorandums, briefings, testimony and review. Much has been identified by PSEG-LI as to projected rates of line trimming, potential enhancements from automated metering, an accelerated rate of pole inspection, treatments and replacements, and continuation of alternative energy initiatives, including solar power and other alternate sources, but one basic element continues to remain elusive, undetermined, and quite frankly, far too vague: What is in this \$300 million plus increase that is an actual benefit for the general public? After 10 months of toil, in sum and substance, there appears to be little, if any real additional benefit those ratepayers will receive, in exchange for higher bills. What will the impact to the over 200,000 Suffolk County residents age 65 and above be, in contrast to

a flat monthly Social Security payment and probable increases in Medicare premiums for 2016 ? A full 14% of Suffolk County's population falls into this category. Those residents living in the 5 west end towns of Suffolk will most assuredly be impacted with a 3% property tax increase in Police District taxes. Recent polls of County residents express real concerns about the cost of living for residents at all levels of income and age, here in Suffolk.

Add to this climate that Suffolk County paid approximately 28 million dollars for power consumption in 2014, and further, advanced approximately \$10 million more on the behalf of Suffolk County Department of Social Services clients, only a portion of which was ultimately reimbursed, some 6 to 9 months after payment. Hence, even at the somewhat reduced rates recommended in the DPS report, Suffolk County will still see increases in utility payments in the third year that exceed \$1 million dollars. We were most recently advised of a likely \$51 million dollar shortfall in the sales tax collections, and have most recently sustained a downgrade in Bond ratings by Standard & Poor's. Neither Suffolk County, nor its residents can afford any increase in rates, let alone the magnitude of the increases endorsed by DPS.

Among the many aspects of this rate request that remain somewhat unclear, most troubling is the sentiment expressed by some LIPA trustees that they are presented with no opportunity to vote yes or no on the request. If that is so, then this is not a true Board of a Public Authority. If there is no independence with the Board of the Public Authority, then the recently received IRS ruling upholding the tax -exempt, quasi-public nature of UDSA becomes questionable as well.

Equally disturbing is the endorsement by DPS of the requested 3% per annum salary increase for PSEG-LI management employees over the duration of the rate plan. A 9 percent salary increase in a 36 month time period by virtue of an adopted rate increase is excessive, and once again, takes no credence of the realities under which many rate payers must live.

I urge the Board to reject this request, convene its own hearing process, review what has been presented, and make the request one that works for all, not just the utility.

Thank you for the opportunity to be heard.

Sincerely,



John M. Kennedy Jr.
Suffolk County Comptroller