

# Northport Power Plant Litigation



## REVIEW OF SETTLEMENT PROPOSAL



# Characteristics of Northport Power Plant



- 275 acre site
- Generating capacity of 1,500 MW
- 4 generating units; each capable of producing at least 375 MW
- Dual fuel natural gas/oil fired steam electric generating facility
- Current taxes (\$86M); School District (\$56M)
- Owned by National Grid; taxes paid by LIPA

# Litigation Timeline



- ❑ October 2010: LIPA and National Grid file first annual tax certiorari proceeding seeking a reduction in Northport's assessment.
- ❑ May 10, 2011: Town and School District commence third-party action against National Grid and LIPA.
- ❑ September 22, 2011 – July 29, 2015: motion to dismiss filed; denied by Supreme Court; affirmed by Appellate Division.
- ❑ April 2018: LIPA submits appraisal valuing property at \$193M

# Litigation Timeline Continued



- ❑ August 2018: Judge dismisses Town and School District's third-party actions.
- ❑ December 2018: Town of Brookhaven settles
- ❑ February - July 2019: Tax certiorari trial
- ❑ September 2019-November 2019: Post-trial submissions
- ❑ November 2019: Nassau County reaches settlement agreement
- ❑ April 22, 2020: Request to pause litigation based on pandemic
- ❑ July 20, 2020: Northport-East Northport School Board votes to accept settlement proposal subject to Huntington Town Board approval
- ❑ July 24, 2020: Oral argument on post-trial motions

# Worst Case Adverse Court Judgment Refund Liability – Residential Property



## ❑ REFUND LIABILITY FROM 2010-2019

- Maximum of \$825 million in refunds and interest
- Average payment ranging from **\$8,200 – \$26,000** depending upon assessed value for residential properties
- Average payment ranging from **\$22,000 - \$158,000** depending upon assessed value for commercial properties

# Worst Case Adverse Court Judgment Refund Liability – Residential Property

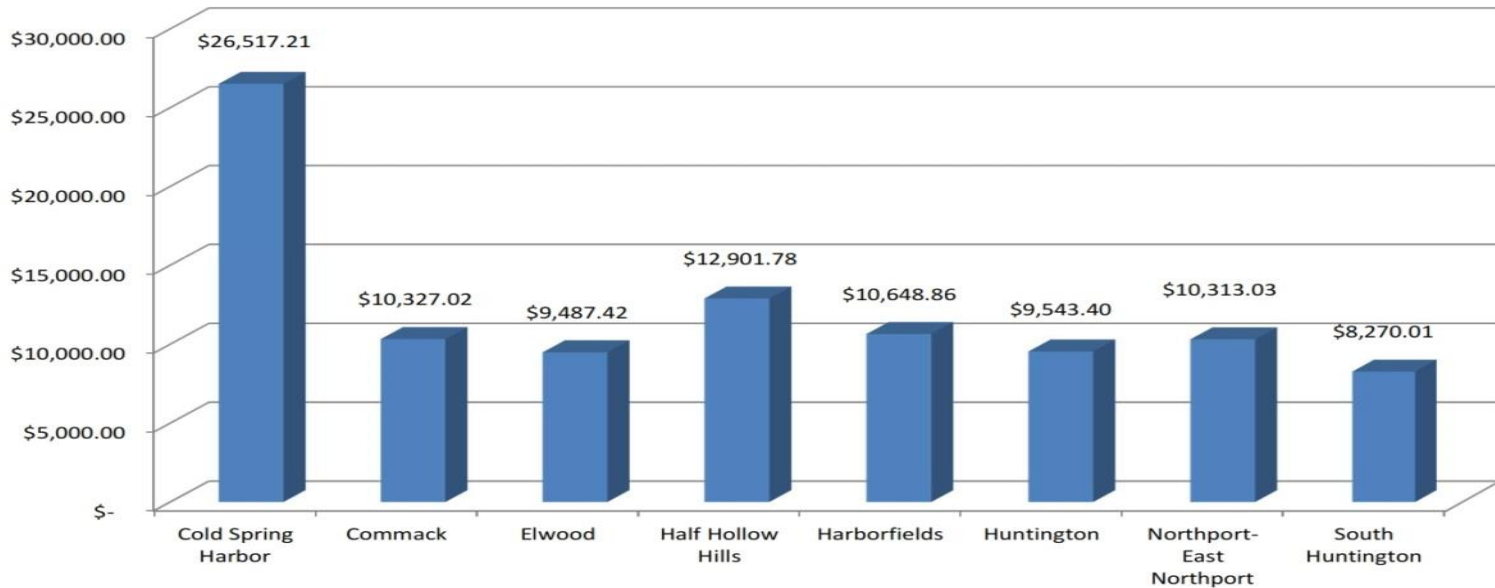


SCHOOL DISTRICT	AVERAGE RESIDENTIAL ASSESSMENT	AVERAGE RESIDENTIAL PAYMENT AT 90%	AVERAGE RESIDENTIAL PAYMENT AT 75%	AVERAGE RESIDENTIAL PAYMENT AT 50%
COLD SPRING HARBOR	9475	\$26,517.21	\$21,979.73	\$14,653.18
COMMACK	3690	\$10,327.02	\$8,559.91	\$5,706.62
ELWOOD	3390	\$9,487.42	\$7,863.99	\$5,242.67
HALF HOLLOW HILLS	4610	\$12,901.78	\$10,694.09	\$7,129.41
HARBORFIELDS	3805	\$10,648.86	\$8,826.69	\$5,884.47
HUNTINGTON	3410	\$9,543.40	\$7,910.38	\$5,273.60
NORTHPORT- EAST NORTHPORT	3685	\$10,313.00	\$8,548.32	\$5,698.89
SOUTH HUNTINGTON	2955	\$8,270.01	\$6,854.89	\$4,569.94

# Worst Case Adverse Court Judgment Refund Liability – Residential Property



**Average Potential Refund Impact on Residential Properties**



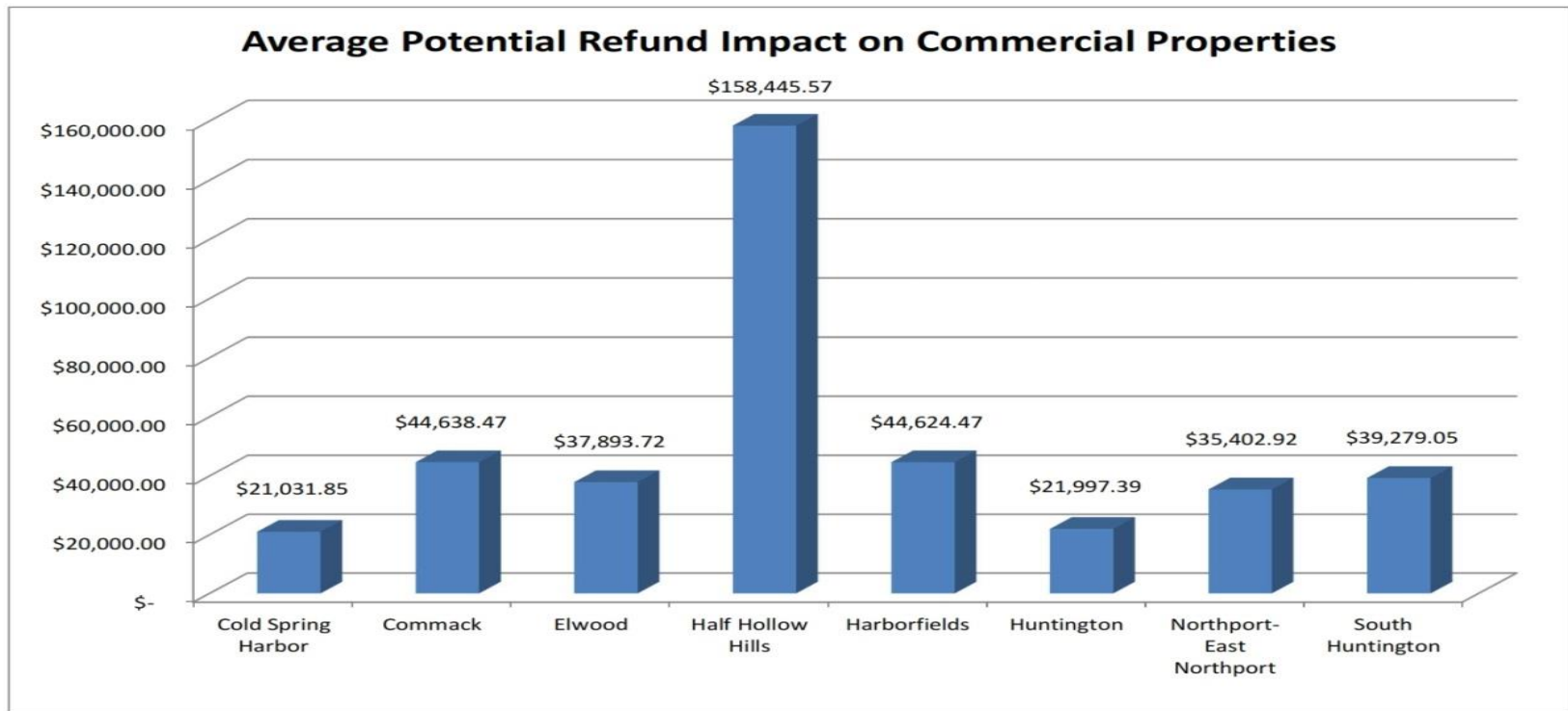
# Worst Case Adverse Court Judgment Refund Liability – Commercial Property



SCHOOL DISTRICT	AVERAGE COMMERCIAL ASSESSMENT	AVERAGE COMMERCIAL PAYMENT AT 90%	AVERAGE COMMERCIAL PAYMENT AT 75%	AVERAGE COMMERCIAL PAYMENT AT 50%
<b>COLD SPRING HARBOR</b>	7515	\$21,031.85	\$17,433.00	\$11,622.02
<b>COMMACK</b>	15950	\$44,638.47	\$37,000.17	\$24,666.83
<b>ELWOOD</b>	13540	\$37,893.72	\$31,409.55	\$20,939.75
<b>HALF HOLLOW HILLS</b>	56615	\$158,445.57	\$131,333.21	\$87,555.66
<b>HARBORFIELDS</b>	15945	\$44,624.47	\$36,988.57	\$24,659.10
<b>HUNTINGTON</b>	7860	\$21,997.39	\$18,233.31	\$12,155.57
<b>NORTHPORT-EAST NORTHPORT</b>	12650	\$35,402.92	\$29,344.96	\$19,563.35
<b>SOUTH HUNTINGTON</b>	14035	\$39,279.05	\$32,557.83	\$21,705.27



# Worst Case Adverse Court Judgment Refund Liability – Commercial Property



# Adverse Court Judgment Property Tax Increase – Residential Property



- ❑ LIPA taxes drop immediately from \$86M with corresponding increase in taxes based on assessed valuation.

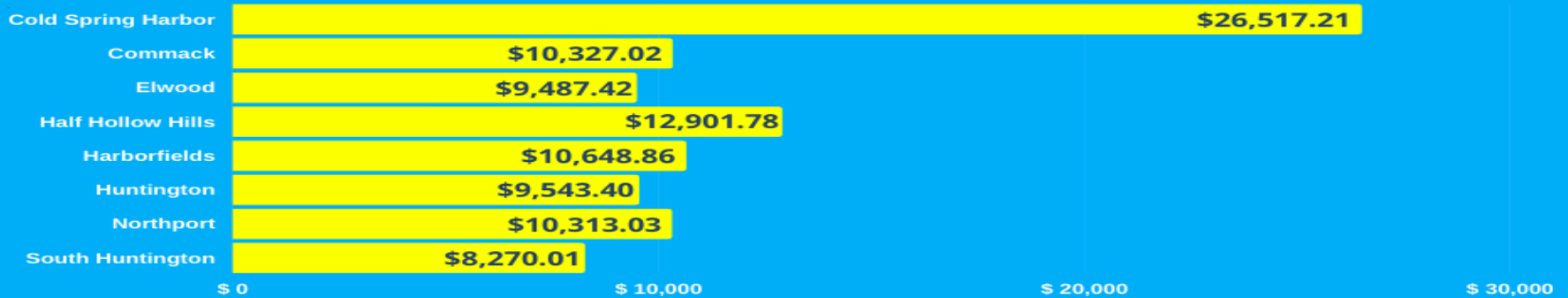
SCHOOL DISTRICT	Average Residential Assessment	Year 1 Increase with 90% Reduction in Assessed Valuation	Year 1 Increase with 75% Reduction in Assessed Valuation	Year 1 Increase with 50% Reduction in Assessed Valuation
COLD SPRING HARBOR	9475	\$739	\$600	\$379
COMMACK	3690	\$288	\$234	\$148
ELWOOD	3390	\$265	\$215	\$136
HALF HOLLOW HILLS	4610	\$360	\$292	\$184
HARBORFIELDS	3805	\$297	\$241	\$152
HUNTINGTON	3410	\$266	\$216	\$136
NORTHPORT	3685	\$4,558	\$3,437	\$2,000
SOUTH HUNTINGTON	2955	\$231	\$187	\$118

# Adverse Court Judgment Worst Case Scenario – Summary

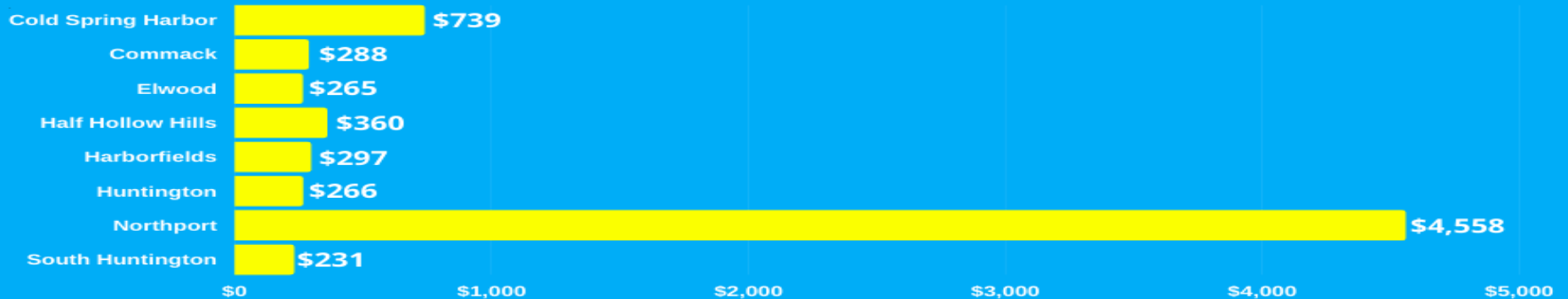


## What will happen to Huntington residents with a 90% judgment?

### PAYMENT



### INCREASE IN TAXES



# Negotiation History



1. June 2013 Offer
  - Letter proposal from LIPA
  - Governor, Senate, and Assembly urge acceptance of LIPA letter offer
2. 2014-2017: frequent meetings between the parties
3. February 2018: meeting at LIPA offices
4. September 2018 – January 2019: Private Mediation
5. December 2019 – March 2019: Negotiations with District Administrative Judge Hinrichs

# KEY TERMS OF PROPOSED SETTLEMENT



- 1. Waiver of all refund liability**
- 2. LIPA will pay \$14.5 million dollars to Northport-East Northport School District**
- 3. How Long? Minimum of 7 years; maximum of 12**
  - ✦ **Years 1-7: Lower assessed valuation for 7 consecutive years to achieve tax payments not exceeding \$46 million by tax year 2026/2027**
  - ✦ **Years 8-12: taxes remain steady at \$46 million**

# **Key Terms of Proposed Settlement (Continued)**



- 4. Guaranteed payments in Years 1-7 regardless of whether one or more units are retired or shut down.**
- 5. LIPA pays \$460.3M in Years 1-7; \$312.9M in school taxes**
- 6. No new tax challenges for 12 years**
- 7. Withdrawal of all appeals**
- 8. Side agreement between LIPA and National Grid naming Town as a third-party beneficiary**
- 9. Most-favored nation provision inuring to Town's benefit**
- 10. Provision allowing for increased assessment for:**
  - ✦ Improved efficiency**
  - ✦ Increased capacity by 75 MW or more**
  - ✦ New material structures unrelated to electric production**

# IMPACT OF PROPOSED SETTLEMENT ONLY – Annual Property Tax Increase Due to Settlement Only (Residential)



School District	Average Residential Assessment	Average Annual Increase	Base Year	Year 7
<b>COLD SPRING HARBOR</b>	9475 (\$1,246,710)	\$72.43	\$32,945	\$33,452
<b>COMMACK</b>	3690 (\$485,526)	\$28.14	\$14,518	\$14,715
<b>ELWOOD</b>	3390 (\$446,052)	\$25.86	\$13,305	\$13,486
<b>HALF HOLLOW HILLS</b>	4610 (\$606,579)	\$35.14	\$14,977	\$15,223
<b>HARBORFIELDS</b>	3805 (\$500,6658)	\$29.14	\$14,505	\$14,709
<b>HUNTINGTON</b>	3410 (\$448,684)	\$26.14	\$12,244	\$12,427
<b>NORTHPORT-EAST NORTHPORT</b>	3685 (\$484,868)	\$370.29	\$10,532	\$13,124
<b>SOUTH HUNTINGTON</b>	2955 (\$388,816)	\$22.57	\$11,300	\$11,458

# IMPACT OF PROPOSED SETTLEMENT ONLY – Annual Property Tax Increase Due to Settlement Only (Commercial)



SCHOOL DISTRICT	AVERAGE COMMERCIAL ASSESSMENT	AVERAGE ANNUAL TAX INCREASE	BASE YEAR TAXES FOR BUSINESS WITH AVERAGE ASSESSMENT	YEAR 7 TAXES FOR BUSINESS WITH AVERAGE ASSESSMENT
<b>COLD SPRING HARBOR</b>	7515 (\$988,816)	\$57.43	\$26,130	\$26,532
<b>COMMACK</b>	15950 (\$2,098,684)	\$121.86	\$62,753	\$63,606
<b>ELWOOD</b>	13540 (\$1,781,579)	\$103.57	\$53,140	\$53,865
<b>HALF HOLLOW HILLS</b>	56615 (\$7,449,342)	\$432.71	\$183,927	\$186,956
<b>HARBORFIELDS</b>	15945 (\$2,098,026)	\$122.00	\$60,875	\$61,639
<b>HUNTINGTON</b>	7860 (\$1,034,210)	\$60.00	\$28,223	\$28,643
<b>NORTHPORT- EAST NORTHPORT</b>	12650 (\$1,664,747)	\$1271.14	\$36,154	\$45,052
<b>SOUTH HUNTINGTON</b>	14035 (\$1,846,711)	\$107.29	\$53,670	\$54,421

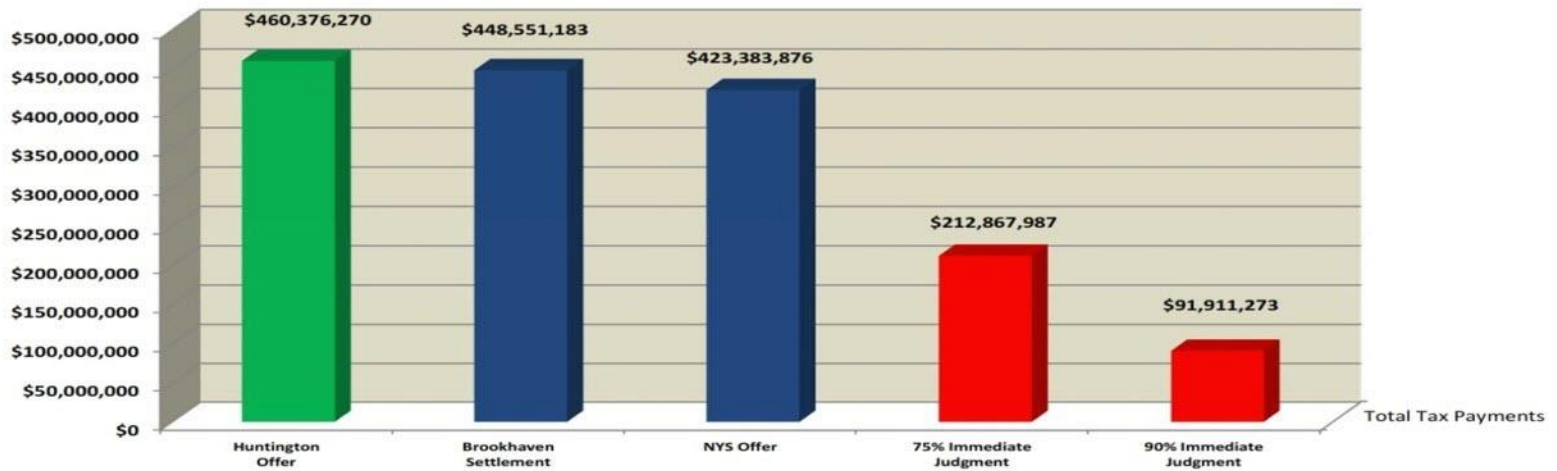


# IMPACT OF PROPOSED SETTLEMENT

## LIPA Tax Payments to Town



**COMPARISON OF OFFERS & SCENARIOS:  
TOTAL LIPA PAYMENTS TO TOWN OF HUNTINGTON OVER 7 YEARS**



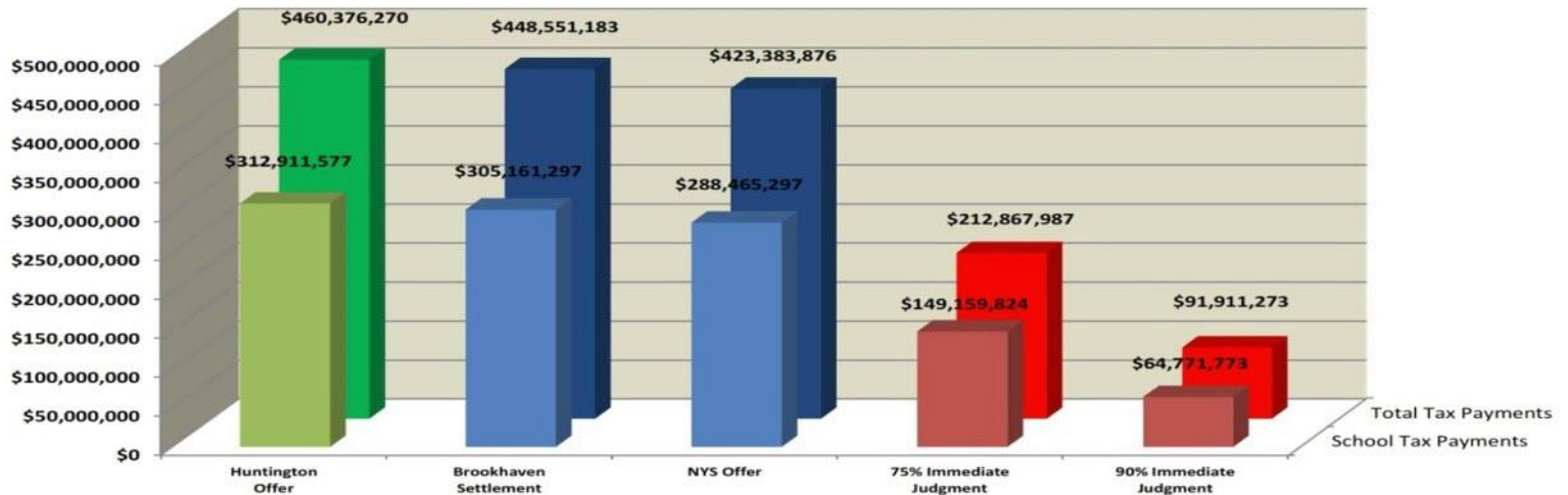
# IMPACT OF PROPOSED SETTLEMENT

## LIPA Tax Payments to Town and School District



### COMPARISON OF OFFERS & SCENARIOS:

TOTAL LIPA PAYMENTS TO TOWN OF HUNTINGTON & NORTHPORT-EAST NORTHPORT SCHOOL DISTRICT OVER 7 YEARS



# COMPARISON OF VARIOUS PROPOSALS



Proposal	Percent Reduction of Taxes	Cash Payment to Host School District	Waiver of Refunds	Maximum Length	Term providing for increase in capacity or efficiency	Protection against ramp down or retirement of units
Huntington	46.5%	Yes (\$14.5M)	Yes	12	Yes	Yes
NYS	58.6%	No	Yes	10	No	No
Brookhaven	50%	No	Yes	9	No	No
Nassau	50%	No	Yes	11	Yes	Yes