

December 14, 2022

To: Legislative Commission

Re: The Future of the Long Island Power Authority

Those of us who have jointly signed this letter are members of local Advisory Committees for Town of Southampton (TOS) who meet regularly to discuss issues and opportunities in our respective hamlets of Water Mill and North Sea. What follows is an example, we believe of financial mismanagement, for which we seek a solution that will hopefully come, as a result of the commission's investigation.

LIPA Management Oversight Is Lacking. For example, a corridor of residents between Southampton Village and Bridgehampton, pay a special assessment calculated on usage, referred to as the Visual Benefit Assessment (VBA). LIPA's handling of the VBA points to the need for independent oversight:

In 2020, Water Mill Citizens Advisory Committee (WMCAC) for TOS uncovered serious irregularities with how LIPA was calculating the charges associated with the VBA, a usage-based fee to cover the cost of burying half of the approximately 8 miles of transmission lines in our local communities.

In 2008, LIPA proposed installing massive 60' steel poles to carry transmission lines connecting the Southampton and Bridgehampton sub-stations. The plan was flatly rejected by the residents because the downing of just one of those huge poles would have endangered a hurricane escape route and because the poles would have been a blight in the middle of farmland preserved by TOS for the scenic viewshed. LIPA and TOS agreed to the solution of sharing the cost of burying the transmission lines among a subset of TOS ratepayers. Since 2008, the VBA fee for burying the lines appears on monthly PSEGLI bills for those affected.

TOS also agreed that VBA ratepayers would cover the cost of any eventual VBA unpaid by residents. An annual accounting of those charges as well as an annual accounting of VBA revenue versus the amortized loan cost was to be provided annually to TOS, but such was never done until the WMCAC investigation.

LIPA's VBA Overcharging for Unpaid Accounts. The requested LIPA accounting for the unpaid charges revealed that LIPA has been charging ratepayers in the VBA for the entire amount of the unpaid bills by customers, not just for the amount of the VBA override. These charges to TOS for non-payment, including supposed non-payment on the electricity accounts of both TOS and Southampton Hospital, have clearly been misrepresented and inflated, and to date have not been corrected.

LIPA's VBA Overcharging for Interest. It was a surprise to learn that LIPA was charging interest on the undergrounding expense which was never mentioned in the contract between LIPA and TOS. LIPA was charging ratepayers 6% on top of the cost of installation; that doubled the length of the expected term. At some point LIPA refinanced their debt at a lower rate, but the savings were never passed along to the VBA ratepayers, resulting in LIPA making a profit for years on the back of ratepayers.

LIPA's Lack of Transparency. It is unclear when LIPA actually refinanced their interest to a lower rate, however it is very clear that but for the investigation by WMCAC, none of this potentially improper LIPA dealing would have come to light. (LIPA since has made a reduction in the length of term of the loan to reflect this serious overcharge of \$2 million.)

LIPA has proven itself to be a questionable partner with a disinclination towards transparency. The residents of our community should never need to be responsible for uncovering the irregularities of LIPA.

Therefore, we the undersigned urge the committee to establish an accountable and representative multi-stakeholder Board that includes, in part, the direct election of members from ratepayers residing within equally apportioned districts within LIPA's service area. This is to ensure a democratic and autonomous public electric utility system.

Moreover, independent oversight is critical. Albany's Department of Public Service or an independent body needs to have the authority to issue Orders for which LIPA must comply. Ratepayers should have the ability to identify operations, and contracts such as the VBA agreement with Southampton, that should be targeted for audit by outside accounting firm.

Respectfully,

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