



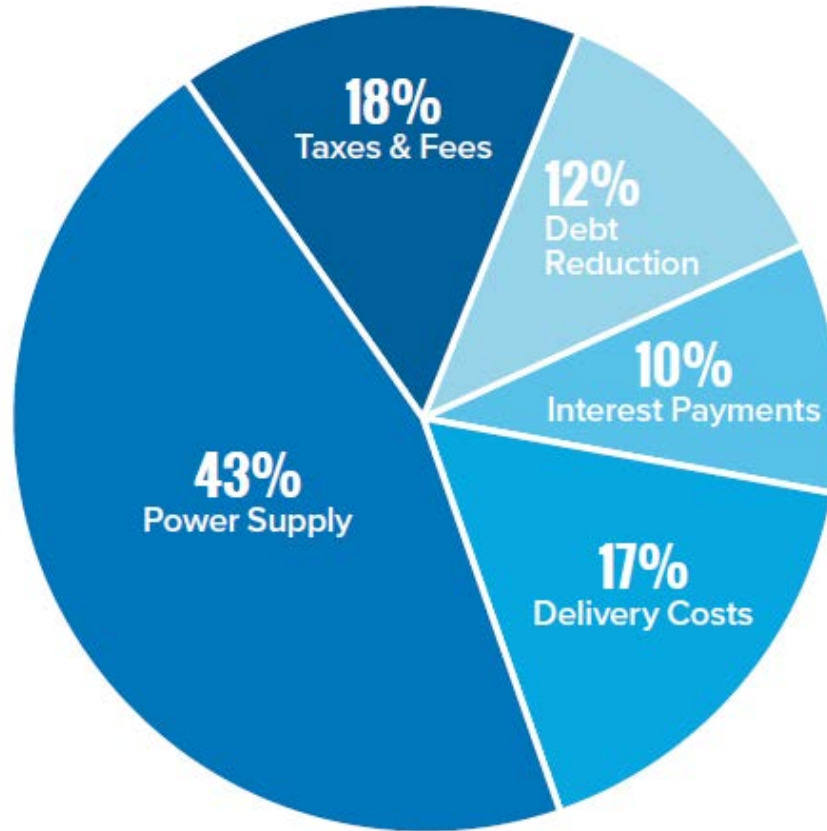
# Board Policy on Taxes and PILOTs

May 20, 2020

# YEARLY COST TO CUSTOMERS

In 2020, taxes, pilots and fees total 18% of customer bills, which includes \$184 million in property tax payments for four legacy power plants

Taxes are 18% of Customer Bills -  
3x National Average

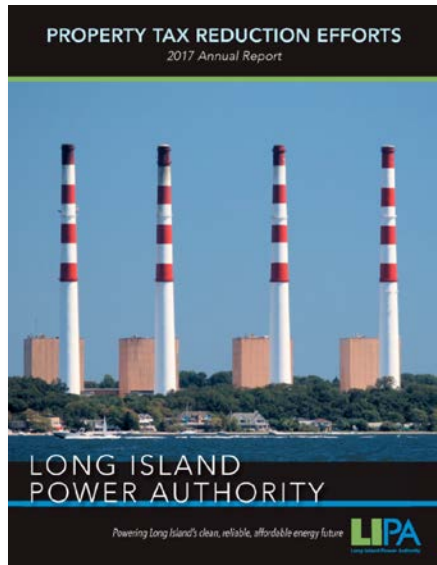


# BOARD POLICY ON TAXES AND PILOTS

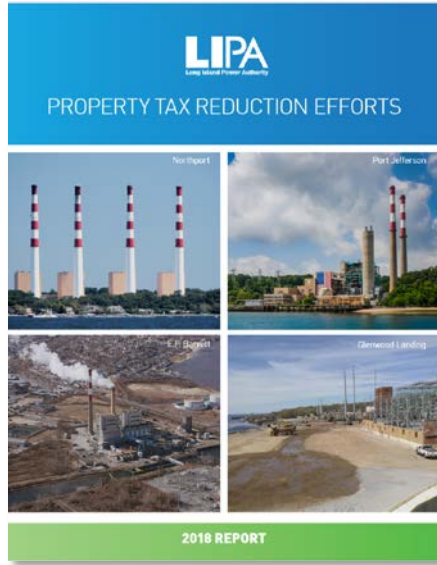
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- Pay only such taxes, payments in-lieu-of taxes (PILOTs), assessments, and fees as are required by law or by agreement to reduce excessive cost for customers;
- LIPA to avail itself of the lawful right to challenge excessive tax assessments and payment obligations to minimize the cross-subsidization of taxpayers in some taxing jurisdictions by LIPA's customer-owners in other jurisdictions; and
- Inform customers of the burden of taxes, PILOTs, assessments, and fees in their electric bills.

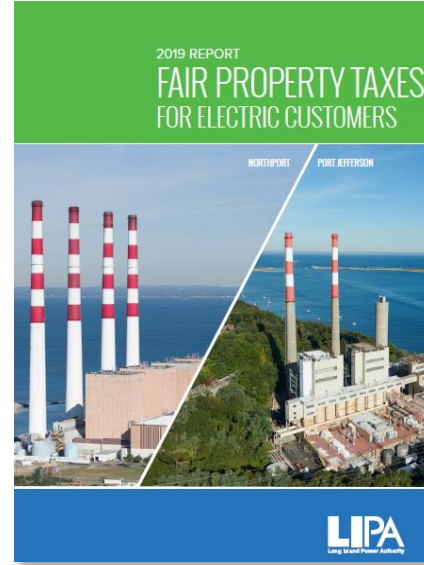
# TRANSPARENT COMMUNICATION TO EDUCATE CUSTOMERS



2017



2018

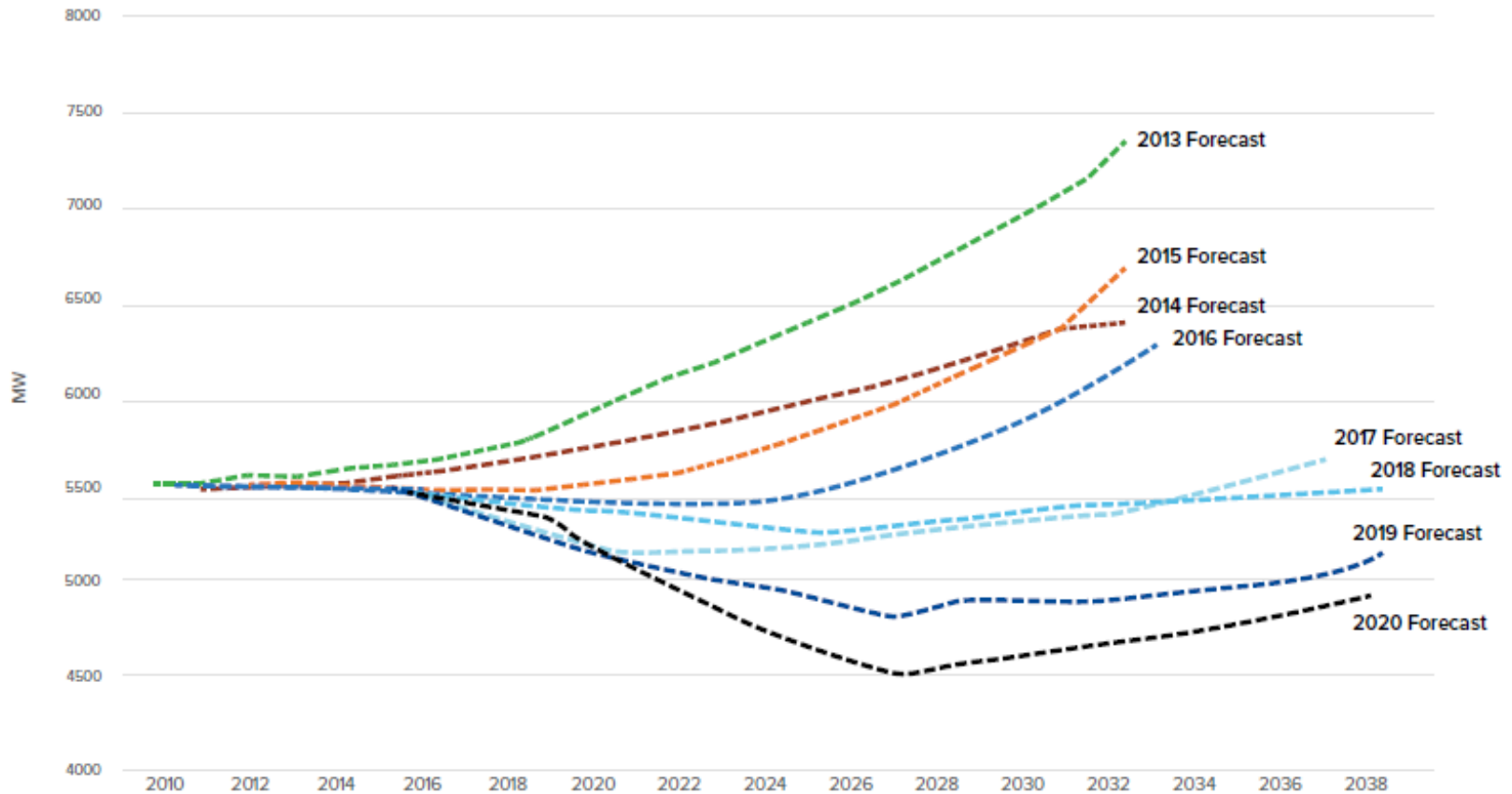


2019

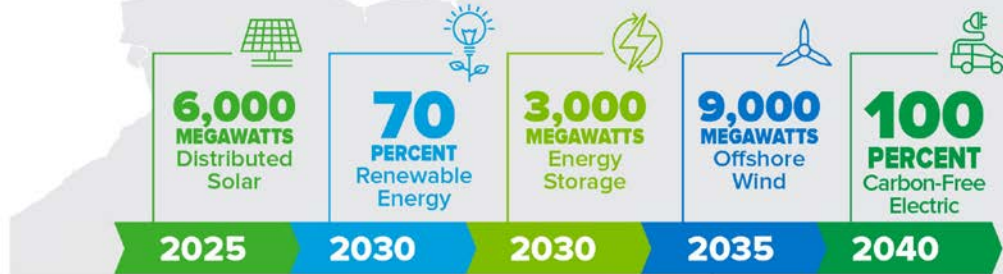


2020

# LONG ISLAND PEAK LOAD CONTINUES TO DECLINE



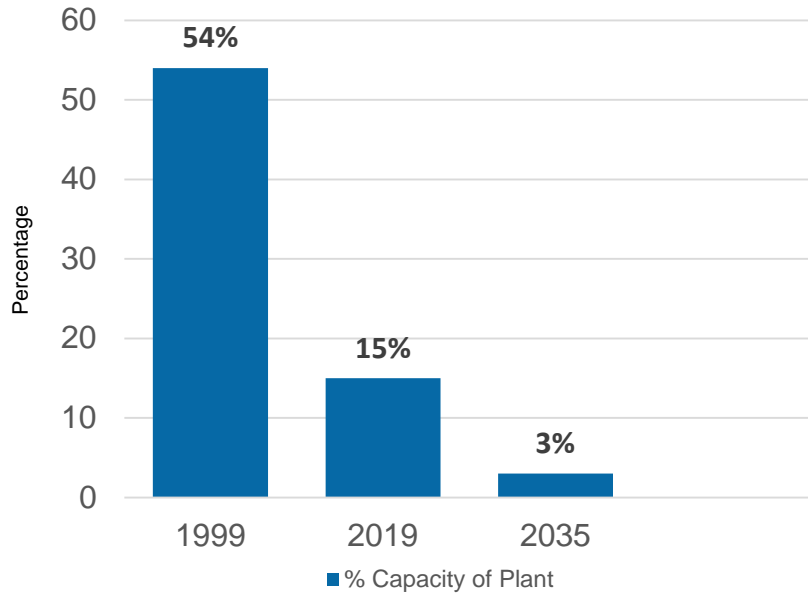
# MEETING NEW YORK'S CLIMATE GOALS



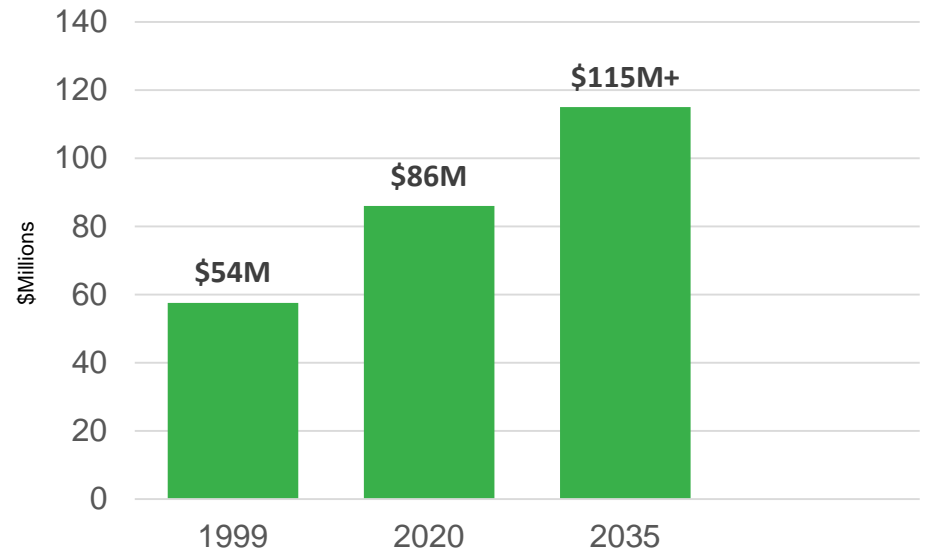
# ENERGY PRODUCTION VS. TAXES

Since 1999, production on the Northport Power Station is down 72%, but taxes are up 49%

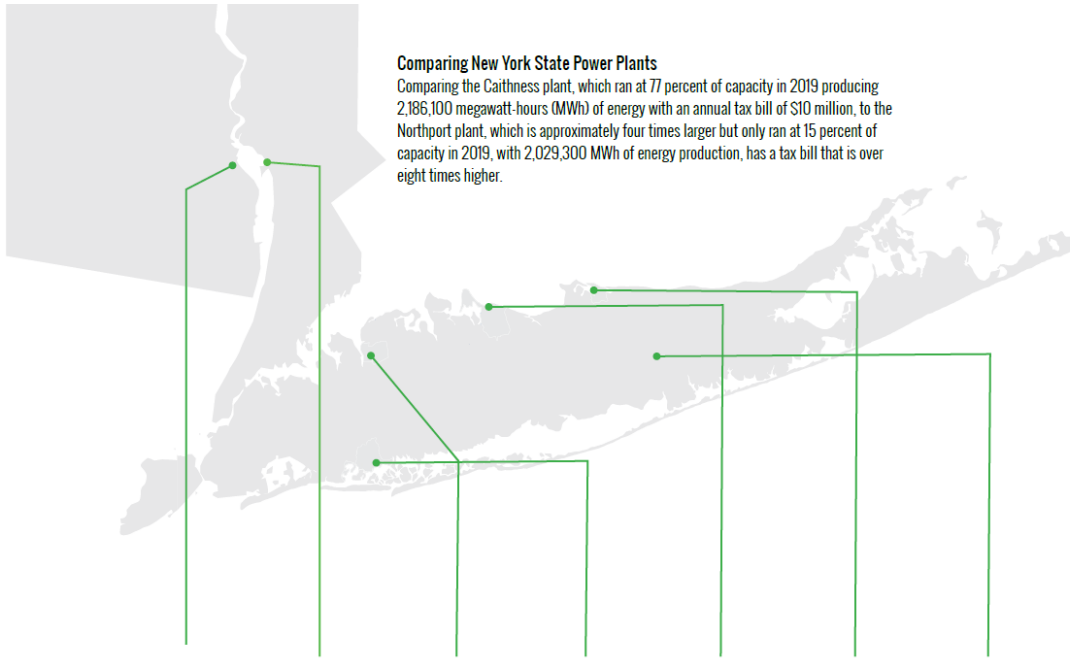
### Northport Energy Production










### Northport Taxes



# COMPARING NYS POWER PLANTS



**Comparing New York State Power Plants**  
 Comparing the Caithness plant, which ran at 77 percent of capacity in 2019 producing 2,186,100 megawatt-hours (MWh) of energy with an annual tax bill of \$10 million, to the Northport plant, which is approximately four times larger but only ran at 15 percent of capacity in 2019, with 2,029,300 MWh of energy production, has a tax bill that is over eight times higher.

Power Plant	 <b>Bowline</b> West Haverstraw, NY	 <b>Indian Point</b> Buchanan, NY	 <b>Glenwood Landing</b>	 <b>E.F. Barrett</b>	 <b>Northport</b>	 <b>Port Jefferson</b>	 <b>Caithness</b> Yaphank, NY
Year Built	1972	1973	1967	1956	1967	1958	2009
Homes Powered	31,867	1,854,944	45	148,578	225,478	30,433	242,900
Assessed at	\$134 million	Under fixed PILOT agreement	\$145 million	\$500 million	\$3.4 billion	\$1.3 billion	Under fixed PILOT agreement
2019 Run Time	3%	93%	0.1%	25%	15%	8%	77%
2019 Taxes	\$3 million	\$32 million	\$24 million	\$43 million	\$84 million	\$32 million	\$10 million

Northport's tax bill is **eight times** higher compared to Caithness'

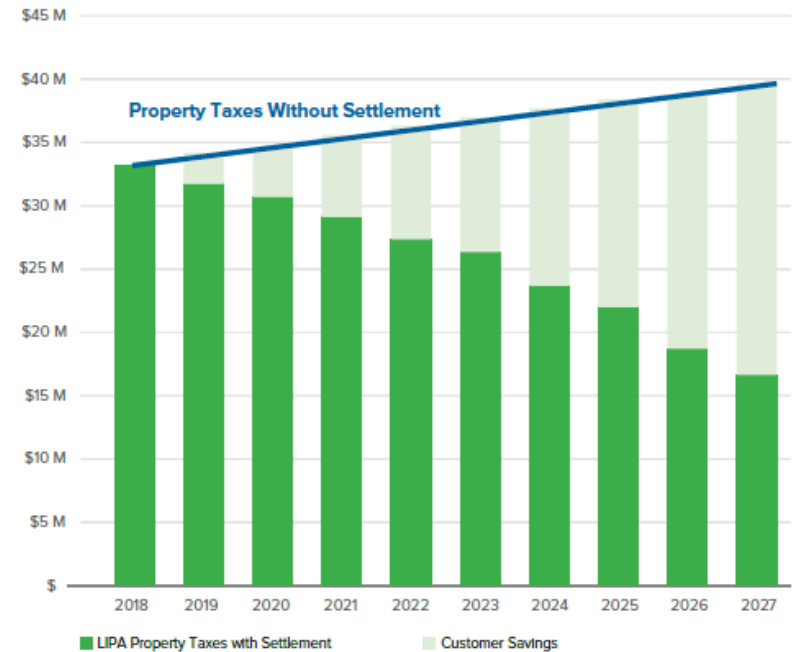


# REACHING A FAIR COMPROMISE

## Milestone Agreement Reached on Port Jefferson Power Plant Taxes

- The host community retains among the lowest school tax rates in the surrounding area
- LIPA waives \$225+ million tax refund liability owed by the Town of Brookhaven and the Village of Port Jefferson
- 50 percent reduction in annual taxes over nine years to 2026/2027 tax year
- Tax payments remain in excess of that required by law, supporting host community

Port Jefferson Power Station Settlement Savings



# REACHING A FAIR COMPROMISE

## Pending Settlement Agreement with Nassau County

- In November 2019, LIPA and Nassau County reached a tentative settlement on the E.F. Barrett and Glenwood Landing power plants
- Reduce total payments through a gradual PILOT phase-in of 50 percent through 2027
- Waive over \$625 million in potential tax refunds for all Nassau County residents
- Contingent on approval of the PILOT payment by the Nassau County Legislature



E.F. Barrett Power Station

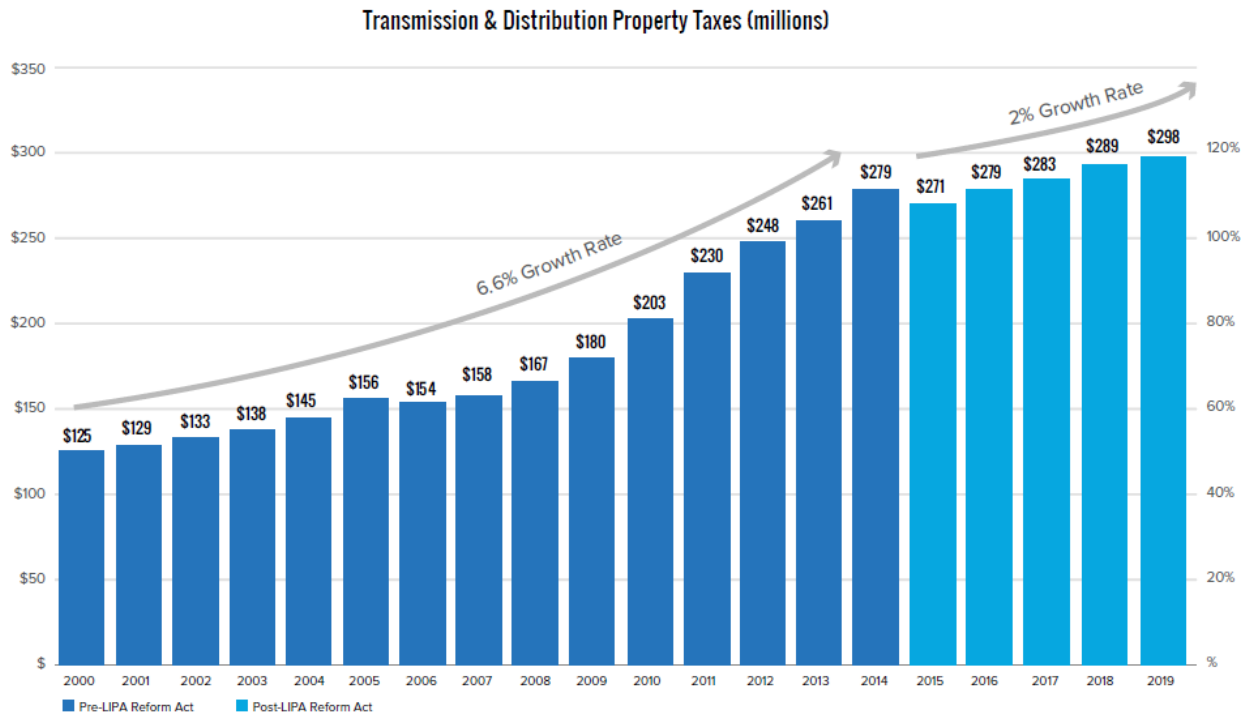


Glenwood Landing Generating Station

# TAXES ON T&D PROPERTY

In addition to taxes on power plants, LIPA also makes PILOT payments on its transmission and distribution (T&D) facilities:

- ~180 substations
- ~19,000 transmission poles and towers
- ~310,000 distribution poles



**BOARD AGENDA SUMMARY SHEET**

<b>Committee or Board:</b> Board	<b>Date:</b> May 8, 2020	<b>Board Meeting Date:</b> May 20, 2020
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**For All Board Voting Items:**

**Title of Agenda Item:** Approval of the Annual Report on the Board’s Policy on Taxes and

**Consent Agenda:**  Yes  No

**Accompanying Presentation:**  Yes  No

**Recommendation from Committee:**  N/A  F&A;  GP&P;  Oversight & REV

**LIPA Presenter:** Kenneth Kane (presentation at F&A)

**PSEG Long Island Presenter:** N/A

**Enterprise Risk Management Discussion:**  Yes  No

**For Policy Reports Only:**

**Type of Policy / Report:**  Operating;  Governance;  Compliance;  Mission

**Date of Last Report:** January 23, 2019

**Compliance Since Last Report:**  Yes  No

**Proposed Changes to Policy:**  Yes  No

<b>Requested Action:</b>	The Board is requested to adopt a resolution: (i) finding that LIPA has complied with the Policy for the period since the last annual review of the Policy; and (ii) approving the annual report for the Policy.
<b>Summary: (include proposed amendments to Board Policies, if applicable)</b>	By Resolution No. 1320, dated September 21, 2016, the Board adopted the Policy. The Policy was last reviewed and amended by the Board by Resolution No. 1464, dated January 23, 2019. Additionally, since 2016, LIPA has published an annual tax report to update the Board and the public on LIPA’s efforts to reduce the tax burden and lower energy costs for all 1.1 million customers.

## **FOR CONSIDERATION**

May 20, 2020

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Approval of the Annual Report on the Board Policy on Taxes and PILOTs

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### **Requested Action**

The Board of Trustees (the “Board”) of the Long Island Power Authority is requested to adopt a resolution: (i) finding that the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA (collectively “LIPA”) have complied with the Board Policy on Taxes and PILOTs<sup>1</sup> (the “Policy”); and (ii) approving the annual report for the Policy.

### **Background**

By Resolution No. 1320, dated September 21, 2016, the Board adopted the Policy. The Policy was last reviewed and amended by the Board by Resolution No. 1464, dated January 23, 2019. Additionally, since 2016, LIPA has published an annual tax report to update the Board and the public on LIPA’s efforts to reduce the tax burden and lower energy costs for all 1.1 million customers.

### **Compliance with the Policy**

Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the Policy for the period since the last review.

The Policy provides that LIPA should “Pay only such taxes, PILOTs, assessments, and fees as are required by law or by agreement.”

- Long Island power plants are nationally recognized as among the highest taxed commercial properties in the United States. The excessive tax burden on power plants has resulted in operational costs that are no longer competitive with prices of power in the electric market. As such, LIPA has availed itself of the lawful right to challenge excessive payment obligations on four legacy power plants for each year beginning in 2010.
- As previously reported to the Board, LIPA entered into a settlement agreements with the Town of Brookhaven and the Village of Port Jefferson in 2018 to gradually reduce the taxes on the Port Jefferson power plant, which were approximately \$33 million per year, by 50 percent through 2027. If the taxing jurisdictions fulfill the terms of the settlement, LIPA will waive a refund for back tax years estimated at over \$225 million, plus interest.
- In November 2019, LIPA entered into a tentative settlement with the County of Nassau

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<sup>1</sup> The term “PILOT” is the abbreviation for Payment In Lieu of Taxes.

for the E.F. Barrett and Glenwood Landing power stations. The settlement is contingent on approval of a PILOT agreement by the Nassau County Legislature. If implemented, the settlement will reduce LIPA's annual payments to 50% of current levels by 2027.

- LIPA and PSEG Long Island have implemented procedures to ensure that PILOTs on each annual bill related to transmission and distribution equipment owned by LIPA do not exceed 102% of the prior calendar year's payment, consistent with the provisions of the LIPA Reform Act. LIPA has also taken action to defend itself in litigation challenging the 2% tax cap in certain jurisdictions on Long Island.
- As previously reported to the Board, LIPA undertook a review of selected substations across the service territory. The review found several substations that were assessed in excess of their value. Accordingly, LIPA filed challenges on several over-assessed substations, and will continue to monitor assessed valuations of substations.

The Policy provides that LIPA should "Avail itself of the lawful right to challenge excessive tax assessments and payment obligations to minimize the cross-subsidization of taxpayers in some taxing jurisdictions by the Authority's customer-owners in other jurisdictions.

- LIPA has sought to achieve this objective by the actions stated above.

The Policy provides that LIPA should "Inform customers of the burden of taxes, PILOTs, assessments, and fees in their electric bills".

- LIPA issued a Property Tax Report during 2019, which is available on its website, and was provided to community leaders, stakeholders, elected officials, media, and investors in response to inquiries related to the burden of taxes on LIPA's customers.
- LIPA staff regularly meets with stakeholders and local leaders to discuss the impact of taxes on energy bills.
- Attached as **Exhibit "B"** is the 2020 Tax Report. The report provides additional detail on the tax burden in Long Island electric bills and LIPA's tax reduction efforts.

### **Annual Review of the Policy**

Staff proposes no amendments to the Policy at this time.

### **Recommendation**

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

### **Attachments**

- Exhibit "A"** Resolution
- Exhibit "B"** 2020 Tax Report

**RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON TAXES AND PILOTS**

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**WHEREAS**, the Board Policy on Taxes and PILOTS (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1320, dated September 21, 2016; and

**WHEREAS**, the Policy was last reviewed and amended by the Board pursuant to Resolution No. 1464, dated January 23, 2019; and

**WHEREAS**, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with and the changes to the Policy recommended herein are due and proper.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board.

Dated: May 20, 2020