

**SUBMITTED WRITTEN TESTIMONY FROM
THE LONG ISLAND ASSOCIATION**

BY MATTHEW COHEN, PRESIDENT & CEO

**TO THE LEGISLATIVE COMMISSION ON THE FUTURE OF LIPA
Public Hearing**

September 20, 2023

The selection of the future operating model for our region's electric utility is a critical decision that will impact Long Island's economy for generations.

Since the inception of the Legislative Commission on the Future of the Long Island Power Authority ("LIPA Commission"), the position of the Long Island Association ("LIA") has remained consistent and resolute: we will support the construct that is demonstrated to be in the best interest of the region's ratepayers. In furtherance of that goal, we have repeatedly requested a fair and thorough examination of all models – including the current public-private system and privatization – in addition to full municipalization which the LIPA Commission focused on primarily. Without independent and impartial financial projections for each model, it is simply unfeasible to conclude the truly best option for residential and commercial ratepayers.

While we commend the time and effort of the LIPA Commission's staff, its efficacy has been hindered by being forced to start the process with a predetermined outcome – a singular governmental entity in charge of the electric grid for the more than three million people in the service area traversing Nassau and Suffolk Counties, and the Rockaways in Queens. The first consultant hired by the LIPA Commission devised a study that relied principally on data supplied by LIPA (which has been publicly vocal in its support of the municipal model), largely ignored or gave insufficient regard to potentially helpful information from additional experts, and unsurprisingly recommended full municipalization.

After firing their first consultant, the second consultant retained by the LIPA Commission used the same data to reach similar conclusions as the initially retained consultant, lacking a deep dive that should have been required in light of the first consultant's questionable credibility. While we have no doubt LIPA and the LIPA Commission shares the LIA's and everyone's interest in providing Long Islanders with the electric utility they deserve, the fairest process would not simply focus on one model, dismissing the others without sufficient examination. But we need to get it right. This decision is too important.

The LIA has previously provided the LIPA Commission with a report from Lazard Ltd., which evaluated the benefits and considerations related to a privatization of LIPA, and the other ownership and operating models. As part of its assessment, Lazard benchmarked the business and performance metrics of LIPA, including in comparison to relevant regional peers. Lazard's analysis was also based upon LIPA's financial disclosures, and other publicly available data and industry benchmarks.

Lazard's analysis indicated that a privatization of LIPA into an investor-owned utility (which is the standard model for the majority of electric utilities throughout the United States) could fund a sizeable "Public Benefit Trust" (of approximately \$5 billion dollars after full repayment of LIPA's existing debt), focused on long-term rate stabilization, economic development or any number of other much-needed public works projects on Long Island. Such benefits of privatization would far exceed the municipalization cost savings (based on LIPA's projections, including the staff needed to effectively run the utility, which have yet to be adequately proven) estimated by the consultant retained by the LIPA Commission.

As a privately-owned entity, LIPA would have enhanced access to capital, talent, and processes needed to undertake needed investments focused on climate resiliency and to comply with New York State energy policy objectives. Importantly, as a private entity, LIPA would be subject to full oversight by the New York State Public Service Commission (PSC) and, furthermore, could be organized to have a charter that obligates it to support local stakeholders, economic development, and the energy transition on Long Island.

We have three choices: privatization, municipalization, and a continued public-private partnership but perhaps with some key modifications. Long Islanders have seen the least amount of evidence that a municipal model would be in the best interest of ratepayers, as Lazard's report and other experts have persuasively shown that both privatization and the current public-private system offer compelling benefits.

This outcome could affect the region more consequentially than any other for decades to come; perhaps since 1911 when the PSC approved the operation of the Long Island Lighting Company, commonly known as LILCO. The LIA has not yet endorsed any of the three alternatives, but is considering what is best for Long Island, and we urge the LIPA Commission to do the same and avoid a hasty decision that may not be in the best interest of residential and commercial ratepayers.

Sincerely,



Matt Cohen
President & CEO
Long Island Association