THOMAS P. DiNAPOLI
STATE COMPTROLLER

110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
**OFFICE OF THE STATE COMPTROLLER**

May 11, 2023

Honorable Andrea Stewart-Cousins
Majority Leader
New York State Senate
907 LOB
Albany, NY 12247

Honorable Carl E. Heastie
Speaker
New York State Assembly
932 LOB
Albany, NY 12248

Honorable Robert G. Ortt
Minority Leader
New York State Senate
315 Capitol Building
Albany, NY 12247

Honorable William A. Barclay
Minority Leader
New York State Assembly
933 LOB
Albany, NY 12248

Dear Legislative Leaders:

Section 83-n of the Legislative Law established the Legislative Commission on the Future of the Long Island Power Authority (LIPA). On April 17, 2023, the Commission released its Draft Report on the establishment of a public power model for LIPA. The Office of the State Comptroller has reviewed this Report and the attached document provides a discussion of key issues and related recommendations on the Report's findings.

For decades, Long Island utility customers have paid some of the highest electric rates in the nation while suffering from reliability issues and unsatisfactory customer service. Multiple efforts have been made to address these problems, with limited success. The Legislative Commission's Draft Report sets forth a framework for the actions, legislation, and timeline necessary to fully transform the LIPA service territory to a public power model.

The Draft Report appropriately recognizes the importance of managing the transition and retaining the existing workforce; however, the large and lingering questions regarding the legal, financial, employment and other implications of the potential service models, as well as the governance and accountability structures, require that the Commission more thoroughly vet the options under consideration. The Commission's Final Report should detail its conclusions and recommendations on these critical undecided factors.

The structure and operating culture of the future Board will be a critical determinant of LIPA's future success, and the structure and composition of the Board have yet to be defined. Also, LIPA will have to operate under a greater level of transparency, with clearer lines of accountability, and with enhanced local engagement and responsiveness. Both progress toward long-term goals and information on routine operations should clearly and regularly be communicated, with the LIPA Board held directly accountable for successes or failures.

As a model for the future LIPA Board is discussed, strong consideration should be given to ensuring its independence, technical expertise, and engagement with and accountability to the public it serves. An appointed board may be best for achieving these aims, and the Commission states an appointed board also provides the best option for retaining the protections currently afforded to the workforce. Steps should be taken to preserve the employment and benefits of employees through the transition and the protections provided by the National Labor Relations Act and the Employee Retirement Income Security Act. Leveraging the expertise of other State agencies, such as the Department of Public Service and the Power Authority of the State of New York, could also strengthen the Board.

As the Commission's deliberations continue and it seeks input in advance of its Final Report, the Commission must focus on the many details that remain unsettled. This is necessary to confirm a selection that is legally viable and able to provide the best service for ratepayers, the strongest accountability to the public, and the greatest protection of employees. I hope that the attached review and recommendations assist your efforts toward that end. If there is interest in enacting legislation this session to move this plan forward, a detailed bill draft should be included as part of the Final Report. This would give all interested parties access to the most pertinent details and provide answers to the many open questions that remain.

Long Islanders deserve service of the highest quality at reasonable rates, and a high performing, cost effective utility can help foster a vibrant, growing economy on Long Island to the benefit of all New Yorkers.

Sincerely,

Thomas P. DiNapoli
State Comptroller

cc: **Commissioners**
Senator Kevin Thomas, Co-Chair
Assembly Member Fred W. Thiele, Jr., Co-Chair
Senator Monica R. Martinez
Senator Anthony H. Palumbo
Senator James Sanders, Jr.
Assembly Member Stacey Pheffer Amato
Assembly Member Doug Smith
Assembly Member Michaelle C. Solages

**Executive Director**
Hon. Rory Lancman

# Recommendations Regarding the Draft Report on the Establishment of a Public Power Model for the Operation of the Long Island Power Authority (LIPA)

## Introduction and Summary

Long Island utility customers have long paid some of the highest electricity rates in the country. Residents and businesses in the region have raised concerns about costs, service quality, and storm response. Audits, reports and investigations by the Office of the State Comptroller (OSC) and others have identified additional areas requiring improvement, including adequacy of regulatory oversight, financial management, debt practices, and storm preparation and response. As OSC said in 2015, relief for LIPA customers has been long overdue.[1]

The Legislative Commission on the Future of the Long Island Power Authority (Commission) is the latest effort intended to chart a course for meaningful improvement. The Commission has provided in its Draft Report an assessment of LIPA's history and current operations, and an examination of restructuring alternatives discussed by the Commission and analyzed in other past reports. The Commission's Draft Report says that it has confirmed that the Legislature's decision to transition LIPA to a fully public power utility represents the best alternative for LIPA's ratepayers.[2]

While LIPA itself is and always has been a public entity, since 1998, when it acquired the transmission and distribution system of the Long Island Lighting Company (LILCO), it has entered into third-party service contracts with various utility companies to provide utility services to the region.[3] The Draft Report finds LIPA to be the "only utility in the United States using a third-party service provider model to deliver its services, and this model has too often failed to provide cost-effective and reliable services to LIPA ratepayers."[4]

The Commission estimates modest near-term savings for ratepayers from transitioning LIPA to a "true" public power utility, ranging from a 1 to 2 percent reduction in costs or annual revenue requirements, after payback of one-time transaction costs (estimated to be between $16 million and $59 million). Transaction costs include providing redundancy and overlap during the transition, costs for rebranding and marketing, as well as contingencies to smooth the transition to the public power model. Annual savings from eliminating Public Service Electric and Gas Company (PSEG) management and directly operating the electric grid are estimated to be between $45 million and $75 million annually.

The Commission correctly emphasizes the importance of cost-effective operations to long-term savings for Long Island customers: "When contemplating the cost implications of transitioning to an independent public power model, the focus should be on operational excellence and long-

[1] Office of the State Comptroller, *Long Island Power Authority by the Numbers: A Public Authority in Transition* (LIPA by the Numbers), July 2015, available at https://www.osc.state.ny.us/files/reports/special-topics/pdf/public-authorities-lipa-2015.pdf.
[2] New York State Legislative Commission on the Future of the Long Island Power Authority (Commission), *Draft Report on the Establishment of a Public Power Model for the Operation of the Long Island Power Authority* (Draft Report), April 2023, pg. 47.
[3] Commission, Draft Report, pg. iii-iv.
[4] Commission, Draft Report, pg.i.

term pursuit of quality, reliability, and best practices. As excellence in governance, leadership, management, and operations are achieved over time, increased cost efficiency and performance can also be achieved."[5] It is imperative these objectives do not remain lofty aspirations but are adopted as concrete goals against which progress is tracked through clearly defined criteria and performance metrics that can demonstrate improvements to cost, service, and accountability.

In the Draft Report, the Commission provides three potential models for transitioning to a "true" public utility, which would differentially affect employees, and also outlines options for governance and oversight. To guide the Commission's future work as it considers these options, the Office of the State Comptroller makes the following recommendations:

**Governance**

- Address open questions regarding the Board: how it would be structured, who would have appointment authority, what the terms of the appointments would be, and how independence and accountability would be ensured. Also address board size, geographic requirements, powers and responsibilities, and other unresolved questions.
- Include provisions to ensure the new LIPA Board is independent, has technical expertise, and local accountability, as well as the ability to retain the skilled workforce and enhance local engagement.
- Leverage the expertise of other State agencies, such as the Department of Public Service (DPS) and the Power Authority of the State of New York (NYPA), to strengthen the Board. Consideration should be given to including the Chair of the Public Service Commission and the NYPA President on the Board.
- Provide more specificity as to how LIPA will guarantee that the Long Island Electric Utility ServCo LLC (ServCo) employees will retain their existing terms and conditions of employment, and the protections and benefits they currently have.

**Regulatory Oversight**

- Ensure that LIPA provides, at a minimum, the same level of information and public access that was provided by DPS, and that regular management and operational audits performed by an outside, independent entity continue to be required.
- Fully identify how ratepayers would be protected with regard to rate increases, including defining what public process, justification, and disclosure requirements LIPA would have to follow to implement any such increase.

**Procurement**

- The Comptroller's independent contract review is an important deterrent to waste, fraud and abuse. It protects taxpayers, agencies, and vendors by ensuring contract costs are reasonable, terms are favorable to the State, and bidders are treated fairly. Any rollback in exiting statutory oversight over LIPA would risk losing these protections, and should be avoided.

[5] Commission, Draft Report, pg. 56.

- Consideration could be given to leveraging the knowledge and expertise of NYPA. There may be opportunities for LIPA to achieve cost savings and efficiencies through the development of a coordinated relationship between NYPA and LIPA with regard to some procurement and related responsibilities.

**Transparency and Accountability**

- If the third-party service provider is eliminated, define clear lines of responsibility so that ratepayers and elected officials can be assured that the LIPA Board will be directly accountable for any success or failure.
- LIPA must commit to operating under a greater level of transparency than in the past. Provisions should be put in place to require the new Board to, among other things: align its strategic plan with its new operating model; publish regular performance metrics; communicate with customers quickly and effectively in cases of emergency or service disruption; and hold itself accountable by eliciting and responding to feedback from customers and the public on its performance and progress toward its long-term goals, including increasing renewable energy.
- LIPA should maintain and improve upon its reported quarterly updates on performance metrics. For example, key performance indicators related to service, rates, energy use and customer satisfaction should be reported monthly and be easily accessible to the public.

**Managing the Transition**

- Each new potential corporate structure identified in the Draft Report raises complex questions that merit careful deliberation and discussion of potential consequences, particularly as they affect the protections afforded to employees. Further examination is needed to determine the benefits and drawbacks of each model.
- Limit any actions that would have negative implications for the ServCo staff. LIPA and PSEG officials should commit to ongoing dialogue with labor representatives throughout the transition.
- Provide resources to ensure an efficient and effective transition. LIPA and its State government partners should seek ways to minimize such costs through shared services to the greatest extent possible. NYPA may be able to provide technical assistance and guidance, as well as offer opportunities for cost savings and efficiencies, while ensuring full protection for ServCo employees.
- As the Commission's work continues, it must provide greater clarity on the critical unanswered questions that remain and ensure that improved transparency, clear accountability, and greater local responsiveness are the cornerstones of any approach. If there is a desire to advance a change during this session, the Final Report should include a draft of the legislation that would be needed.

## Governance, Oversight, and Accountability

In the wake of the 2013 LIPA Reform Act, the Operations Services Agreement (OSA) between LIPA and PSEG, which had initially been competitively bid and subject to OSC review and approval, was renegotiated through a closed-door process that bypassed the Comptroller's oversight. As a result, protections and performance metrics that had been built into the original contract were eliminated. In addition, the Act required LIPA to be reduced to minimal staffing levels. A significantly diminished LIPA staff, combined with a limited advisory role for DPS, resulted in a model that has not served Long Island well. Furthermore, despite a Transparency Plan adopted in October 2021, a revised OSA approved in 2022, and recent State legislation, the Draft Report notes transparency remains a major issue for LIPA ratepayers.[6]

Governance

Establishing an appropriate governance structure for LIPA under a full public power model will be a determinant of its future success. The Board should be a fully independent authority responsible for exercising fiduciary responsibility and developing and implementing a strategic plan to provide cost-effective operations and excellent service to LIPA customers.

The Draft Report identifies three primary governance structure alternatives for public power utilities: elected independent boards, appointed independent boards, and elected governmental officials who serve as the board.[7] The Report also notes there may be hybrid models, and the potential for the creation of a Citizens Advisory Board.

The Draft Report analyzes the extent to which these structures are used by comparable public power utilities with at least 250,000 customers. The Draft Report shows that five of the highest ranked six public power utilities on customer satisfaction are governed by an elected board, according to the 2022 J.D. Power Electric Utility Residential Customer Satisfaction Study.[8] With respect to service reliability, the results are more mixed, based on data that measures reliability by frequency and duration of outages. For the top six public power utilities, for both outage duration scores and frequency of outage scores, elected and appointed boards were even.[9] The Draft Report concludes there is no single governance model that consistently outperforms, and emphasizes the need for a more responsive, accountable and transparent model.[10]

Legislation would be needed to establish a new governance model for LIPA.[11] The Draft Report does not prescribe how the Board would be structured, its size, geographic requirements, powers and responsibilities, or who would have appointment authority, what the terms of the appointments would be, and how independence and accountability would be ensured. A more thorough review and analysis of the statutes and governing provisions that exist for the most successful large public power models in the United States may be warranted and could inform those decisions.

[6] Commission, Draft Report, pg. 28.
[7] Commission, Draft Report, pgs. 86-87.
[8] Commission, Draft Report, pgs. 88-89.
[9] Commission, Draft Report, pg. 93.
[10] Commission, Draft Report, pg. 107.
[11] Commission, Draft Report, pg. 125.

As the Commission continues to examine these questions, paramount importance should be given to:

**Ensuring the technical expertise and local accountability of the Board**. Current law requires LIPA Board members, who are appointed by the Governor and Legislative Leaders, to have utility, corporate board or financial experience. Given the complexity of LIPA operations, preserving this requirement makes sense. Furthermore, allowing for some Board appointments to be made by the Nassau and Suffolk County Executives and the Queens Borough President can facilitate community responsiveness and accountability.

**Retaining the skilled workforce.** The Draft Report asserts that an appointed board may be the "best opportunity" to retain the terms and conditions of employment for the existing workforce.[12] As noted in the Draft Report, most of the 2,500 employees that work on LIPA operations are contained in a separate subsidiary entity, Long Island Electric Utility ServCo LLC owned by PSEG.[13] These employees have extensive institutional knowledge regarding LIPA's transmission and distribution system as well as its operations.[14] Given the need to ensure continuity of service and retain the experienced and skilled employees that have long-standing knowledge of and deep familiarity with the LIPA service territory, identifying the governance structure that would facilitate achieving this outcome should be a top priority.

The Draft Report contemplates transferring 100 percent of PSEG's interests in ServCo to LIPA.[15] The Report identifies several challenges with ensuring that these employees will be able to retain their benefits and protections, and existing terms and conditions of employment. It also notes that proper due diligence must be conducted to determine what assets, liabilities, and obligations exist if LIPA were to acquire "membership interest" in ServCo.[16] These are extremely complex issues, and more specificity is needed to provide clarity as to how both statutorily and administratively this could be accomplished.

**Enhancing local engagement and Board responsiveness**. This may be accomplished in several ways, including through the creation of a Citizens Advisory Committee, which the Draft Report notes are commonly used to promote resident involvement and ensure community representation.[17] Such Committees often have a seat on the Board, although it may be a nonvoting seat.

LIPA could also strengthen the roles and responsibilities of its current 19-member Community Advisory Board, whose members participate in quarterly meetings that discuss regional issues, including energy efficiency, climate and green energy goals, and other topics important to members. These members are currently appointed by LIPA's CEO. Alternative avenues to membership should be considered to ensure member independence and a greater diversity of perspectives and representation.

[12] Commission, Draft Report, pg. 108.
[13] Commission, Draft Report, pg. iii.
[14] Commission, Draft Report, pg. 78
[15] Commission, Draft Report, pg. 77.
[16] Commission, Draft Report, pg. 77.
[17] Commission, Draft Report, pg. 87.

**Leveraging the expertise of NYPA**. While the mission and purpose of NYPA is very different than that of LIPA, the Draft Report noted that despite a lack of experience in retail utility operations or customer service, NYPA offered potential benefits deriving from its successful professional energy industry and financial management team.[18]

A 2013 NYPA report on LIPA's operations identified contributing causes for LIPA's high rates including the impact of Shoreham-related costs, significant debt relative to assets, lack of excess cash flow, and tax-related obligations.[19] Although ten years have passed, these issues persist for LIPA. Guidance and assistance from NYPA related to improving financial management could help lower ratepayer costs over the long term. To this end, consideration should be given to including the NYPA President on the Board.

Regulatory Oversight

Governance and oversight are inextricably linked. As the Legislature and the Executive determine the path forward that will ensure the greatest likelihood of success, consideration must be given to the effect of these factors in combination.

The Draft Report discusses several alternatives regarding oversight, including continuing the current oversight structure by DPS; fully eliminating DPS oversight; or enhancing DPS oversight to require full regulation consistent with investor-owned utilities in the State. No definitive recommendation is provided, but the Draft Report says that there should be no increase in DPS's level of regulation of LIPA, and states "the vast majority of public power utilities are not subject to regulation by a public utility commission."[20]

Although most public power utilities are not subject to such regulation, the addition of DPS oversight through the LIPA Reform Act provided some improvements, including increased transparency of proposed rate increases.[21] However, it is unclear how extensive a role DPS has played in overseeing LIPA's management and operations. The current oversight exercised by the DPS is advisory, without approval or enforcement authority.[22]

The question of regulatory oversight is complicated by the debt of both LIPA and the Utility Debt Securitization Authority (UDSA). The LIPA Act provides that the State will not impair the rights of LIPA bondholders, meaning the State may not take any action that would interfere with LIPA's ability to pay its debt, including with regard to its ability to raise rates. UDSA was created as part of the LIPA Reform Act for the purpose of issuing bonds to restructure LIPA debt. UDSA's bonds are secured by irrevocable, non-bypassable charges to LIPA's customers. The non-impairment rights of LIPA and UDSA's bondholders must be a major consideration with respect to adding oversight to LIPA, to avoid violating bond pledges and to maintain favorable credit ratings.[23]

As the Commission assesses a future role for DPS, it must consider if its advisory role would provide a meaningful benefit to LIPA ratepayers or whether it would dilute the accountability

[18] Commission, Draft Report, pg. 8.
[19] Commission, Draft Report, pg. 38.
[20] Commission, Draft Report, pg. ix.
[21] Office of the State Comptroller, LIPA by the Numbers, pgs. 22-28.
[22] Commission, Draft Report, pg. 19.
[23] Commission, Draft Report, pgs. 30-31.

that should reside with the Board. In lieu of this advisory role, DPS expertise may be leveraged by including the Chair of the Public Service Commission on the newly constituted Board. At a minimum, provisions should be included to ensure that LIPA provides the same level of information and public access that was provided by DPS, and that regular management and operational audits performed by an outside, independent entity continue to be required.

The Commission should also, in its Final Report and accompanying draft legislation, fully identify how ratepayers would be protected with regard to rate increases, including defining what public process, justification, and disclosure requirements are necessary for LIPA to implement any rate increases.

Procurement Oversight

Unlike most public authorities, LIPA's enabling statute subjects its contracts to the provisions of the State Finance Law relating to contracts made by the State, including but not limited to Section 112 of the State Finance Law which requires OSC review and approval.[24] LIPA submits its procurements, including power purchase agreements, to OSC for review and approval.[25]

Service provider contracts, such as those of PSEG, are not subject to such requirements; however, LIPA and PSEG are required to provide to the Comptroller, on March 31 and September 30 of each year, a report documenting each contract entered into with a third party for an amount greater than $250,000 and related to management and operation services associated with LIPA's transmission and distribution system.[26]

The new public utility would be responsible for procurement of contracts for goods and services that had been procured by the third-party provider. Based on current law, all LIPA contracts with a value greater than $50,000 would be subject to OSC review. The Commission estimates this would add an additional 1,200 contracts to the current 40 to 50 LIPA contracts that are subject to OSC review and approval annually.[27] The Draft Report recommends amendments to current law related to the approval requirements to allow LIPA flexibility to enter into contracts with values over $50,000, citing the time-sensitive nature of power purchase agreements.[28]

The Comptroller's independent contract review is an important deterrent to waste, fraud and abuse. It protects taxpayers, agencies, and vendors by ensuring contract costs are reasonable, terms are favorable to the State, and bidders are treated fairly. Any rollback in exiting statutory oversight over LIPA would risk losing these protections, and should be avoided.

Procurement is another area where consideration could be given to leveraging the knowledge and expertise of NYPA. While there is concern that certain NYPA energy services contracts are not subject to the Comptroller's discretionary review authority under Public Authorities Law section

[24] Commission, Draft Report, pg. 24.
[25] Information regarding these procurements, including vendor name, contract amount, contract number, contract start and end dates, and a brief description, is publicly available on OSC's Open Book New York website. See OSC, Open Book New York, NYS Contract Search, available at https://wwe2.osc.state.ny.us/transparency/contracts/contractsearch.cfm.
[26] Commission, Draft Report, pg. 25.
[27] Commission, Draft Report, pg. 24.
[28] Commission, Draft Report, pg. 127.

2879-a, the Authority does have extensive experience with various types of energy-related contracts. There may be opportunities for LIPA to achieve cost savings and efficiencies through the development of a coordinated relationship between NYPA and LIPA with regard to some procurement and related responsibilities.

For example, where possible, coordination with NYPA may help improve the cost-effectiveness of the "significant" capital expenditures LIPA will need to make in order to achieve the goals of the Climate Leadership and Community Protection Act. In addition, the Draft Report notes that outsourcing power supply services to manage power supply contracts, hedging and advisement is "very common" for utilities, which may be another avenue to explore with NYPA.[29]

The bottom line is that the focus should be on working to ensure that LIPA ratepayers are getting the best, most cost-effective goods and services possible from LIPA's contracts. Competitive procurements, subject to independent oversight and inclusive of strong guardrails and protections, are the best way to achieve that.

<u>Transparency and Accountability</u>

The Draft Report reviewed three primary options to transform LIPA: full privatization, continuing with the third-party service provider model, and the fully integrated public power model.[30] The Commission identified several areas where the public power structure could improve accountability over the service provider model, and emphasized the potential for improvements to long-term planning and better long-term outcomes.

If the third-party service provider is eliminated, clear lines of responsibility must be defined so that ratepayers and elected officials can be assured that the LIPA Board will be directly accountable for any successes or failures. LIPA will also have to operate with a greater level of transparency than in the past. Provisions are needed to ensure that the new Board will, among other things: align its strategic plan with its new operating model; publish regular performance metrics; communicate with customers quickly and effectively in cases of emergency or service disruption; and hold itself accountable by eliciting and responding to feedback from customers and the public on its performance and progress toward its long-term goals, including increasing renewable energy.

The Draft Report indicates LIPA generally provides reliable service, but fares poorly with respect to the resiliency of the system during high-impact events, like hurricanes and ice storms, which have become more frequent in the last decade.[31] Improving resiliency necessitates making sustained capital investments, but also requires continued focus on operational preparedness and heightened management in times of crisis.

In the aftermath of Tropical Storm Isaias, communication with customers was poor and recovery in the aftermath of the event was slow, taking almost eight days.[32] Investigations by both DPS and LIPA found extensive management and operational failures on the part of PSEG, prompting

[29] Commission, Draft Report pg. 121.
[30] Commission, Draft Report, pg. 50.
[31] Commission, Draft Report, pgs. 67-68.
[32] Commission, Draft Report, pg. 68.

the DPS to recommend LIPA evaluate terminating PSEG as its service provider and consider alternative management structures such as municipalization or privatization.[33]

In the wake of this, an amended OSA was negotiated between LIPA and PSEG and approved by OSC in April 2022. In this amended OSA, LIPA included performance standards intended to drive better performance by PSEG, with a greater portion of PSEG's compensation tied to meeting performance targets. LIPA publishes quarterly updates on progress meeting these targets, including how the metrics are calculated. This reflects an improvement in transparency from prior practices that should be maintained and improved upon. For example, key performance indicators related to service, rates, energy use and customer satisfaction should be reported monthly and be easily accessible to the public.

In order to be successful, a commitment by LIPA to improve accountability and transparency is essential for building credibility and support for the new service structure.

## Managing the Transition

Ensuring the reliability of LIPA services during any organizational transition is of paramount importance. The Draft Report identifies December 31, 2025 – the end date for the current OSA between LIPA and PSEG and 33 months from release of the Draft Report – as the target date for transition to a new operating structure. Policymakers must ensure that adequate time is allowed to ensure an effective transition.

Day-to-day operation of the LIPA system is performed by ServCo's 2,500 staff, who operate under collective bargaining agreements governed by the National Labor Relations Act (NLRA). Accordingly, any successor organization operating under a new structure should be required to adhere to the terms and conditions of the existing and successor collective bargaining agreements. Nonetheless, a transition from the PSEG/ServCo model would create uncertainty for the workforce, and, depending upon the model chosen, a variety of potential implications for ServCo staff.[34]

The Draft Report identifies three potential models to transition ServCo employees from PSEG to LIPA, with the intention of preserving existing employment status, wages, pension and other benefits and other terms of employment.[35] Each of these corporate structures raises complex questions that merit careful deliberation and discussion of potential consequences, particularly as they affect the protections afforded to employees under the NLRA and standards governing retirement funds set under the Employee Retirement Income Security Act. Further examination is needed to determine the benefits and drawbacks of each model, and this should be a central focus of the Commission as it continues its deliberations.

The Office of the State Comptroller strongly urges policymakers to limit any actions that would have negative implications for the ServCo employees; and for LIPA and PSEG officials to commit to ongoing dialogue with labor representatives throughout the transition to ensure those

[33] Commission, Draft Report, pgs.10-11.
[34] Commission, Draft Report, pgs. 77-85.
[35] The models include a corporate subsidiary structure, similar to the Metropolitan Transportation Authority, a ServCo limited liability corporation model, and an employee leasing model. See Commission, Draft Report, pg. 78.

directly responsible for daily operations of the LIPA system are fully informed about ongoing changes, and that their existing rights and benefits are protected.

In addition, steps should be taken to provide resources to ensure an efficient and effective transition. The Draft Report identifies the need for temporary resources ranging from $16 million to $59 million for costs such as litigation, information technology transition, employee recruitment, and others.[36]

Although transition costs may be unavoidable, LIPA and its partners in State government should seek ways to minimize such costs through shared services to the greatest extent possible. This is another area where DPS and NYPA may be able to provide technical assistance and guidance, as well as offer opportunities for cost savings and efficiencies, while ensuring full protection for ServCo employees.

## Conclusion

For decades, LIPA customers have been promised improved service and relief on rates, with service models and responsible entities changing over time in pursuit of those objectives. Yet LIPA customers remain dissatisfied. The Commission's Draft Report covered a tremendous amount of ground, but many important questions remain unanswered.

If there is a desire to advance a change during this legislative session, transparency would be best served by including the specific legislation that would be needed to ensure a smooth and effective transition to a fully public power model in the LIPA service territory in the Commission's Final Report.

To be successful, the cornerstones of any model must be built on improved transparency, clear accountability, and greater local responsiveness. This is the only way that LIPA customers will, finally, receive the quality utility service they deserve at a cost they can afford.

[36] Commission, Draft Report, pgs. 60-64.