



## FINANCE

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# Taxation without generation

## LIPA to go to court to lower its bills

By CLAUDE SOLNIK

National Grid's power plant in Glenwood Landing for many years was emblematic of Long Island energy, its 140-foot-tall stacks as close as Long Island gets to skyscrapers, scratching their identity into the clouds.

A 200-megawatt, steam plant built in the 1920s that was anything but picturesque, the plant for decades was a key part of the region's energy supply, keeping power flowing across Long Island.

National Grid reduced the site's capacity to generate electricity by 64 percent, while taxes fell only 27 percent from \$23 million to \$17 million, doubling the tax rate per megawatt from \$74,000 to roughly \$150,000.

Long Island Power Authority CEO Thomas Falcone at a recent LIPA Board meeting said the plant today has "essentially no output," although it generates quite a bit in tax revenue.

LIPA says that plant generated 3,000 megawatt hours and ran 0.3 percent of the time in 2017, essentially remaining unplugged nearly all year long.

"The situation with the property taxes at the steam legacy power plant site in Glenwood Landing is particularly egregious," according to LIPA's 2017 study titled "Property Tax Reduction Efforts."

The Long Island Power Authority, which is responsible for that plant's taxes, under an agreement with National Grid and due to legislation, even though it doesn't own it, is doing what nearly anyone would do faced with rising taxes: It's challenging them.

While many people bemoan the region's high electric bills, LIPA says one key reason for sizzling electric costs is expensive payment in lieu of taxes for this and other decades-old plants that often are rarely used.

But after years of paying hundreds of millions in taxes for old plants, LIPA is now seeking to shrink these tax bills, including for Glenwood Landing.

The result is a massive, billion-dollar tax battle, a virtual tax-Armageddon, in which LIPA argues it's seeing payments in lieu of taxes or pilots (they aren't technically taxes, since LIPA is tax exempt) soar for plants it doesn't even own.

Municipalities argue they have the right to set and collect pilots based on agreements to let the plants be built and operate, which they say remain in place regardless of how much they are used.

But a big power play is in the works as communities and LIPA lock horns in a Titanic tax fight that involves electricity, education and Long Island's history.

The cases involving the E.F. Barrett in Island Park, Glenwood Landing, Northport and Port Jefferson generators were filed in



Photo by Judy Walker.

**KYLE STROBER: A court case could lead to a compromise, resolving a battle over property taxes.**

2010 and have been kicking around in the courts ever since. A trial date is set for June 11 in New York State Supreme Court in Nassau County.

The Nassau tax challenges are in front of Judge Anthony Marano and in Suffolk the tax challenges are in front of Judge Elizabeth Hazlett Emerson.

"The court puts pressure to have both sides sit at the table and negotiate in good faith without one side feeling they don't need to," said Kyle Strober, executive director of the Association for a Better Long Island. "We're hopeful to have money set aside by the state for a phased down settlement between municipalities and LIPA which doesn't shock the affected taxpayers."

The situation is more singular since LIPA is a tax-exempt state authority, in theory shielding it from paying a penny in taxes. The LIPA Act, which created the authority, said LIPA would be responsible for payments in lieu of taxes, keeping cash flowing into school districts around the plants.

Communities argue LIPA should keep a promise to pay, while LIPA says it's questioning assessments in keeping with its policy to "challenge excessive payment obligations."

### Hidden taxes

While Long Islanders often bemoan big electric bills, LIPA argues hidden taxes are a key reason rates are among the highest in the nation, second only to portions of Hawaii. As LIPA sees it, rising property taxes on aging power plants are a burden for more than 1 million ratepayers.

Long Island has been paying off the more than \$6 billion in debt related to the Shoreham nuclear power plant, which was shut down, leading to the demise of the Long Island Lighting Co.

But less attention has been paid to billions in taxes still being paid by LIPA for LILCO's old, now little used power plants, which were transferred to KeySpan and then National



Glenwood Plant Before Decommissioning

Taxes on 200 MW steam plant + 114 MW gas turbines ~ \$23 million



Glenwood Plant Today

Taxes on 114 MW gas turbines ~ \$17 million

Photos Courtesy of Long Island Power Authority

**GLENWOOD'S SOFT LANDING: The Glenwood Landing power plant before and after demolition of a steam plant built in the 1920s, still generates a big tax bill.**

Grid, which acquired them.

LIPA points out that only half of a customer's bill goes to buying electricity, with nearly as much going to taxes, interest and reducing debt, increasing the cost of life and business on Long Island.

LIPA pays about \$535 million annually or 15 percent of its total customer electric bills to cover property taxes, slightly less than the 17 percent to transport electricity. Customers pay an additional 9 percent of their bill to reduce debt – largely the legacy of Shoreham – and the same amount for interest.

"We're putting a large percent of our resources into taxes, much more than is typical in New York and the rest of the nation," Falcone said. "We have to scrutinize every cost category. Over the next 10 years, we'll spend more than \$2 billion on property taxes for four power plants."

LIPA pays about \$280 million in taxes on its own property, including the transmission grid, but also shells out another \$190 million for the four National Grid power plants responsible for about 3,000 of its 6,000 capacity.

It pays only \$16 million – less than 10 percent of that – in taxes for other plants, which are far more widely used than the old plants.

Ordinarily, new construction pays higher property taxes than old, but not in this case. Caithness, a 350-megawatt power plant, built in 2009, and Northport produce about 2.5 million megawatt hours a year.

Caithness, however, is assessed for under \$10 million in property taxes compared to Northport's roughly \$80 million

The authority expects taxes for the oldest, least used plants to rise to above \$200 million this year, towering higher even after some stacks have tumbled.

"We have to be fair to everybody," Falcone said. "We have to be fair to the communities that host our infrastructure and the 1.1 million customers."

### The school tax

LIPA's board says excessive assessments on four plants benefit a small number of