

EDITORIAL

# A taxing decision on power

Now is the time to settle the Long Island Power Authority's tax refund case on old plants

BY THE EDITORIAL BOARD

**T**axpayers in the school districts that host National Grid's four elderly, little-used power plants are worried, and they should be.

The Long Island Power Authority, which pays \$175 million a year in taxes on those four gas-fired plants, sued in 2010 to get the tax bills on them greatly reduced. Now, after eight years of failed negotiations, a trial date is set for June.

LIPA claims the bills on the legacy plants are too high by 90 percent. Those inflated plant taxes pay a huge portion of the budgets of the Port Jefferson, Island Park and Northport-East Northport school districts, and a significant chunk of North Shore's. A reduction of 90 percent would increase the average Northport-East Northport homeowner's annual school taxes by at least \$2,000 a year.

However, for taxpayers in the towns of Huntington and Brookhaven and in Nassau County, the immediate loss of revenue if LIPA wins a reassessment is the least of their worries. Those taxpayers would be on the hook for overpayments made by LIPA since the suit was bought in 2010. The two towns and Nassau County would be liable for the tax

refunds to LIPA by school, fire, library and other special taxing districts. LIPA could be owed more than \$500 million by Huntington, more than \$200 million by Brookhaven and \$400 million by Nassau.

A settlement should happen now.

The taxes on the Northport plant, which runs 18 percent of the time, are \$80 million a year. Plant taxes pay about 38 percent of the local levy of the Northport-East Northport school district.

LIPA pays \$23 million a year on the Glenwood Landing plant, which covers 20 percent of local school taxes and runs one day a year. It pays \$32 million for Port Jefferson, or 40 percent of local school taxes, for a plant that runs 18 percent of the time. And it pays \$42 million at Barrett, or 51 percent of local school taxes, for a plant that runs 44 percent of the time. The newest of these was built 50 years ago.

The Caithness plant in Yaphank, built in 2009, generates as much power as Northport, and pays one-ninth the taxes.

**L**argely because the assessments on the old plants are so inflated, 15 percent of Long Islanders' power bills goes to taxes. That's one reason power bills for homes and businesses are so high. About 1 million households overpay for power while 20,000 get huge tax breaks.

Communities do deserve a fair payment for hosting plants, but they've gotten too much for too long.

The municipalities assessing the plants don't claim the values are right. Their argument lies in a promise.

In 1998, to smooth political controversies and let LIPA take over the failed Long Island



Taxes on the Northport power plant, above, cover about 38 percent of that school district's annual levy.

Lighting Co. after the Shoreham nuclear plant debacle, then-LIPA chairman Richard Kessel put in writing the earlier vow of former Gov. George Pataki that LIPA would never challenge assessed values as long as the municipalities never raised them.

The school districts and host municipalities won the right to use Kessel's letter in court. The question is whether it invalidates the right of LIPA ratepayers to challenge assessments. The answer is likely no. And the hope that these plants will be updated to generate more power and justify their huge assessments is false. Although these sites could see the addition of smaller technology for more efficient generation, big production isn't needed from them and won't ever be, particularly because the state is demanding that half of all generation come from renewable sources by 2030.

A win in court for LIPA would crush the host communities. But LIPA says it doesn't want a win of that size, doesn't want the back taxes, doesn't want such huge reductions, doesn't want reductions it does get to be instant. Neither do the politicians, trying to broker a deal for five years, now fighting for state aid to cushion the blow.

**L**IPA would forgo refunds and accept cutting the assessments by 50 percent over nine years. For the average homeowner in Northport-East Northport, that would mean a gradual increase in school taxes that would, at the end of the nine years, likely average \$1,000. That's tough, but it's not a disaster.

Gov. Andrew M. Cuomo wants the issue settled without a political bloodbath, as does Senate Majority Leader John Flanagan, an East Northport resident. The state could allo-

cate close to \$100 million to smooth the plight of the affected districts. But the 2018-19 state budget has to be done in two weeks. And if the Democrats take control of the State Senate this year, there will be no one in Albany with both the power and the desire to help these communities next year.

The towns and Nassau are more eager to settle than the school districts, which are seeking a better deal. But they risk a lot by holding out. And the forgotten victims, the 98 percent of homeowners and businesses on Long Island that have been overbilled for power for years, have a right to fair costs.

These host communities had a great run, and they're still being offered a very good one. If they don't accept the settlement now, there might be no one with the power to help them.