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# The New York Times

Late Edition

New York: Today, partly sunny and breezy, high 43. Tonight, snow showers, low 33. Tomorrow, showers ending, high 44. Yesterday, high 50, low 36. Weather map is on Page D8.

VOL. CLI . . . No. 52,000

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NEW YORK, WEDNESDAY, JANUARY 16, 2002

\$1 beyond the greater New York metropolitan area.

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THE NEW YORK TIMES METRO WEDNESDAY, JANUARY 16, 2002

## Suffolk Plans to Supply 40% of Energy Its Residents Use, Undercutting LIPA's Rates

By ELISSA GOMTMAN

In a bid to cut local electricity rates, Suffolk County is developing a plan to provide about 40 percent of the energy its residents use, by expanding a little-known county agency.

Under the plan, the Suffolk County Electrical Agency would buy enough electricity to power 200,000 homes, and then sell that energy to county residents at a lower cost than the Long Island Power Authority, which now provides electricity to the vast majority of Long Islanders, could offer.

But LIPA is opposing the plan, which was first reported yesterday in *Newsday*, saying that Nassau County residents could end up footing the bill for savings their neigh-

bors to the east may incur.

"The whole point of LIPA is to look at this region electrically and try to help everyone," said Richard M. Kessel, the authority's chairman. "We don't want to be in a situation where one county is pitted against another county."

Last year, the Federal Energy Regulatory Commission approved Suffolk's plan to broaden the county electricity agency, which now provides small amounts of low-cost hydropower to homes and businesses.

The regulators ruled that the agency could provide — and LIPA must transmit — up to 200 megawatts of electricity, enough to power about 200,000 average homes. LIPA has 510,000 residential customers in Suffolk County, a spokesman for the utility said.

Officials of the utility said they doubted whether the Suffolk agency could succeed in getting cheaper power over the long run, given the risks and difficulties of navigating energy markets.

"They have no staff, they have no expertise," Mr. Kessel said. "They're putting themselves in a position where they might wind up behind the eight ball, and wind up raising everyone's electricity rates. I don't think they can perform the way we can."

Structurally, however, the Suffolk agency has certain advantages, chief among them the fact that LIPA is responsible for ensuring that all Long Islanders have enough electricity, even on the hottest days of summer, when energy is most scarce and prices soar.

LIPA's overall rates balance out the peaks and troughs of the demand, and price, cycle. By arranging to buy a flat amount of 200 megawatts of electricity — rain or shine, in mild weather and during heat waves — the Suffolk agency would be sheltered from the sort of market fluctuations that can raise prices drastically during times of peak demand.

This would mean that on, say, mild autumn nights when energy is inexpensive, LIPA would be providing less electricity, raising its average rates over time. Suffolk residents would have to pay those higher rates only for the portion of their power provided by LIPA, but most Nassau residents and Suffolk businesses would pay the higher rates for all of their power.

In addition, LIPA has certain fixed

costs — for transmission and distribution, for example — that it wants to spread across as wide a customer base as possible.

"We don't have any fixed expenses," noted Robert J. Gaffney, the Suffolk County executive. "We're not running power plants. We're not doing any of those things."

Mitchell H. Pally, chairman of the Suffolk energy agency, said the agency was negotiating with LIPA and federal regulators about the terms of a distribution agreement. It is also seeking proposals from potential suppliers, he said.

"It is not our intent and has never been our intent to penalize anybody else," Mr. Pally said. "Our intent has been to try and determine whether or not we can provide a benefit to the residents of Suffolk County."

The Nassau County executive, Thomas R. Suozzi, who took office Jan. 1, is still reviewing the matter, officials in his administration said.

Matthew C. Cordaro, director of the Center for Management Analysis at the C.W. Post campus of Long Island University, said the debate over the Suffolk agency's role in selling power is the sort of struggle that is to be expected as energy deregulation takes hold.

"Everyone has always known that in this transition period, there will be some losers and winners," said Dr. Cordaro, who is also a former executive at the Long Island Lighting Company, LIPA's predecessor. He added, "One of the problems with going to a competitive system is there is a very thorny transition as you go from the old paradigm," to the new.

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