

LONG ISLAND

Dueling Forces Shaping LIPA

By Tom McGinty

STAFF WRITER

The Long Island Power Authority regularly issues dire warnings of electricity shortages and touts its \$170-million program that promotes energy conservation and pollution-free technologies.

But at the same time, LIPA is directing its staff to boost 2002 electricity sales by nearly 1 percent by attracting new businesses to Long Island and even hawking night lights to businesses and residents.

The contradictory messages, which one LIPA critic called "a real Jekyll and Hyde story," illustrate the competing political and economic forces that drive the policies of the power authority, energy experts say.

While environmentalists campaign for significant reductions in power consumption, LIPA and other utilities can reduce power use by only so much before hurting their bottom lines, said Matthew Cordaro, a former Long Island Lighting Co. executive.

"Being a public entity, they've got to do things that satisfy the public and minimize negative feedback from interest groups," Cordaro, who heads Long Island University's Center for Management Analysis, said of LIPA.

"The question is, how do you do the right thing from a perception basis, but still take care of the business end of it?" Cordaro added.

With well-publicized announcements about fuel cell installations, windmill farms and solar panels, LIPA promotes itself and Gov. George Pataki, who helped create the utility, as advocates of conservation and renewable energy resources.

At the same time, but with much less fanfare, LIPA pushes to sell ever greater amounts of electricity to provide income for rising expenses and debt payments.

"I know it can be confounding for an outsider," said LIPA chairman Richard Kessel. "But I don't think those two philosophies are contrary to each other at all."

"Conservation is something that everyone can and should do individually. At the same time, I think it's important that LIPA take steps to keep a steady base of customers and keep our revenues up so we can hold rates down."

Touts conservation, seeks sales boost

Kessel often notes that the power authority is a nonprofit arm of state government that doesn't have shareholders clamoring for dividends.

However, LIPA does have a \$7-billion pile of debt held by investors who are at least as insistent on being paid as stockholders.

Given LIPA's promise to freeze rates until May of next year, and political pressures to limit increases after that, selling more juice is the best way for the authority to cover increasing costs.

"The more kilowatt hours they move through their systems, the more revenues they make," said energy economist Ashok Gupta of the New York City-based Natural Resources Defense Council. "It's a direct conflict with energy efficiency. Anything consumers do to save energy or generate their own electricity costs the utility revenues."

While Kessel is constantly warning of power shortages on Long Island, the danger exists only during a handful of summer hours each year, when temperatures soar and air conditioners create a tremendous draw on the system.

Through most of the rest of the year, LIPA has plenty of capacity in reserve and, as Gupta noted, economic incentives for increasing consumption.

In 2002, LIPA's staff will try to increase energy sales by about 147,000 megawatt hours, or nearly 1 percent, according to power authority documents. The added sales would produce an estimated \$13.8 million in revenues.

Nearly half the increased sales would come from economic development programs using consultants and economic incentives to lure businesses to Long Island and convince existing companies to remain and expand, according to Bruce Germano, LIPA's vice president of retail sales.

LIPA also boosts sales with a program that markets commercial and residential night lights — an effort that produced an additional \$1.4 million last

year. The lights generate modest but dependable sales of electricity at a time of day when there is plenty to go around.

Environmentalists point out, however, that no matter when a kilowatt of electricity is generated, it requires the same amount of fuel and produces the same amount of emissions.

On the conservation side, LIPA spent \$45.7 million in 2001 on its Clean Energy Initiative and has budgeted a similar amount for 2002. The primary objectives of the program are to lower customer bills, reduce power plant emissions and avert the need for more generators on Long Island.

The initiative provides funding for research and development of emerging energy technologies. Fuel cells, for instance, extract energy from natural gas through a chemical process rather than through burning.

LIPA also promotes conservation by providing consulting services and rebates for commercial construction projects and rebates on energy-efficient air conditioners and lighting fixtures.

The conservation components reduced power consumption by an estimated 63,000 megawatt hours last year. The goal this year is to reduce consumption by 57,000 megawatt hours.

LIPA watchdog Gordian Raacke said that although the conservation program has made strides in recent years, he is disappointed that the power authority is trying to spur growth at the same time.

"There's a real Jekyll and Hyde story here," said Raacke, executive director of the Citizens Advisory Panel. "LIPA seems to have this split personality between wanting to increase sales on one hand and wanting to do the right thing on clean energy and conservation on the other hand."

Gupta said the environment would be better served if LIPA raised rates instead of sales to meet its revenue requirements.

Kessel, however, said LIPA has struck an appropriate balance.

"We're pushing aggressively to get our customers to use energy more efficiently," Kessel said. "But at the same time, we're expanding our revenue base and bringing new businesses here, not only to help LIPA but to help the entire Long Island economy."

C.W. POST CAMPUS

LONG ISLAND
UNIVERSITY

Office of Public Relations
C.W. Post Campus
Long Island University
720 Northern Boulevard
Brookville, NY 11548-1300
(516) 299-2333 Fax: (516) 299-2622
pr@cwpost.liu.edu