



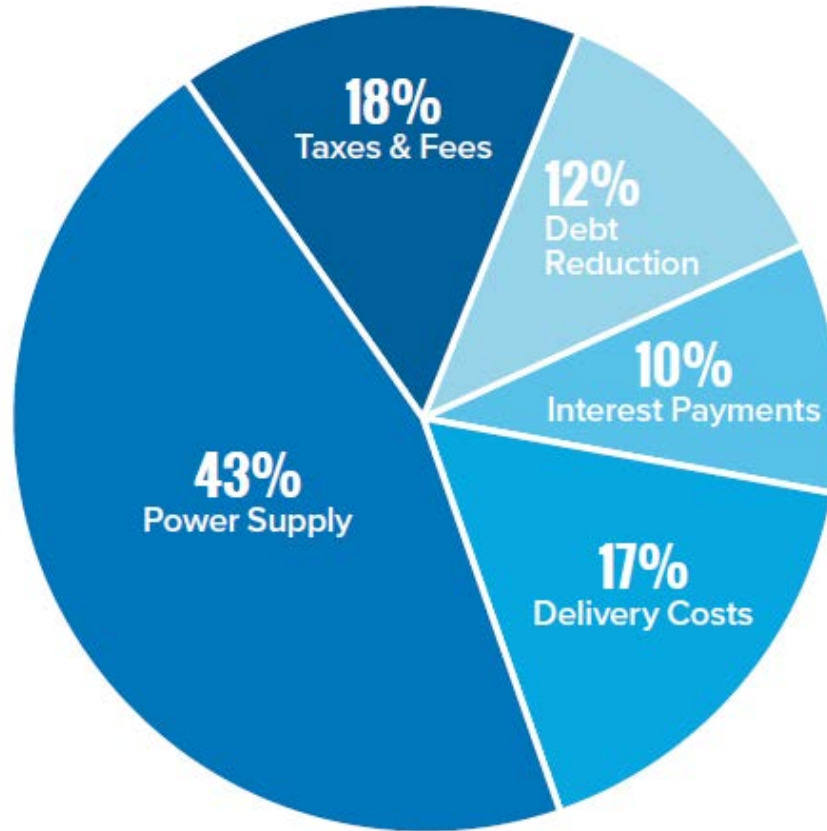
Board Policy on Taxes and PILOTs

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

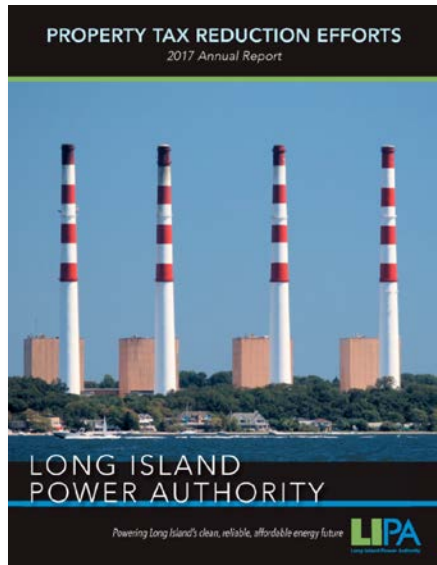
Taxes are 18% of Customer Bills -
3x National Average



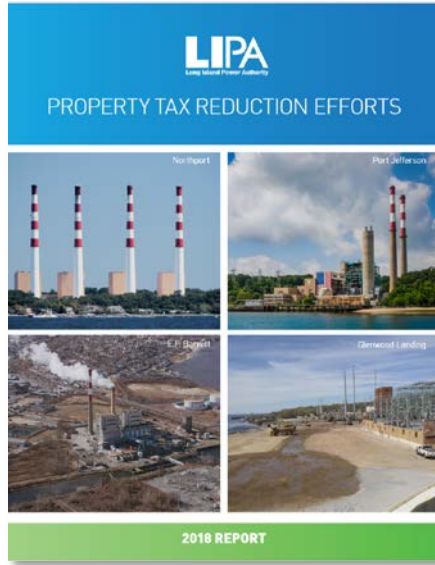
BOARD POLICY ON TAXES AND PILOTS

- 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.

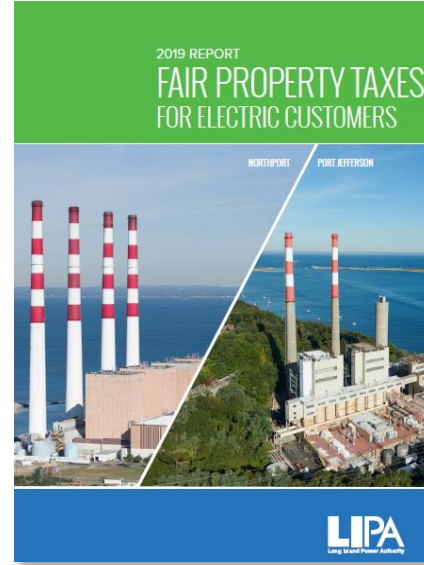
TRANSPARENT COMMUNICATION TO EDUCATE CUSTOMERS



2017



2018

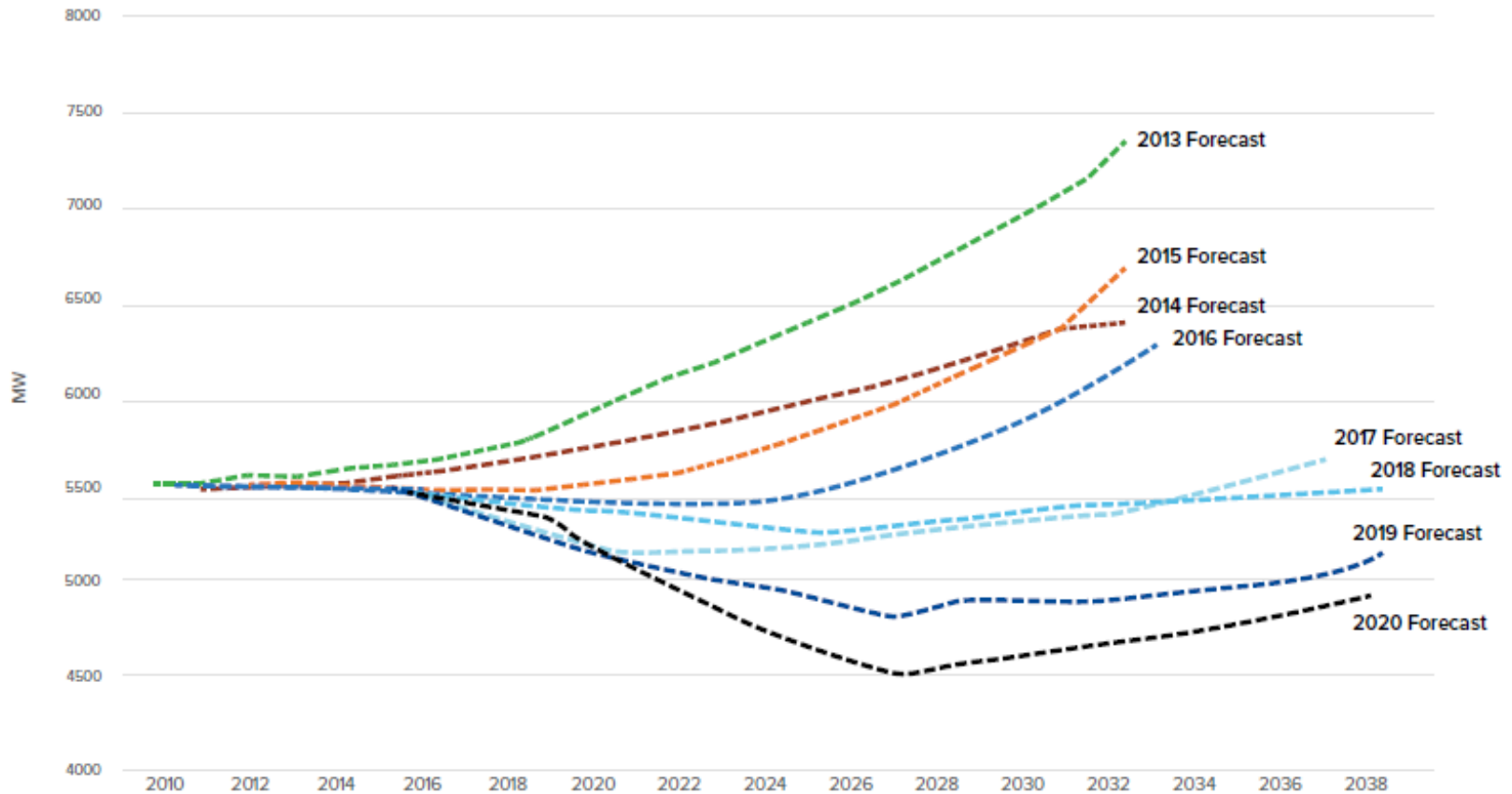


2019

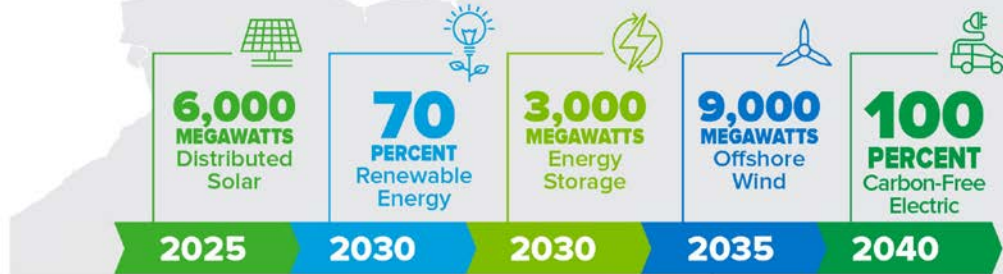


2020

LONG ISLAND PEAK LOAD CONTINUES TO DECLINE



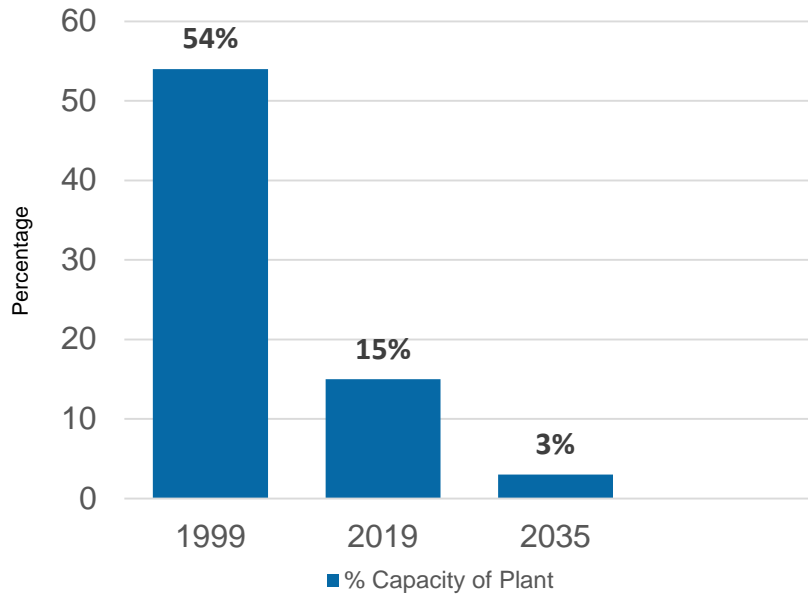
MEETING NEW YORK'S CLIMATE GOALS



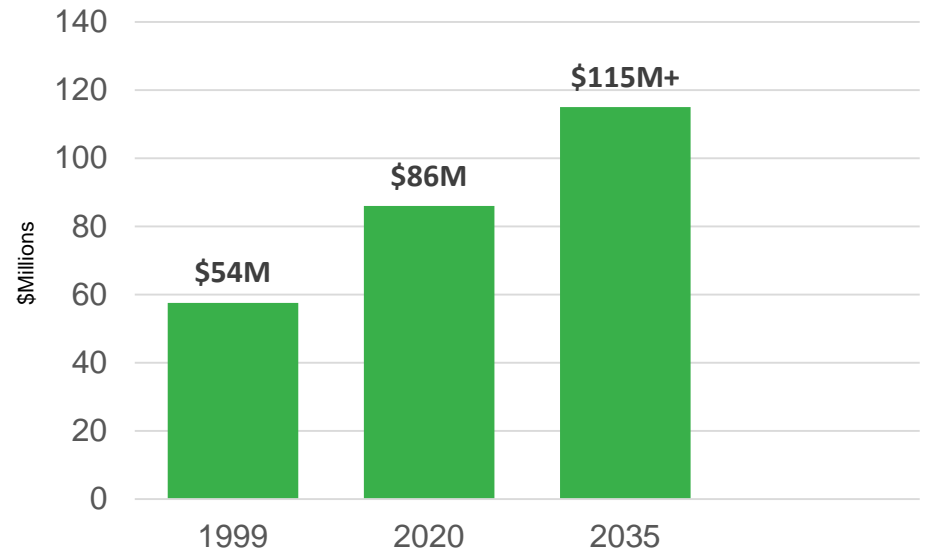
ENERGY PRODUCTION VS. TAXES

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

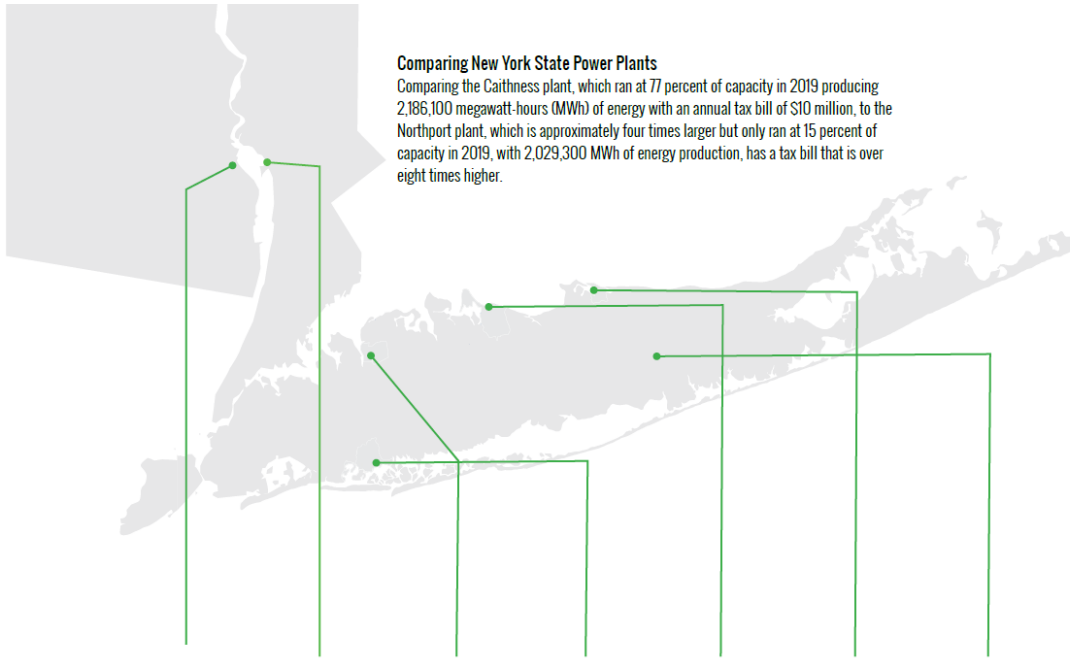
Northport Energy Production










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	 Bowline West Haverstraw, NY	 Indian Point Buchanan, NY	 Glenwood Landing	 E.F. Barrett	 Northport	 Port Jefferson	 Caithness 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

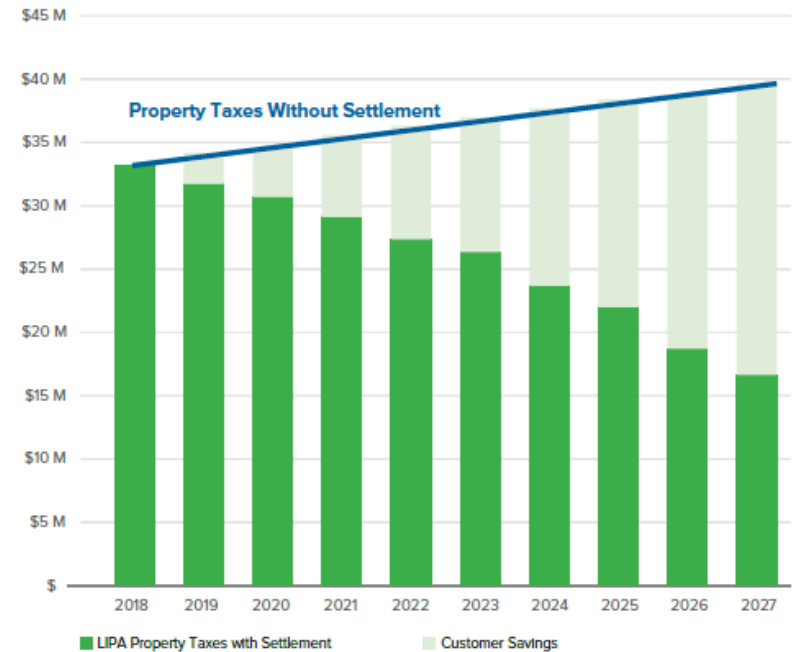
Northport's tax bill is **eight times** higher compared to Caithness'

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

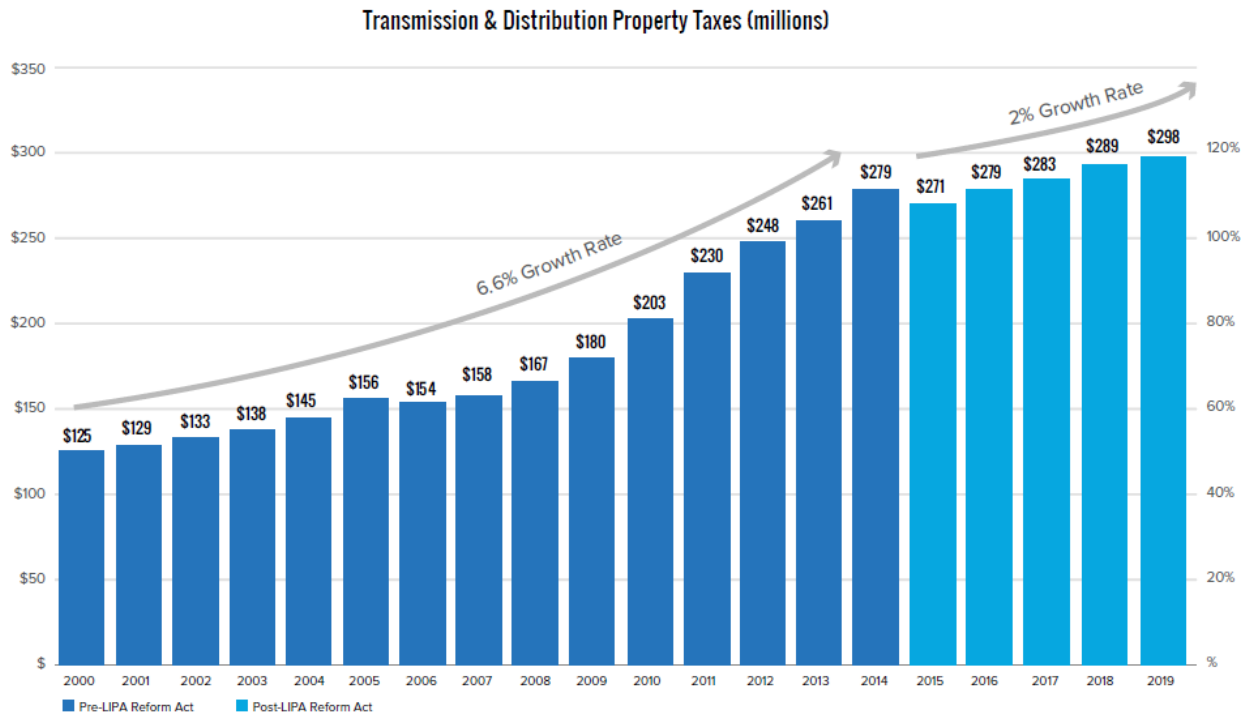


Glenwood Landing Generating Station

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

Committee or Board: Finance and Audit	Date: May 15, 2020	Board Meeting Date: May 20, 2020
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For All Board Voting Items:

Title of Agenda Item: Recommendation to Approve the Annual Report to the Board's Policy on Taxes and PILOTs

Consent Agenda: Yes No

Accompanying Presentation: Yes No

LIPA Presenter: Kenneth Kane

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

Requested Action:	The Committee is requested to adopt a resolution recommending that the Board: (i) find that LIPA has complied with the Board Policy on Taxes and PILOTs; and (ii) approve the annual report for the Policy.
Summary: (include proposed amendments to Board Policies, if applicable)	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 Finance and Audit Committee of the Board of Trustees

FROM: Thomas Falcone

SUBJECT: Recommendation to Approve the Annual Report on the Board Policy on Taxes and PILOTs

Requested Action

The Finance and Audit Committee (the “Committee”) of the Board of Trustees (the “Board”) of the Long Island Power Authority is requested to adopt a resolution recommending that the Board: (i) find that the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA (collectively “LIPA”) has complied with the Board Policy on Taxes and PILOTs¹ (the “Policy”); and (ii) approve 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,

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

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 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 RECOMMENDING APPROVAL OF THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON TAXES AND PILOTS

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 Finance and Audit Committee has conducted an annual review of the Policy and affirms that ~~3\$QVFRPSOLHZZROLF\~~ .

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Finance and Audit Committee hereby recommends that the Board find that LIPA has complied with Policy for the period since the last annual review and approve the annual report to the Board.

Dated: May 20, 2020