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OFFICE

TESTIMONY OF

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BEFORE THE

NEW YORK STATE ASSEMBLY STANDING COMMITTEE ON ENERGY

SHOREHAM AND THE ECONOMIC
FUTURE OF LONG ISLAND

MINEOLA, NEW YORK

APRIL 29, 1983

INTRODUCTION

THE PRESENT CONTROVERSY SURROUNDING THE SHOREHAM PLANT IS FOCUSED ON THE QUESTION OF SAFETY AND THE ADEQUACY OF LILCO'S OFF-SITE EMERGENCY EVACUATION PLAN. I WOULD LIKE TO STATE AT THE OUTSET THAT THE NEW YORK STATE PUBLIC SERVICE COMMISSION DOES NOT HAVE ANY JURISDICTION OVER QUESTIONS OF NUCLEAR SAFETY -- AND I WILL NOT DISCUSS THAT ISSUE.

NUCLEAR SAFETY IS EXCLUSIVELY A FEDERAL RESPONSIBILITY AS WAS CLEARLY STATED BY THE UNITED STATES SUPREME COURT JUST A FEW DAYS AGO.

MY STATEMENT WILL ADDRESS, IN A GENERAL WAY, THE POTENTIAL IMPACTS ON ELECTRIC RATES AND ADEQUATE AND RELIABLE ELECTRIC SERVICE FOR LILCO CUSTOMERS OF EITHER OPERATING OR ABANDONING THE SHOREHAM PLANT.

BEFORE COMMENTING ON THE RATE IMPLICATIONS OF ABANDONING SHOREHAM, I WOULD LIKE TO BRIEFLY DISCUSS SEVERAL OTHER CONSEQUENCES WHICH MAY NOT BE OF IMMEDIATE CONCERN TO THE GENERAL PUBLIC -- BUT ARE OF GREAT CONCERN TO THE PUBLIC SERVICE COMMISSION AND WARRANT YOUR MOST SERIOUS CONSIDERATION.

FIRST, THERE IS THE ISSUE OF THE NEED FOR NEW GENERATING CAPACITY TO SERVE LONG ISLAND SHOULD SHOREHAM BE ABANDONED.

GENERATING CAPACITY

ASSUMING THE PLANNED 800 MW JAMESPORT COAL PLANT IS NOT BUILT AND ASSUMING CONTINUANCE OF THE CURRENT LOW PROJECTIONS OF LOAD GROWTH FOR LONG ISLAND (ABOUT 1-1/2%), THE FAILURE OF SHOREHAM TO OPERATE WOULD NOT RESULT IN A DEFICIENCY IN INSTALLED GENERATING CAPACITY

FOR LILCO UNTIL 1990. THIS ASSUMES THAT LILCO RECEIVES 200 MW OF NEW CAPACITY IN 1987 WHEN NINE MILE POINT TWO GOES INTO SERVICE. MY STAFF ADVISES THAT ANOTHER TRANSMISSION CONNECTION TO CON EDISON COULD BE INSTALLED BY 1990 OR 1991 TO CARRY LONG ISLAND A LITTLE FURTHER, BUT THAT BY 1993, THE DEFICIENCY WOULD BE LARGE ENOUGH TO REQUIRE A MAJOR GENERATING CAPACITY ADDITION, REPRESENTING A MAJOR CAPITAL INVESTMENT.

IN THE INTERVAL BETWEEN 1990-93, LILCO SHOULD BE ABLE TO PURCHASE ITS CAPACITY NEEDS FROM THE EXCESS CAPACITY OF OTHER MEMBERS OF THE NEW YORK POWER POOL AND THERE SHOULD BE ADEQUATE TRANSMISSION INTERCONNECTION CAPACITY TO ENABLE LILCO TO IMPORT 300 OR MORE MW DEPENDING ON CON EDISON SYSTEM CONDITIONS. I SHOULD POINT OUT THAT LILCO IS NOT WELL POSITIONED TO PURCHASE

POWER BECAUSE OF ITS ISOLATED GEOGRAPHIC POSITION AND LIMITED OPPORTUNITY FOR INTERCONNECTION.

MY STAFF, FOLLOWING DISCUSSIONS WITH THE STAFF OF STATE ENERGY OFFICE AND CONSUMER PROTECTION BOARD, BELIEVES THAT THE MOST COST EFFECTIVE NEW GENERATION IN 1993 COULD BE A REPLICATION OF THE 625 MW SOMERSET PLANT AT A COST OF \$2.4 BILLION. EVEN WITH THIS UNIT, BY 1998 A SECOND NEW UNIT OF 400MW WOULD BE NEEDED AT AN ADDED COST OF ANOTHER \$2.5 BILLION.

IN DISCUSSING GENERATING CAPACITY, IT IS IMPORTANT TO NOTE THAT OF LILCO'S APPROXIMATELY 3,720 MW OF CAPACITY, ABOUT 1,000 MW CONSISTS OF GAS TURBINES. GAS TURBINES ARE NOT DESIGNED TO OPERATE FOR LONG PERIODS OF TIME AND ARE EXTREMELY COSTLY TO OPERATE (APPROXIMATELY TWO AND ONE-HALF TIMES AS EXPENSIVE TO OPERATE AS A

CONVENTIONAL OIL-FIRED UNIT). GAS TURBINES ARE DESIGNED FOR SHORT-TERM OPERATION DURING TIMES OF PEAK LOAD. THE NEED TO USE ANY SIGNIFICANT PORTION OF THE 1,000 MW OF GAS TURBINE CAPACITY FOR OTHER THAN PEAKING PURPOSES AS A RESULT OF SHOREHAM'S FAILURE TO OPERATE WOULD IMPOSE MUCH HIGHER FUEL COSTS AND BE A COSTLY BURDEN ON THE LILCO CONSUMER.

IT IS IMPORTANT TO NOTE THAT THIS ANALYSIS OF LILCO'S CAPACITY NEEDS ASSUMES A CONTINUATION OF THE PRESENT VERY LOW ELECTRIC GROWTH RATE OF 1-1/2 PERCENT. SHOULD GROWTH IN THE USE OF ELECTRICITY INCREASE AT A HIGHER RATE, THE NEED FOR NEW GENERATION COULD BE ADVANCED.

HOWEVER, WHILE CAPACITY ITSELF AND ITS COSTS ARE IMPORTANT, THE RELIABILITY OF SERVICE TO PEOPLE ON LONG ISLAND IS ALSO A VERY IMPORTANT CONSIDERATION.

OIL DEPENDENCE

ALL LILCO POWER PLANTS ARE FUELED BY OIL, MOST OF WHICH IS IMPORTED FROM FOREIGN COUNTRIES. THE ENTIRE LILCO SYSTEM USED 15.1 MILLION BARRELS OF OIL IN 1982.

IF SHOREHAM GOES INTO OPERATION IT WOULD SAVE APPROXIMATELY 6 TO 7 MILLION BARRELS OF OIL PER YEAR.

THE DANGERS OF OUR CONTINUED HEAVY RELIANCE ON FOREIGN OIL BOTH FROM AN ECONOMIC AND SYSTEM RELIABILITY POINT OF VIEW, BY NOW, SHOULD BE SELF-EVIDENT. THE STATE ENERGY MASTER PLAN, A COMPREHENSIVE AND PROFESSIONAL REVIEW OF THE STATE'S ENERGY PICTURE, CONDUCTED BY STATE AGENCIES WITH LEGISLATIVE

How much

REPRESENTATION, HAS IDENTIFIED A REDUCTION OF OUR
DEPENDENCE ON FOREIGN OIL AS THE STATE'S FIRST PRIORITY
IN THE ENERGY AREA. A DISRUPTION OF OIL SUPPLIES FROM
THE MIDDLE EAST CAUSED BY POLITICAL UNREST IN THAT
REGION WILL CONTINUE TO BE A POSSIBILITY FOR THE
FORESEEABLE FUTURE. WITH LILCO'S 100% DEPENDENCE ON OIL
-- SUCH A DISRUPTION COULD REQUIRE SUBSTANTIAL CUTBACKS
IN ELECTRIC SERVICE IN LILCO'S TERRITORY WITH SEVERE
ECONOMIC AND SOCIAL EFFECTS. I HAVE NOTED EARLIER
LILCO'S LIMITED INTERCONNECTIONS WHICH COULD SUPPLY LESS
THAN 20% OF LONG ISLAND'S NEEDS EVEN IF POWER WAS
AVAILABLE THROUGH THE POOL.

FURTHER, THE PRICE OF OIL WILL CONTINUE TO BE
UNPREDICTABLE. CURRENTLY, LACK OF DEMAND HAS LIMITED
OPEC POWER AND HAS ALLOWED THE MARKET FORCES OF SUPPLY

AND DEMAND TO OPERATE, RESULTING IN DECLINES IN OIL PRICES. FORECASTERS ARE NOW PREDICTING ONLY MODEST INCREASES IN OIL PRICES WELL INTO THE FUTURE. THE PAST 10 YEARS, HOWEVER, HAVE DEMONSTRATED THAT TOTAL CONFIDENCE IN PREDICTIONS OF FUTURE OIL PRICES IS FOOLHARDY. SHOULD THE WORLD ECONOMY IMPROVE, THE RESULTING INCREASE IN THE DEMAND FOR OIL COULD WELL PERMIT OPEC TO REASSERT ITS INFLUENCE OVER OIL PRICES. IT SHOULD ALSO BE REMEMBERED THAT, EVEN IN THE ABSENCE OF AN OIL CARTEL, OIL IS A LIMITED AND DIMINISHING RESOURCE -- WHICH, BY THE OPERATION OF NATURAL ECONOMIC FORCES, IS LIKELY TO INCREASE IN VALUE IN THE YEARS AHEAD.

IMPACT ON RATES IF SHOREHAM OPERATES

WITH RESPECT TO THE IMPACT ON RATEPAYERS IF SHOREHAM GOES INTO OPERATION, I WOULD MAKE THE FOLLOWING OBSERVATIONS.

SHOREHAM PRUDENCY CASE

FIRST, I SHOULD POINT OUT THAT THE IMPACT OF SHOREHAM ON RATEPAYERS COULD BE AFFECTED BY OUR PENDING PRUDENCY PROCEEDING.

IN MAY 1979, THE PUBLIC SERVICE COMMISSION INSTITUTED A PROCEEDING TO INVESTIGATE THE EXTENT TO WHICH INCREASES IN THE COST OF THE SHOREHAM PLANT WERE DUE TO LILCO'S IMPRUDENCE, MISMANAGEMENT OR GROSS INEFFICIENCY. THE SHOREHAM PRUDENCE INVESTIGATION IS ONE OF THE MOST DIFFICULT AND COMPLEX PROCEEDINGS EVER UNDERTAKEN BY THE DEPARTMENT OF PUBLIC SERVICE. I BELIEVE IT IS UNIQUE IN THAT NO REGULATORY AGENCY HAS

EVER BEFORE REVIEWED THE PRUDENCE OF AN INVESTMENT THE SIZE AND COMPLEXITY OF SHOREHAM.

A 16-MEMBER SHOREHAM TASK FORCE HAS BEEN ESTABLISHED WITHIN THE AGENCY, COMPOSED OF LAWYERS, ACCOUNTANTS, FINANCIAL ANALYSTS, ENGINEERS AND ECONOMISTS. THE TASK FORCE HAS BEEN GIVEN SEPARATE QUARTERS, ITS MEMBERS HAVE BEEN RELIEVED OF ALL OTHER WORK ASSIGNMENTS, AND IT HAS BEEN ALLOWED PRIORITY CLAIM ON ANY SERVICES IT REQUIRES FROM OTHER DEPARTMENT TECHNICAL PERSONNEL. IN ADDITION, THE TASK FORCE HAS HIRED THEODORE BARRY & ASSOCIATES TO PROVIDE SPECIALIZED TECHNICAL EXPERTISE RELATING TO THE CONSTRUCTION AND REGULATORY TREATMENT OF A NUCLEAR POWER PLANT.

THE COMMISSION IS CHARGED BY LAW WITH ENSURING THAT THE RATES FOR UTILITY SERVICE ARE JUST AND

REASONABLE AND REFLECT ONLY PRUDENTLY INCURRED COSTS. THE COMMISSION, THEREFORE, WILL EXCLUDE FROM RATES THAT PORTION OF THE CONSTRUCTION COSTS OF SHOREHAM WHICH IS FOUND TO HAVE BEEN IMPRUDENTLY INCURRED.

SHOREHAM PHASE-IN PROCEEDING

AS YOU KNOW, THE COMMISSION IS ALSO CONDUCTING A PROCEEDING TO EXPLORE A POSSIBLE PHASE-IN OF THE SHOREHAM PLANT INTO RATE BASE TO SOFTEN ITS IMPACT ON CONSUMERS. UNDER NORMAL RATEMAKING PRACTICES, ONCE A PLANT BECOMES OPERATIONAL, THE COMPANY BEGINS TO EARN A RETURN ON ITS ENTIRE INVESTMENT. A PHASE-IN OF THE PLANT INTO RATE BASE WOULD BE AN UNUSUAL IF NOT UNPRECEDENTED DEPARTURE FROM NORMAL RATEMAKING. THERE ARE, HOWEVER, SPECIAL CIRCUMSTANCES IN THE CASE OF SHOREHAM WHICH JUSTIFY OUR SERIOUS CONSIDERATION OF A

PHASE-IN, INCLUDING THE HIGH COST OF THE PLANT, AND THE FACT THAT, UNDER NORMAL RATEMAKING PROCEDURES, THE HIGH CAPITAL COSTS OF THE PLANT WOULD BE REFLECTED IMMEDIATELY IN RATES, WHILE THE EXPECTED OFF-SETTING FUEL SAVINGS WOULD OCCUR ONLY GRADUALLY OVER THE LIFE OF THE PLANT.

COMMISSION STAFF, LILCO, THE CONSUMER PROTECTION BOARD AND OTHER INTERESTED PARTIES HAVE SUBMITTED PHASE-IN PROPOSALS FOR THE COMMISSION'S CONSIDERATION. SHOULD THE COMMISSION ADOPT A PHASE-IN PROPOSAL, IT COULD SIGNIFICANTLY SOFTEN THE IMPACT ON CONSUMERS OF INTRODUCING THE SHOREHAM PLANT INTO RATE BASE.

FUEL SAVINGS

OPERATION OF THE SHOREHAM PLANT SHOULD RESULT IN SIGNIFICANT FUEL SAVINGS OVER THE LIFE OF THE PLANT

BECAUSE URANIUM IS A MUCH LESS EXPENSIVE FUEL THAN OIL. THE MAGNITUDE OF THE FUEL SAVINGS IS, OF COURSE, IMPOSSIBLE TO QUANTIFY. IT DEPENDS UPON MANY VARIABLE FACTORS INCLUDING THE PRICE OF OIL AND THE PLANT CAPACITY FACTOR WHICH MEANS THE PERCENTAGE OF TIME THE PLANT WILL ACTUALLY BE IN OPERATION OVER ITS ESTIMATED LIFE OF 30 YEARS. THE HIGHER THE PRICE OF OIL AND THE HIGHER THE CAPACITY FACTOR, THE GREATER THE FUEL SAVINGS.

WHILE IT IS DIFFICULT TO QUANTIFY THE FUEL SAVINGS WHICH WOULD RESULT FROM THE PLANT'S OPERATION, THEY SHOULD BE SIGNIFICANT -- AND AN IMPORTANT FACTOR TO CONSIDER.

IMPACT ON RATES IF SHOREHAM IS ABANDONED

WITH RESPECT TO THE POSSIBLE ABANDONMENT OF THE PLANT, I HAVE THE FOLLOWING OBSERVATIONS.

LEGAL CONSIDERATIONS

THE QUESTION ARISES, IF THE PLANT WERE ABANDONED, WHO WOULD PAY FOR THE UNUSED PLANT -- THE COMPANY OR THE RATEPAYERS? I DO NOT PROPOSE TO RESOLVE THAT QUESTION, BUT ONLY TO COMMENT ON SOME OF THE LEGAL CONSIDERATIONS INVOLVED.

IN NEW YORK, AND GENERALLY THROUGHOUT THE UNITED STATES, UTILITY SERVICES ARE PROVIDED BY PRIVATE INVESTOR OWNED UTILITIES SUBJECT TO GOVERNMENT REGULATION. THE REGULATORS ARE GENERALLY GIVEN THE MANDATE TO ENSURE SAFE, ADEQUATE AND RELIABLE UTILITY

REGULATION RAISES FUNDAMENTAL QUESTIONS WITH RESPECT TO THE RESPECTIVE RIGHTS OF THE OWNERS, WHO INVEST THE VAST AMOUNTS OF CAPITAL NECESSARY TO PROVIDE UTILITY SERVICES, ON THE ONE HAND, AND THE RIGHTS OF REGULATORY BODIES AND THE GENERAL PUBLIC ON THE OTHER.

AS YOU MIGHT EXPECT, THE COURTS WERE FACED WITH MANY CONTROVERSIES BETWEEN UTILITIES AND REGULATORY BODIES FROM THE BEGINNING OF THE ERA OF UTILITY REGULATION IN THIS COUNTRY. ULTIMATELY, THE UNITED STATES SUPREME COURT MADE SOME LANDMARK DECISIONS WHICH HAVE SINCE SERVED AS GENERAL GUIDELINES WITH RESPECT TO THE RELATIVE RIGHTS OF RATEPAYERS AND UTILITY INVESTORS.

FIRST, THE SUPREME COURT RULED THAT THE PROPERTY RIGHTS OF UTILITY INVESTORS ARE PROTECTED BY THE DUE

PROCESS CLAUSE OF THE FOURTEENTH AMENDMENT. AND THAT UTILITY PROPERTY COULD NOT BE TAKEN THROUGH THE PROCESS OF UTILITY REGULATION WITHOUT DUE PROCESS OF LAW.

SECOND, THE COURT RULED THAT THERE IS NO SINGLE CORRECT METHOD FOR THE SETTING OF UTILITY RATES AND THE REGULATION OF UTILITIES AND THAT REGULATORY BODIES WERE ENTITLED TO FLEXIBILITY WITH RESPECT TO THE REGULATION OF UTILITIES -- PROVIDED THAT THEIR RULINGS WERE REASONABLE AND DID NOT VIOLATE THE DUE PROCESS RIGHTS OF UTILITY INVESTORS.

AS A GENERAL RULE, THE COURT SAID THAT A UTILITY IS ENTITLED TO RECOVER FOR PRUDENT INVESTMENTS FOR THE PURPOSE OF PROVIDING UTILITY SERVICES TO THE PUBLIC AND A REASONABLE RETURN ON THAT INVESTMENT -- COMMENSURATE WITH THE RETURNS RECEIVED ON COMPARABLE INVESTMENTS

SUBJECT TO SIMILAR RISKS, AND SUFFICIENT TO ALLOW THE COMPANY TO ATTRACT THE ADDITIONAL CAPITAL NECESSARY TO CONTINUE TO PROVIDE ADEQUATE UTILITY SERVICES.

IN NEW YORK STATE, OUR APPELLATE COURTS HAVE ALSO RECOGNIZED THAT A UTILITY IS ENTITLED TO RECOVER PRUDENT INVESTMENTS.

I SHOULD POINT OUT THAT THESE RULINGS APPLY ONLY TO PRUDENT INVESTMENTS -- AND WOULD NOT APPLY TO ANY PORTION OF THE COST OF THE PLANT FOUND IN OUR PENDING INVESTIGATION TO HAVE BEEN IMPRUDENTLY INCURRED. THAT PORTION OF THE COST WOULD BE EXCLUDED FROM RATES -- AND THE COMPANY WOULD HAVE NO LEGAL RIGHT TO RECOVERY -- PROVIDED THAT THE COMMISSION'S FINDING HAD A SUFFICIENT LEGAL AND FACTUAL BASIS.

I WOULD ALSO EMPHASIZE THAT THE GENERAL RULE I DESCRIBED CANNOT BE RELIED UPON TO PREDICT THE ULTIMATE JUDICIAL FINDING WITH RESPECT TO THE RIGHTS OF STOCKHOLDERS SHOULD THE SHOREHAM PLANT BE ABANDONED. TO MY KNOWLEDGE, THE INVOLUNTARY ABANDONMENT OF A COMPLETED POWER PLANT BY A UTILITY IS UNPRECEDENTED AND WILL PRESENT NOVEL LEGAL ISSUES. I SHOULD ALSO POINT OUT THAT THE MAGNITUDE OF THE INVESTMENT HERE, IS ALSO UNPRECEDENTED.

IN RECENT YEARS, THERE HAVE BEEN NUMEROUS INSTANCES IN OTHER STATES IN WHICH UTILITIES HAVE CANCELLED PARTIALLY COMPLETED PLANTS AND HAVE NOT RECEIVED FULL RECOVERY. THOSE CASES HAVE GENERALLY INVOLVED THE VOLUNTARY CANCELLATION OF A PLANT BECAUSE OF CHANGED CIRCUMSTANCES AND HAVE INVOLVED INVESTMENTS

OF ONLY A FRACTION OF THE INVESTMENT IN SHOREHAM. THE UNITED STATES SUPREME COURT, HOWEVER, HAS NOT DEALT DIRECTLY WITH THIS QUESTION -- AND I WOULD NOT HAZARD A GUESS AS TO WHAT ITS DECISION WOULD BE IF AND WHEN IT DOES. I DO THINK THAT ONE THING IN THIS AREA THAT IS CERTAIN. BECAUSE OF THE MAGNITUDE OF THE SHOREHAM INVESTMENT, ANY DECISION WITH RESPECT TO THE ALLOCATION OF THE COSTS OF ABANDONMENT NO MATTER WHAT IT IS, OR WHO IT FAVORS, WILL BE LITIGATED IN THE HIGHEST STATE AND FEDERAL COURTS AND THE ULTIMATE OUTCOME WILL REMAIN IN DOUBT FOR SEVERAL YEARS.

FINANCIAL CONSIDERATIONS

WITH RESPECT TO THE APPORTIONMENT OF THE COSTS OF AN ABANDONED PLANT, I SHOULD MAKE ONE FURTHER POINT.

ASSUMING THAT A DECISION IS MADE TO HAVE THE STOCKHOLDERS ABSORB A PORTION OF THE PRUDENTLY INCURRED INVESTMENT IN SHOREHAM -- AND ASSUMING THAT SUCH A DECISION IS FOUND TO BE LEGAL, THE MAGNITUDE OF THE SHARING WOULD HAVE TO BE CONSIDERED IN THE CONTEXT OF THE FINANCIAL CONDITION OF THE COMPANY. IT SHOULD BE REMEMBERED THAT THE SHOREHAM INVESTMENT IS EXTREMELY LARGE IN RELATION TO THE COMPANY'S TOTAL CAPITALIZATION. IN FACT, THE INVESTMENT IN SHOREHAM IS LARGER THAN THE TOTAL INVESTMENT IN THE REST OF THE COMPANY. ANY DECISION WITH RESPECT TO THE RECOVERY OF THE SHOREHAM INVESTMENT, THEREFORE, WILL HAVE A VERY SIGNIFICANT, IF NOT OVERWHELMING, IMPACT ON THE FINANCIAL CONDITION OF THE COMPANY. FURTHERMORE, IF THE COMPANY IS REQUIRED TO ACCEPT A LOSS ON A SIGNIFICANT PORTION OF THE COST OF

THE PLANT AS A RESULT OF OUR PRUDENCY INVESTIGATION, IT MAY BE DIFFICULT TO IMPOSE ANY ADDITIONAL LOSS ON THE COMPANY WITHOUT DESTROYING ITS ABILITY TO FINANCE THE FACILITIES NEEDED TO PROVIDE ADEQUATE AND RELIABLE ELECTRIC SERVICE FOR LONG ISLAND AND TO EFFECTIVELY FUNCTION AS A UTILITY.

LOSS OF FUEL SAVINGS AND INVESTMENT TAX CREDITS

OF COURSE, AN ABANDONMENT OF SHOREHAM WOULD ELIMINATE THE FUEL SAVINGS WHICH WOULD OTHERWISE OCCUR OVER THE USEFUL LIFE OF THE PLANT.

THERE WOULD ALSO BE A LOSS OF A SUBSTANTIAL AMOUNT IN INVESTMENT TAX CREDITS ASSOCIATED WITH CONSTRUCTION OF THE PLANT.

O&M SAVINGS AND REAL ESTATE TAXES

ON THE OTHER HAND, THERE WOULD BE SIGNIFICANT SAVINGS IN OPERATION AND MAINTENANCE EXPENSES IF THE PLANT WERE ABANDONED.

THERE SHOULD ALSO BE SIGNIFICANT SAVINGS IN REAL ESTATE TAXES THAT WOULD OTHERWISE BE PAID TO LOCAL GOVERNMENTS ON LONG ISLAND. OF COURSE, IT IS FAIR TO ASSUME THAT THIS TAX BURDEN WOULD BE SHIFTED TO LOCAL TAXPAYERS AND THAT LILCO, AS A LARGE TAXPAYER, WOULD BE REQUIRED TO ASSUME A PORTION OF IT.

PRUDENCY CASE

FINALLY, I SHOULD NOTE THAT ANY FINDING BY THE COMMISSION OF IMPRUDENCY ON THE PART OF THE COMPANY IN THE CONSTRUCTION OF SHOREHAM, WOULD BE EQUALLY APPLICABLE IF THE PLANT IS ABANDONED.

CONCLUSION

I HAVE TRIED, IN MY TESTIMONY TODAY TO PROVIDE YOU WITH SOME GENERAL OBSERVATIONS WITH RESPECT TO THE POTENTIAL IMPACTS OF EITHER OPERATING OR ABANDONING THE SHOREHAM PLANT -- ON ELECTRIC RATES AND ON THE CONTINUED PROVISION OF ADEQUATE AND RELIABLE ELECTRIC SERVICE TO THE PEOPLE ON LONG ISLAND. IN CLOSING, I WOULD EMPHASIZE THAT THE ACTUAL CONSEQUENCES OF EITHER ACTION ARE IMPOSSIBLE TO QUANTIFY AND WILL, TO A LARGE DEGREE, DEPEND UPON EVENTS TO OCCUR OVER THE NEXT THREE DECADES.

I HOPE THAT MY COMMENTS WILL BE OF SOME ASSISTANCE TO THE COMMITTEE.