

New York State Senate
Committee on Investigations and Government Operations

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Testimony of
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&
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Honorable Chairman Marcellino and other senators here today, I would like to thank you for the opportunity to address this committee on the very important topic of the future of the Long Island Power Authority.

I have so much that I would like to say on this topic, that I decided to take all of my written comments that might be regarded as background or addressing lesser issues, and put them at the end of my testimony, assuming that they can be part of the record although I will not get to them during my oral testimony. With that said, I will start with the main question that this committee is considering, namely: what should be the future of LIPA?

Before I begin, let me state that I of course do not speak here today as an official representative or officer of the Long Island Power Authority, but instead, I speak as an individual who is an appointed, volunteer member of the LIPA board of trustees.

ServCo

My suggestion for the future of LIPA starts with the structure that was unanimously approved by the LIPA Board of Trustees after extensive study and analysis by the Board and the LIPA executive team with the assistance of the Brattle Group (Report, October 2011). This model is a much-improved version of the current hybrid model. I find it very frustrating that many people insist on saying that the proposed ServCo business model is no different than the current structure that LIPA operates under. Unfortunately, the media coverage of this issue failed to explain how ServCo would improve on the current structure.

It was easier for people to just present the debate as primarily a choice between two extremes: either all private, or all public. When neither extreme was picked, the narrative presented to the public was that the board essentially voted to do nothing, basically maintaining the current model. The media has done a disservice to Long Island because the option that offers what I regard as the best solution for the future, is the option that is the least well known, and it has not been presented in a manner to facilitate a fair debate.

I hope that today we can start to change the debate and allow this option to get fair consideration.

I want to be absolutely clear that I am not here today to say that the old structure of LIPA should be maintained going forward. I absolutely respect and support all those who call for reform of LIPA, I simply believe that the ServCo model is the best reformed model that could be implemented along with other reforms I will suggest today.

As described by the *Brattle Group*, ServCo is designed to be a dedicated and self-contained subsidiary that is comprised of employees, systems, and resources that are dedicated to LIPA-related activities. ServCo is transportable, which gives LIPA leverage in working with the contractor chosen to oversee day-to-day operations, as LIPA will have the option to move the subsidiary in its entirety to another entity, or another service provider. The ServCo model addresses several functional problems experienced under the current MSA, in addition to issues related to storm restoration.

In my opinion, ServCo presents the opportunity to get the best of both worlds of public power and privatization. With ServCo Long Island will retain public power, with a publicly appointed board that controls policy, adopts budgets and sets out to achieve high standards of investment in the system to promote high reliability. The Board will not be driven to increase profits by selling more electricity, and instead can focus on the most cost-effective option of promoting energy efficiency. LIPA has, over the last decade, established itself as a leader in New York State and nationally in promoting efficiency and renewables. Under ServCo, this can continue. Local control over the significant investments (over \$120 million annually) in clean energy will be retained by LIPA. The board will also not be tempted to

cut service or system improvements in order to increase profits, or to make system investments in order to qualify for rate increases.

With public power and the ServCo business model, LIPA will continue to qualify for low interest municipal bonding rates, and for FEMA reimbursement for major storms. Also, as a not-for-profit, LIPA does not pay income taxes and can qualify for certain sales tax exemptions. And finally, no payments will be made to shareholders.

Of course, it has been well reported that the Brattle Group estimated that all of these different savings could result in as much a 20% lower rates under ServCo as compared to privatization.

ServCo also captures the best benefits of a private utility without the downside of selling the system off to a private company. With ServCo, LIPA will benefit from the talent, expertise and experience of the managers of a major private utility who will be providing a service under contract for a specific time period (10 years).

From my perspective, the privatization option is by far the worst of the three. During the lengthy analysis that the trustees engaged in before reaching a unanimous decision in favor of ServCo, the key factor that helped persuade me was the issue of risk of change.

First, there are many aspects of the operations of the LIPA system that are currently entwined with the National Grid gas business. It would be easier to consider full municipalization (or privatization) sometime after we break free of the current entangled business model. The talents and expertise of the PSEG managers are tremendous assets to LIPA to assist with this critically complicated transition.

The second and more vital factor to consider is that LIPA is in desperate need to upgrade its computer systems. If you consider all the upgrades that will be necessary in the coming years, the costs could be in the several hundreds of millions of dollars. There are municipalities around the country that have set out to purchase major computer systems and encountered many expensive difficulties. There are no guarantees that we will not experience similar problems with our computer upgrades, but having the expertise and experience

of the PSEG and Lockheed Martin managers to oversee those complicated upgrades substantially reduces those risks.

It should be pointed out, that today you will hear from the head of the Suffolk County LIPA Oversight Committee. He has been someone who over the years was very critical of previous contracts that may have been adopted without competitive bids. However, during all the time I have been on the board, all of the contracts considered by the Board went through a thorough, competitive process. In the case of the contract with PSEG, the team that reviewed their bid scored them very highly. Their performance record of high customer satisfaction is impressive.

In my opinion, the LIPA Board of Trustees has done an excellent job of adopting a much improved business model and choosing a highly qualified company to carry out operations under the new system.

I would like to point out that the Moreland Commission, in their Interim Report, did not consider the ServCo model as one of the three possibilities when evaluating options for the future of LIPA.

The Bifurcation Problem

Although I disagree strongly with the conclusions of the Moreland Commission Interim Report, I did write in the margin of the report “good point” in the section where they discussed how the bifurcated nature of the LIPA and National Grid hybrid model is *“simply unworkable in the context of a storm event.”* (Page 17.) In my opinion, there is no problem with LIPA being the lead brand under day-to-day, or what are called “blue sky” conditions. The point that I agree with however, is that during an emergency presented by a major storm, LIPA should remove any potential bifurcation problem by simply directing the contractor to communicate directly with the public and thereby removing any potential communications bottlenecks.

During the lengthy process of developing and evaluating the ServCo model, the board of trustees discussed the idea that the new contractor would be responsible for communicating with the public, holding press conferences, sending out press releases, emails, social media updates, and maintaining the outage map during major storms. That is why I was surprised when I read on page 26 of the Moreland

Commission Interim Report that under the contract with PSEG, *“the bulk of the owner-manager relationship remains the same.”*

At the last meeting of the LIPA Board of Trustees, I referred to this conclusion in the Moreland Commission Interim Report. I explained how it was inconsistent with what I understood as the plans for how the new structure would work starting January 2013, and I asked that our general counsel research the issue and provide the board with an explanation at a future meeting. She told the Board she would look into it. Since that meeting, I have come to learn that although the Moreland Commission may have reviewed the contract with PSEG, they did not review the Contract Administrative Manual.

The reason for this is that the transition is ongoing and the Contract Administrative Manual has not yet been drafted by the parties or adopted by the board. Our general counsel intends for the details on the arrangement of how communications will be handled during a major storm to be the type of thing that does not belong in the contract, but will instead be addressed in the Contract Administrative Manual.

Since that meeting, Long Island was hit with a blizzard. During the blizzard, the contractor – National Grid, took the lead on communicating with the public. The structure followed during the blizzard seemed to be a good test of how to solve the bifurcation problem during a major storm in the future, and the test went very well.

Misaligned of Interests

There are other important reasons that the ServCo model is the best future structure for delivering electricity to the people of Long Island. These other reasons may have nothing to do with storm response issues, but could still prove very import to Long Islanders and could go a long way to addressing the low customer satisfaction ratings that plagues LIPA. Under the current MSA, LIPA and its contractor have interests and incentives that are misaligned.

For example, when the LIPA board approved what would prove to be a very popular program called the Small Business Direct Install (LIPA

pays 70% of the cost of efficiency lighting in small businesses in areas with load pockets where LIPA will need to make expensive upgrades to the grid if demand is not reduced) it took a very long time (approximately 2 years) to get the program running because of difficulties in working out an agreement on certain factors with its contractor under the MSA. This, despite the fact that a third party company called Lime Energy won the bid to carry out the program.

Another, even more vital example, involves the LIPA call center that is run by the contractor. LIPA would like people to have a good experience when they make a call, but the contract can return more profit to its shareholders if the call center completes more calls more quickly with fewer people being paid.

In my opinion, a significant factor in LIPA's low customer satisfaction ratings is due to bad ratepayer experiences when more than a million calls are made to the call center every year. Under the ServCo model, the contractor will not have an incentive to cut corners on the number of people working in the call center as part of the budget for the subsidiary, because their payments (or profit) will not go up by implementing such cuts. The quality of the call experience will be more important than speed.

Under ServCo, LIPA and its contractor will have their interests and incentives in alignment.

The Case for Dismantling LIPA Has Not Been Demonstrated

I believe that it was a monumental task and a herculean accomplishment to restore power after Superstore Sandy, and that there is no fact-based assessment that demonstrates that the time it took to achieve restoration was in anyway a failure. **The Moreland Commission Interim Report does not contain any analysis of the facts, comparison to other storms or other utilities, or any metrics whatsoever to demonstrate that LIPA's rate of outage restoration after Sandy was a failure that warrants privatization.** Understanding that every storm is different and that even the same storm can have vastly different impacts in different communities makes it a challenge to conduct comparisons of storm restoration

rates. The media often relies upon the simple comparison of the number of homes and businesses that were without power (as reported on utility websites) and how long it took to restore power, but I would like to suggest that the better comparison for major storms is to compare the number of repairs that needed to be made.

For example, with Hurricane Gloria in 1985, it took approximately 11 days to restore power by completing approximately 9,000 repairs. Superstorm Sandy required approximately 40,000 repairs, and 99.5% of outages were restored in 14 days. If LILCO were still running things, and restored power after Sandy at the rate they did after Gloria, then it could have taken about 45 days to achieve power restoration. Irene required 19,000 repairs and took 9 days to restore. If Sandy restoration was achieved at the pace that Irene was achieved, it would have taken about 19 days to restore power. In neither Gloria nor Irene, were there storm surge or a second storm (snowstorm) in the middle of the restoration efforts, both of these factors made Superstorm Sandy significantly more difficult. Based upon the tremendous number of repairs required for Superstorm Sandy— perhaps the most impactful storm to hit Long Island in modern history, and the flooding and additional snow storm, I stand by my assessment that the rate of restoration was a tremendous accomplishment and certainly not a failure that demonstrates a need to tear down the LIPA structure in favor of privatization.

The other major complaint was that LIPA failed to communicate effectively during the storm restoration efforts. On this point, I certainly agree that a much better job needs to be done in the future, but my research informs me that there is not a single utility in the Country that could have provided people with accurate ETRs (estimated time of restoration) with a storm that caused anything approaching the level of damage that Sandy caused. I understand that other utilities in New York and New Jersey were also criticized for poor communications after Sandy; this problem was not unique to LIPA. We live in a time of instant communication and the public therefore has an expectation that information should flow freely even in the worse crisis, but until our electric grids have been converted to smart grids (and perhaps even then), it will remain very difficult to give people accurate estimates when the number of outages exceeds the range of 150,000 to 200,000.

Reliability

Next I would like to address the claim that the LIPA system was essentially falling apart when the storm hit explaining the extensive damage. This claim is also completely false. Let me state for the record what no newspaper has mentioned in their coverage of these issues after Superstorm Sandy, that at the time the storm hit, **the LIPA grid was either the single most, or among the most reliable systems in New York State** (for any above ground utility). This claim by me is based upon established metrics that are regularly reported to the LIPA Board of Trustees. I have brought with me 20 copies of a PowerPoint handout from the LIPA trustee meeting of May 24, 2012 (and if the Chairman deems it appropriate, I would like to make it a part of the record). You can see on slide 7, that LIPA was ranked number 1 in NYS for 3 of these major reliability metrics for Dec. 2011 (SAIFI - System Average Interruption Frequency Index, CAIDI - Customer Average Interruption Duration Index, and SAIDI - System Average Interruption Duration Index).

I mentioned that I read many Facebook postings and it is true that there were more than a few statements by people who had spoken with linesmen and tree crews from out-of-state who made negative comments about the LIPA grid. My opinion on how those criticisms can be reconciled with the high performance on the reliability metrics is that first, the comments were being reported second or third-hand, and secondly the comments had more to do with the design of the system than with its upkeep. For example, LIPA's grid is older than is the case in many other suburbs. With our grid, the wires run out from substations like spider webs going through back yards, rather than just running along roadways as many other/newer grids were designed. This makes it more time consuming to repair the LIPA grid as repairs need to be made behind homes and buildings and it is more difficult for repair crews to snake around streets tracking down breaks in the wires. It is also the case, that many trees grow very close to LIPA poles and this is not permitted by some utilities in other areas.

In the last decade or so, LIPA has invested billions in improving the LIPA grid. I have been told by people who formerly worked for LILCO that there is no comparison to the condition of the grid today to what

was maintained by LILCO. Bob Catell, the former president of Keyspan Energy had frequently said at meetings that he regarded the LIPA grid as a “gold-plated system,” due to the investments made to improve it.

Flood Surveys

A major motivating factor in the criticism of LIPA during Sandy restoration was due to issues involving the need to survey tens of thousands of homes that were flooded by the storm surge.

First let me acknowledge, that when Sandy hit, there was no plan in place for how to ensure that electric repairs were completed up to code before homes were repowered in order to avoid fire risks. I can tell you that in the three years that I witnessed the hurricane drills, there was never any mention of what to do if a storm surge left homes in need of internal electrical repairs and surveys or inspections before the homes could be repowered. I agree that this was in part a failure of planning by LIPA, but it was also, and significantly more so, a failure of planning by local municipalities. Simply stated, it is the responsibility of local government, not a utility to conduct inspections **inside homes** to ensure that electrical work is done up to code standards.

Notably, in the City of Long Beach, and the Rockaways (that are part of the City of New York), there was coordination and the local governments fulfilled their responsibilities in conducting flood surveys. In the other areas, after much consternation, LIPA stepped in, authorized the hiring of the people necessary to walk house-to-house to conduct tens of thousands of surveys, which were conducted in approximately 6 days so that homes could be repowered without the risk of fires. The issue of flood surveys was a contentious issue in creating difficulty and bad feelings between LIPA and local municipalities, but even the Moreland Commission acknowledged that LIPA acted in a way that is consistent with utilities throughout the Country by first claiming that the need to inspect or survey electrical circuits inside homes is not usually a utility’s responsibility, but instead is a job for local government.

Other Reforms Board Appointments

My proposal for reform starts with the ServCo model, but it does not end there. I also believe that there is a perception of an accountability issue with the current structure where all of the trustees are appointed by the leadership in Albany. I therefore believe that local governments should have an opportunity to appoint people to the LIPA Board of Trustees. I believe that each County Executive and the largest towns on Long Island should have seats on the board. The smaller towns, the villages and the two cities should have shared appointments that are rotated. (The exact number and formula to be determined.)

During emergency planning and storm restoration efforts, an important part of what LIPA needs to do is ensure coordination with local governments for tree clearing from roads and other functions. By giving local municipalities on Long Island a direct say in appointing some of the voting members of the board, this coordination could be greatly enhanced.

Unified Emergency Response Under OEM

I also believe that the annual hurricane drill that LIPA holds should be held at the two County Offices of Emergency Management (OEM) and LIPA should be more clearly integrated into the functioning command structure of the OEMs. In my opinion, both County OEMs performed well during Superstorm Sandy, and it makes sense to build upon what worked. The OEMs are well equipped with communication capabilities that can be relied upon during storms or other crises, and I therefore believe that working with them is a good way to improve communications during the next major storm.

MOUs

After Tropical Storm Irene, LIPA implemented several reforms designed to improve coordination with local government to accomplish tree removal and other goals. (Some of these reforms were recommended by the Senate.) When Sandy hit, LIPA instituted twice-daily municipal calls. There are now discussions about perhaps having more than one large call, since there are so many municipalities on Long Island and people on the north shore have different questions and issues than those on the south shore (Suffolk vs. Nassau, etc.) Another change was the assignment of

approximately 100 workers by LIPA to local governments to assist with downed wires to speed up tree clearing from roads.

In my opinion, more can be accomplished by developing formalized Memorandums of Understanding (MOU) to be adopted by LIPA and LI municipalities that should anticipate a specific series of different contingencies, set out responsibilities and should be enforceable. While this may appear complicated to develop, a good starting place for review is the extensive transcripts of the daily Muni Calls that were compiled. With the right resources, these transcripts could be reviewed; the key issues identified, and the MOUs could then be drafted.

PSC Review

Lastly, I think the issue of PSC review is simply not the big deal it has been made out to be. The state should simply make LIPA subject to the PSC going forward. I don't see any reason for LIPA to seek a rate increase that is unwarranted, so if it requested a rate increase, there should be good cause. If the rate increase is denied, then it was not justified.

Background and Other Issues

By way of background, let me briefly mention my work experience, and then I will review my individual role as a LIPA trustee as it relates to the events surrounding Superstore Sandy, and finally my views on some of the claims and the facts as they relate to the Superstore Sandy restoration efforts.

By training and education, I am an attorney. I ran an environmental protection organization (the Neighborhood Network) for approximately 20 years before being hired for my current job as the executive director of the Sustainability Institute at Molloy College (beginning January 2009). The Sustainability Institute integrates concepts of sustainability into the academic life of Molloy College and serves as a core resource on environmental stewardship to help ensure a sustainable future for the larger Long Island community. Top priorities for Sustainability Institute team include: fighting to curb global warming, promoting clean energy and green jobs, advancing safer alternatives to toxic pesticides, preserving open space, and

supporting smart growth. I am also an adjunct faculty member at Molloy College and I teach (Intro to Sustainability) in the Political Science Department.

Board of Trustees

I was appointed to the LIPA Board of Trustees on December 16, 2009. My appointment runs to August 31 of this year.

In the last few years, the LIPA Board of Trustees took on a number of significant tasks and made a series of important decisions. For example, the trustees approved -- significant increases in the annual budget for the Efficiency Long Island program, completion of the contracts for the solar array at BNL (Brookhaven National Labs), the largest solar project in the eastern US, and the solar carport projects in Suffolk County, launching the Small Business Direct Install Program, closing two old inefficient power plants, restructuring of the LIPA business model into the ServCo model (which I have discussed), re-bidding the Management Services Agreement or MSA (currently with National Grid) into what is now called the Operations Services Agreement (OSA) with PSEG, a newly revised Power Purchase Agreement with National Grid for the power plants that they own and operate (which also sets in motion the engineering analysis for the repowering of some of those plants), the first Feed-In-Tariff (FIT) in New York State for 50 MW of commercial solar projects, and the Board did not make a final decision, but voted to narrow the choice for one potential new power plant down to two competitive choices.

The last few years have been a very active time for LIPA trustees. I am someone who came to the board as an activist who was sometimes critical of LIPA's operations, but I must say that any claim the LIPA board has been unable to make difficult or important decisions is completely unfounded.

My comments today are greatly informed by my effort to be fully engaged in gathering information in many different ways regarding the Superstorm Sandy restoration efforts.

In the days before Sandy hit I sent an email to the Board Chairman and General Counsel requesting that the trustees receive regular

briefings during the storm restoration efforts. This had never been done before; there was a need to be sure to comply with the Open Meetings Law, and to ensure that while the trustees wanted to be engaged, we also did not want to micromanage. The chairman made the decision to schedule nightly phone briefings for the trustees, and keeping with the law, it was made clear that these phone calls were not meetings, no decisions were made, but instead they were held to provide information and answer questions. My notes indicate that we held our first trustee briefing on October 29th and the last on November 13th.

In addition to the daily trustee briefings, after the first several days of the storm restoration efforts, I also started listening in on the twice-daily municipal calls (referred to as the Muni Calls). Another way I kept informed during this time was by visiting the LIPA Storm Center Headquarters in Hicksville on Sunday October 28th, November 4th, and November 11th. On my last Sunday visit, I stayed for more than 7 hours in order to sit in on group meetings, muni calls, briefings, and I also met individually with some of the executive staff. I was also active on social media, reading hundreds of posts on Facebook from both people I know and many more I did not know about their experience with the restoration efforts, and in some cases posting my own comments.

I would like to organize my remaining comments as responses to some of the other issues and claims that I have heard or read about regarding LIPA's performance during the storm restoration efforts or about LIPA in general.

Storm Preparation

To begin with, some have claimed that LIPA was not prepared for the storm. I believe this claim is completely unfounded. On October 25, 2012, LIPA held a Board of Trustees' meeting where several important items were voted on. This meeting was on the Thursday, four days before the storm hit (on Monday). Once the meeting was over, many of the trustees gathered around COO Michael Hervey who had an iPad that he was using to show the different potential tracks for the storm. There was a very serious tone to the discussions. Mr. Hervey and other staff were explaining that the weather forecasts were difficult to assess because this storm was

unique in several ways. This was before anyone used the word “superstorm.” I witnessed our COO issue an order that all LIPA staff were to cancel days off and plan to work long days, every day, for the duration of the storm restoration efforts. He also issued an order requesting a large number of mutual aid crews. I left the meeting with a sense of foreboding that something very serious was about to happen to Long Island.

I remember speaking with Mr. Hervey on either that Friday or Saturday night. I left a message for him and expected to speak the next day, but instead he called me right back. He was still in his office and it was approximately 9 or 10 PM. We spoke for about an hour. When I visited the storm center the Sunday before the storm hit, I saw people working hard doing everything they could to prepare for what was coming.

Some have also claimed that LIPA was unprepared from the perspective of long-term planning. I believe this is also completely untrue. Before I became a member of the LIPA Board of Trustees, I was for three years, a member of the Major Storm Review Panel. In that capacity I sat in on the annual hurricane drill that LIPA holds each July. I can tell you that from my experience, those drills are very extensive and clearly reflect a utility that takes storm preparation very seriously.

I would like to say a word about the LIPA staff. I can’t recall ever reading anything positive about the people (approx. 97) who work for LIPA and how hard they worked during the storm restoration efforts. When I visited the storm center I saw professionals who were working hard. On the last of the three Sundays that I did site visits, I clearly noticed the hours were taking a toll; people were bleary-eyed. They had gone more than two weeks (at that point) without a day off and they were working 12-hour or as much as 16-hour days. The salaried employees worked these long hours, without receiving overtime pay, and without being able to handle the challenges that their own families were experiencing because of the storm, and they did it as professionals. I did not hear a single person complain.

Poles

There was a rumor that LIPA had run out of poles. As other trustees and I read about this on Facebook, and then in the press, we asked Mr. Hervey during our briefings and he assured us that there was absolutely no pole shortage. Nevertheless, I sent an email saying that I wanted to see the poles. That Sunday when I visited, Mr. Hervey put me in a truck and we drove around the yards seeing dozens of piles of poles and other key supplies. I took pictures and posted them on my Facebook page.

Trees

There was also a claim that LIPA had reduced the budget for tree trimming, and had a policy to allow branches to grow closer to power lines (6 feet) than is the case with some utilities, and that these two policies had contributed to the severity of damage caused by the storm. Trustees asked about this during our briefings. Mr. Hervey pointed out the obvious, over 4,200 poles were broken by the storm not because branches got too close to wires, but because trees completely fell over onto those poles. How closely tree branches are trimmed near wires made no difference, but it is also untrue that tree trimming funds were cut. At a public meeting, in response to a question by me, the CFO indicated that LIPA budgets about \$17 million annually for trees.

Regarding trees, it should also be mentioned that Long Island has a maturing urban forest of trees that in many cases seem to all be aging and reaching the end of their lifespan at about the same time. It was reported at a recent meeting that Sandy knocked down 600 trees in the Bethpage State Park alone and in all the State parks on Long Island perhaps 5,000 trees came down, this suggests that the number of trees that fell in areas where power lines and poles could be affected must have been in the many, many thousands. These numbers provide some perspective on the scale of damage that Superstorm Sandy inflicted.

LIPA Rates

LIPA is often said to have among the highest rates of any utility in the country. Yet, the Brattle Group study of reorganization options also looked at the rates issue and found that the aspects of LIPA's rates

that LIPA can control are actually right in the middle of rates by other utilities.

Comparing LIPA rates to utilities in other parts of the country that get power from burning coal is unfair. Coal is cheap and dirty. Comparing LIPA to the rates of other public power companies is unfair since LIPA pays hundreds of millions in property taxes, and payments in lieu of taxes, for all of the substations, power plants, etc., across LI. State law mandates this, and if LIPA did not make these payments, then taxes would go up in the communities where these facilities exist. Comparing LIPA's rates to the rates at small public power utilities in Freeport, RVC and Greenport is also unfair since they get low cost hydroelectric power from upstate that LIPA does not get, and they don't pay property taxes.

Debt

It is often suggested that LIPA is severely hamstrung because of the Shoreham Debt. It is frequently mistakenly stated that LIPA carries \$7 billion debt that came from the ill-fated decision by LILCO to build Shoreham, and that no progress was made in paying off that debt. However, in the years since LIPA began, it has reduced the Shoreham debt to approximately \$3.5 billion. The Moreland Commission agrees with these numbers. The total debt has remained at about \$7 billion because in addition to leaving LIPA with a huge Shoreham debt, LILCO also left LIPA with a system that was in desperate need of upgrading. Billions have been investing in improving the system. The debt should also be kept in perspective; other utilities also carry very high levels of debt. LIPA is managing its debt and paying very low interest rates that are only possible because it is a public, not-for-profit utility.

LIPA pays more in property taxes than it does in debt payments.

Conclusion

In conclusion, I believe there is a strong basis to believe that the ServCo business model approved by the Board of Trustees and the State will deliver the best results for Long Islanders who want reliable, affordable electric service that is delivered by a corporate structure well design to respond to major storms and to advance public policy goals such as being a leader in promoting energy efficiency and

renewable clean energy. I also believe the ServCo model can be further enhanced by giving local government officials who work with LIPA the ability to appoint trustees, by unifying emergency planning and responses by LIPA with the existing offices of emergency management, but adopting MOUs to establish clear agreements for tree clearing from roads, and lastly, by subjecting LIPA to PSC review.