

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

DOCKETED
USNRC

Before the Atomic Safety and Licensing Board

'84 JUL 18 110:46

In the Matter of)
LONG ISLAND LIGHTING COMPANY) Docket No. 50-322-OL
(Shoreham Nuclear Power Station,) and
Unit 1)) Docket No. 50-322-OL-4
(Low Power)

AFFIDAVIT OF EDWARD W. EACKER

Edward W. Eacker, being duly sworn, deposes and says as follows:

1. My name is Edward W. Eacker. I am Treasurer of Long Island Lighting Company. My business address is 250 Old Country Road, Mineola, New York 11501.

2. I make this affidavit in response to the July 3, 1984 motion of Suffolk County and New York State for leave to submit a financial contention, and its attachments, including particularly the affidavit of Michael D. Dirmeier, in the NRC's Shoreham proceeding, NRC Docket 50-322(OL). This affidavit has two primary purposes. The first is to provide support for the proposition that New York State public utility regulators -- the Department of Public Service and the Public Service Commission -- allow electric utilities to collect revenues sufficient to permit the safe and reliable operation of their systems. The second is to demonstrate that information of the type presented in the Suffolk County/New York State papers was available considerably earlier than they suggest: that much of it was available by late 1983, and

virtually all of it by the end of February of this year. This affidavit will not, in general, comment on the accuracy of the facts asserted in the Suffolk County/New York State papers about specific aspects of LILCO's financial condition, even though they are in material respects inaccurate and misleading.

I. ADEQUACY OF FUNDING FOR SHOREHAM OPERATION

3. Substantial portions of the Suffolk County/New York State papers are directed to the argument that, absent further borrowings or rate relief, LILCO will not have available to it adequate funds to operate the Shoreham plant safely. These arguments are misplaced. Even if, as the motion alleges will occur, LILCO were to experience a cash shortfall, this does not detract from the fact that the New York State Public Service Commission (PSC) has the responsibility to set rates that will provide adequate revenues to permit the safe and reliable operation of the systems of regulated utilities, including LILCO, in New York State. It has been my experience that the PSC, while it seldom, if ever, provides utilities the rate of return on their investment to which they believe they are entitled, nevertheless is cognizant of the need to provide adequate revenues to support operating, fuel, maintenance and capital requirements for operating utilities.

4. The New York State Department of Public Service, the parent organization of the PSC, has recently reaffirmed this policy of providing adequate revenues for safe and reliable power

plant operation in the course of normal ratemaking proceedings, in its response to a questionnaire sent to all State public utility commissions by the National Association of Regulatory Utility Commissioners (NARUC). In that response, covered by letter dated April 26, 1984 from Frank Berak, Chief, Rates and Valuation Section, Power Division (Attachment 1 to this Affidavit), the Department stated that the normal ratemaking process provides for:

1. ensuring adequate revenue to cover the costs of meeting NRC safety requirements. (Q & A 1).
2. meeting the costs of compliance with NRC requirements, orders and directives, including specific additions, alterations or improvements at operating nuclear power plants (e.g., replacement of safety-related equipment, fire protection equipment, security equipment, special qualifications for electrical equipment). (Q & A 2a-2c).

5. The Department response to the NARUC questionnaire also states that the PSC

allow[s] for the costs that utilities ask for, but it is the utilities' responsibility to spend funds properly. Utilities are expected to spend the amounts necessary to cover the total cost of operation. (Q & A 3a).

In addition, the answers to the questionnaire indicate that PSC staff members monitor nuclear power plant performance on a continuing basis, ordering special audits if problems are encountered. Thus the PSC assures, indirectly, that monies to be spent on nuclear power plant operation are not spent elsewhere. (Q & A 3a-3c).

6. The PSC is particularly sensitive to nuclear power plant performance and outages since nuclear outages generally increase utilities' total fuel costs. Thus the PSC indirectly acts to assure that utilities spend the necessary amounts for proper operation of their nuclear plants. (Q & A 4). The PSC has established performance incentive plans with respect to nuclear plant operation (Q & A 6), and will penalize utilities for excessive outages (Q & A 7).

7. The Department specifically anticipates the phasing-in of Shoreham's construction costs within a 2 to 5 year period. (Q & A 8a, 8b). However, the Department does not intend to permit any phasing-in of costs to impact the availability of adequate funds for safe plant operation; the allocation of adequate funds for this purpose would be enforced by the PSC's general regulatory authority to issue safe and adequate services. (Q & A 8c).

II. TIMELINESS

8. The affidavit of Mr. Dirmeier relies on six documents, four of them dated in May or June of this year (Dirmeier Attachments C-F), one dated February 21, 1984 (Dirmeier Attachment B: Form 8-K) and the other dated March 30 (Dirmeier Attachment A: Form 10-K) for the purpose of documenting LILCO's current financial condition. Suffolk County and New York State assert that the events involving LILCO's financial condition did not become focused until after publication of LILCO's May 30, 1984 "Position Paper" (Dirmeier Attachment D) (Memorandum at 4-5, 25-29). These

documents are several months more recent than the first public documentation of the current financial difficulties facing LILCO. Any assertion that LILCO's financial difficulties have begun, or even become manifest, only in the past several weeks is either naive or disingenuous. The general outline, if not the exact present details, of LILCO's current difficulties were all being disclosed publicly by LILCO and by other sources in the latter months of 1983 and in January and February of 1984 through a variety of means. These include: (1) forms filed with the Securities and Exchange Commission, which are publicly available and are served also on New York State authorities; (2) papers filed in various rate proceedings before the New York Public Service Commission, to which the State of New York (represented by the Attorney General, the Consumer Protection Board, and the PSC Staff) and Suffolk County are parties; and (3) reports in the public press. No purpose would be served by an exhaustive repetition of all the details of this process; but various examples will suffice:

a. As a result of the damage to emergency diesel crankshafts in July 1983, the proposed commercial operation date for Shoreham was slipped beyond April 1, 1984 and hearings before the PSC on present electric rates were suspended temporarily to determine its impact. Form 8-K, October 24, 1983 (Attachment 2, p. 1).

b. Standard & Poor's placed LILCO on its "Credit Watch" list, with negative implications in November 1983. Form 8-K, December 5, 1983 (Attachment 3, p. 1).

c. Governor Cuomo, having become involved in Shoreham in February 1983 by indicating that he would not impose a State emergency plan on Suffolk County, convened an ad hoc commission chaired by SUNY-Stony Brook President John Marburger to evaluate Shoreham in the summer and fall of 1983. The Marburger commission's report was not issued until mid-December. However, rumors circulated about the contents of the report during its preparation. One story, carried in the New York Times of October 17, indicated that the draft report indicated that if LILCO investors were required to absorb \$1 billion of the cost of Shoreham (then projected to be \$3.5 billion), LILCO would be driven to bankruptcy (See Attachment 12). A second rumor, this one carried in the November 20 Newsday, indicated that one of the options being considered by the Marburger Commission was a LILCO bankruptcy; LILCO's stock dropped over 12% -- from 14 1/4 to 12 5/8 -- the day that report circulated. See Attachment 12. A third report, in the New York Times of November 22, reported that consideration was being given by unnamed "officials" to whether reorganization of LILCO through bankruptcy would help or hurt Long Island. Felix Rohatyn, the financier, was quoted in the article as calling bankruptcy "not at all unthinkable." One of the Marburger panel members was quoted in the same article as advocating that LILCO stockholders be taxed with part of the cost of the Shoreham plant through an unspecified "imaginative approach." The December 2 edition of Newsday featured a long article on a potential LILCO bankruptcy. See Attachment 12. The report of Governor Cuomo's

Shoreham Commission, when it was finally released on December 14, 1983, did "little or nothing to relieve the present uncertainties respecting Shoreham." Form 8-K, December 22, 1983 (Attachment 4, p. 3). A week later, Governor Cuomo announced that New York State would intervene in the NRC hearings to oppose the emergency response plan being proposed by LILCO. Id.

d. On December 10, 1983, Duff & Phelps reduced the rating on LILCO's First Mortgage Bonds, General and Refunding Bonds, and Preferred Stock, and on December 19 withdrew their commercial paper rating. Moody's downgraded the Company's commercial paper to "Not Prime." Both D&P and Moody's accompanied their downratings with gloomy predictions of LILCO's financial status. As LILCO reported:

D&P noted that the outlook for the Company indicated "extended and deeper financial strain, and increased risks related to the Shoreham nuclear plant with delays and further politicizing of the Shoreham issues." Moody's attributed its action to uncertainty surrounding operation of the Shoreham plant and the recovery of the investment in the plant and concern that "further erosion of cash flow and coverages excluding AFUDC could seriously impede financial flexibility."

Attachment 4, p. 4. As of December 16, 1983, the Company had cash and short-term investments estimated to be sufficient to meet its cash requirements to the end of May 1984 without additional external financing. Attachment 4, p. 5. At the December 21, 1983 meeting of the Board of Directors, the Board decided that the absence of favorable developments in the near future could affect the level or continuation of subsequent dividends on the common stock. Attachment 4, p. 5.

e. In December, Citibank, N.A. notified LILCO that it would be resigning as a trustee under the Company's mortgage because of a conflict between its roles as trustee and creditor to the Company. Form 8-K, December 23, 1983 (Attachment 5, p. 1 and attached Form 8 (December 27, 1983)). This resignation was soon followed by those of other banks.

f. In December 1983 one of the banks involved in the Revolving Credit Agreement of the Tri-County Resource Trust notified LILCO that it would not extend the maturity of the obligations under that Agreement beyond the current maturity date of September 1986. Form 8-K, December 29, 1983 (Attachment 6, p. 2). At the same time LILCO disclosed that as of December 29, 1983, it would have to borrow \$700 million to complete planned 1984 construction and other capital requirements but that it could not predict with certainty that such funds could be obtained. Id.

g. On January 5, 1984, LILCO filed a Form 8-K containing the following passages:

The Company had expended approximately \$3.2 billion on the Shoreham unit as of December 31, 1983. The Company expects that gross expenditures for Shoreham will be approximately \$677 million in 1984. Additional delays beyond 1984 are estimated to cost an additional \$40 to \$45 million each month, almost wholly for carrying charges, including insurance, taxes and overhead expenses (depending upon, among other factors, the outcome of the Company's pending application for rate relief). Because of the continuing difficulties in obtaining an operating license for Shoreham, the prospect exists for further delays and uncertainties, further increases in its costs and severe financial strains for the Company.

For several years a major portion of the Company's earnings have consisted of Allowance for Funds Used During Construction (AFC). This condition is expected to continue until the completion of Shoreham and its inclusion in rate base. AFC is the cost of funds invested in a construction project expected to be recovered from customers over the service life of the project through revenues when the project is completed and included in rate base. Such AFC does not represent cash earnings. Therefore, the Company is heavily dependent on external financing until Shoreham is adequately reflected in rates. There can be no assurance as to the amount or the timing of such rate relief from the Public Service Commission of the State of New York (PSC).

Some members of Governor Cuomo's study commission and, according to some newspaper reports, various government officials have suggested that Shoreham be totally abandoned or indefinitely mothballed. Any such outcome could well have a serious adverse financial impact on the Company and, unless the PSC grants to the Company prompt and adequate rate increases, could jeopardize the continued financial viability of the Company.

The Company's 1984 financing plan calls for the sale of an aggregate of approximately \$700 million of debt and equity securities. However, given the various adverse factors now impacting the Company, no assurances can be given regarding the Company's ability to raise sufficient funds in 1984 and in future years in order to meet its construction and other capital requirements and operational needs. To the extent the Company is unable to raise such funds in 1984 or in subsequent years, the Company's initial response would be to reduce the level of its capital and operating expenditures. In addition, the absence of favorable developments in the near future could affect the level or continuation of dividends on the Common Stock. The Company can give no assurance that such measures will be sufficient in the circumstances, nor can it now predict what other measures it might then take.

Form 8-K, January 5, 1984 (Attachment 7, pp. 2-3). At the same time, the Company disclosed that all of the banks in the Tri-County Resource Trust Credit Agreement had refused to extend that Agreement beyond the current maturation term of September 1986. Id. at 3.

h. In a Form 8-K dated January 10, 1984, LILCO disclosed that it had withheld \$26.2 million in real estate tax payments to Suffolk County for Shoreham, which had been being taxed as an operating reactor (Attachment 8, p. 1). The same document announced that the Board of Directors had directed the Company's management to develop a program of austerity measures to minimize cash expenditures, id. at 2.

i. The Company reported the following description of its financial status in its February 21, 1984 Form 8-K (Attachment 9, pp. 1-2):

The Company's present 1984 financing plan calls for the sale of an aggregate of approximately \$700 million of debt and equity securities. The Company had on hand as of February 20, 1984 cash and short-term investments of approximately \$214 million. The \$214 million on hand includes gross cash proceeds of \$52.5 million from the direct sale of \$5,000,000 shares of Common Stock in January 1984 and approximately \$10.4 million in proceeds from the sale of Common Stock through the Company's Automatic Dividend Reinvestment Plan in February 1984. Given the various adverse factors now impacting the Company, no assurances can be given regarding the Company's ability to raise sufficient funds in 1984 and in future years in order to meet its construction and other capital requirements and operational needs. To the extent the Company is unable to raise such funds in 1984 or in subsequent years, the Company's initial response would be to reduce

the level of its capital and operation expenditures. In this connection, to conserve cash, the Company has announced that it would reduce its non-fuel related operations and maintenance expenditures, estimated at approximately \$250 million in 1984, by \$100 million without significantly affecting customer service and that it has suspended construction payments for its share of Nine Mile Point.

2. For additional information relating to its suspension of payments, see Item 5f below. In addition, the absence of favorable developments in the near future could affect the level or continuation of dividends on the Common Stock. The Company can give no assurance that such measures will be sufficient in the circumstances, nor can it now predict what other measures it might take. After giving effect to the suspension of payments for Nine Mile Point 2 but before giving effect to the proposed austerity program, to additional financing, to any change in dividend policy, or to other cash conservation measures, the Company estimates that the \$214 million in cash and short-term investments on hand as of February 2, 1984 is sufficient to continue the Company's operations only into early summer of 1984.

The same Form 8-K also reported that the PSC Staff had proposed to allow only approximately \$2.3 billion of the approximately \$4 billion anticipated to be spent on Shoreham into the rate base, and the Company's offers to permit disallowances of up to \$500 million in return for a change in posture by New York State and Suffolk County in the Shoreham licensing case (*id.* at 2-3). In the meantime, the Company projected the following financial posture:

The Company has expended approximately \$3.2 billion on the Shoreham unit as of December 31, 1983. The Company expects that gross expenditures for Shoreham will be approximately \$634 million in 1984. Additional delays beyond 1984 are estimated to cost an additional \$40 to \$50 million each month,

almost wholly for carrying charges, including insurance, taxes and overhead expenses, depending upon, among other factors, the outcome of the company's pending application for rate relief. Based upon a fuel loading date of October 1, 1984 and a commercial operation date of July 1, 1985, the cost of Shoreham is estimated at \$4.1 billion. Because of the continuing difficulties in obtaining an operating license for Shoreham, the prospect exists for further delays and uncertainties, further increases in its costs and for severe financial strains for the Company.

Id. at 3. The same Form 8-K also reported that the Company had suspended payments on February 9 for Nine Mile Point Unit 2, in which it had already invested approximately \$570 million, and disclosed the existence of potential legal liability for future payments or impairment or extinction of its current investment. Id. at 7. The same Form 8-K disclosed further downgrading of the Company's securities. Id. at 8-9.

j. On March 6, 1984, LILCO announced the following additional measures:

(1) institution of internal austerity measures including elimination of nearly 20% of the Company's employees, compensation reductions for remaining employees, and severe restrictions on normal administrative expenses;

(2) elimination of cash dividends on common stock for the balance of 1984 or until such time as the Company's financial condition permitted their restoration. These events were widely reported by newspapers at the time. See Attachment 10.

9. In rate proceedings before the New York PSC to which Suffolk County and New York State (represented by three agencies

-- the Attorney General, the PSC Staff and the Consumer Protection Board) were parties (Case No. 28553), LILCO's witness, Thomas H. O'Brien, was questioned extensively on LILCO's financial condition on January 31 and February 2, 1984. His testimony (excerpted at Attachment 11), which both Suffolk County and the State heard, graphically depicted LILCO's financial condition:

a. Absent further financing or other measures, LILCO expected to run out of cash by June 1984 (Tr. 3181). With austerity but no further capital, the Company would run out of cash in August or September (Tr. 3200).

b. On February 2, Mr. O'Brien opined that if LILCO were to skip even one dividend, he doubted whether LILCO would be able to maintain access to financial markets, either through sale of securities or borrowing from banks (Tr. 3507-09), and reaffirmed that without additional financing the Company would run out of cash in June 1984. (Id.)

10. In short, each of the elements to which the pending Suffolk County/New York State motion now points -- cash shortages, downgraded securities, threats not to permit full recovery of Shoreham's cost, austerity measures, omitting stock dividends, withdrawal from Nine Mile Point 2 -- all were matters in the public domain by March 6, 1984. The use of more recent documents by Suffolk County and New York State to document these matters should not be understood to suggest that full information on them was not available publicly, or that Suffolk County and New York State were not aware of it in fact, at the time the events were occurring.

In my judgment it would be very difficult to believe that responsible County and State officials could have failed to have been aware on a day-to-day basis of these developments as they were occurring, by means of daily press accounts, SEC filings, testimony in proceedings to which they are parties, and other contacts with LILCO.

Edward W. Eacker

Subscribed and sworn to before me this _____ day of July,
1984, in the City of _____, State of New York.

Notary Public

My Commission expires: _____

ATTACHMENT 1

STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE

THREE EMPIRE STATE PLAZA, ALBANY 12223

PUBLIC SERVICE COMMISSIONERS

PAUL L. GIGIA
ChairmanEDWARD R. LARKIN
CARMEL CARRINGTON MARR
HAROLD A. JERRY, JR.
ANNE F. MEAD
ROSEMARY S. POOLERDAVID E. BLASEY
CounselJOHN J. KELLNER
Secretary

April 26, 1984

Mr. Michael Foley
Director of Financial Analysis
National Association of Regulatory
Utility Commissioners
P.O. Box 684
Washington, DC 20044

Dear Mr. Foley:

Enclosed is the completed questionnaire on current
ratemaking treatment of nuclear costs in New York State.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Frank Berak".

FRANK BERAK
Chief, Rates and Valuation
Section
Power Division

FB:re
Enclosure

NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

SURVEY OF STATE PUC'S AND FERC'S HISTORICAL AND CURRENT RATEMAKING
TREATMENT OF COSTS OF COMPLYING WITH NUCLEAR REGULATORY COMMISSION SAFETY
REQUIREMENTS

QUESTIONNAIRE

1. Does the PUC ^{1/} have specific rate-setting authority and responsibility that may be used to ensure adequate revenues to cover the costs of meeting NRC safety requirements?

Yes _____ No x

Please explain, with examples: While we do not have specific
rate-setting authority to meet NRC safety requirements, the
Commission general rate making process assures that such
costs are met.

^{1/} For the FERC respons please substitute the "FERC" acronym in place of "PUC" within each question.

2. a. Does the PUC provide specific cost allowances in general rate orders or other directives to assist the utility in meeting NRC safety requirements, orders, and directives?

Yes _____ No x _____

Please explain, with examples: Within the regular rate making process the Commission makes allowances for all the necessary and prudently incurred operating costs including NRC safety requirements.

2. b. Has the PUC received requests for funds to cover specific additions, alterations or improvements at operating nuclear plants; e.g., replacement of safety-related equipment, replacement of steam generators or other equipment items?

Yes x _____ No _____

Please explain, with examples, including the types of equipment involved:

We receive such requests on a regular basis. Examples are fire protection equipment, security equipment, special qualification for certain electrical equipment.

2. c. Historically, have utilities with operating nuclear plants that have requested revenue allowances for NRC safety requirements always received such allowances?

Yes x No

Please explain, with examples: Same as 2.A.

2. d. Have there been instances in which utility requests, referred to in item nos. 2.b. and/or 2.c., above, have been denied by the PUC?

Yes x No

Please explain, with examples: In a recent order the Commission
denied rate making treatment for monies to have been
contributed for the clean up of Three Mile Island. The
Commission concluded that the companies had failed to
show that such contributions would be in the best
interest of New York State ratepayers.

3. a. Do the PUC rate orders and revenue requirement allowances specifically and categorically direct the utility to spend certain amounts to cover the total costs of nuclear plant operation?

Yes _____ No x

Please explain, with examples: Through the regular rate making process we allow for the costs utilities ask for, but, it is the utilities' responsibility to spend funds properly. Utilities are expected to spend the amounts necessary to cover the total cost of operation.

3. b. Does the PUC assure itself through audit or otherwise that revenues to meet costs of nuclear plant operation are not reallocated to other costs at the utility's discretion?

Yes _____ No x

Please explain, with examples: Commission staff monitors nuclear plant performance on a continuing basis. If problems are encountered, special audits are ordered. Thus indirectly it is assured that monies to be spent on nuclear plant operation are not spent elsewhere.

3. c. Referring to a utility that has both nuclear plant(s) in operation and nuclear plant(s) under construction, does the PUC provide guidance and/or exercise enforcement to assure that nuclear operating funds are not diverted to nuclear construction?

Yes _____ No x _____

If yes: Guidance _____; and/ or Enforcement _____ (Check one or both)

Please explain, with examples: If as a result of staff's
monitoring procedure problems are found, the particular
utility is cited and the Commission institutes a prudency
proceeding.

4. Does the PUC provide guidance and/or exercise enforcement that would give any higher level of priority to total nuclear plant operating costs vis-a-vis total non-nuclear facility operating costs?

Yes _____ No x

If yes: Guidance _____; and/or Enforcement _____ (Check one or both)

Please explain, with examples: As a general policy all generating units are under Commission surveillance, but staff is especially cognizant of nuclear plant outages. The reason is that these outages generally increase the utilities' total fuel costs. Thus the Commission indirectly assures that the utilities spend the necessary amounts for the proper operation of their nuclear plants.

5. Does the PUC provide guidance and/or exercise enforcement to assure that individual NRC orders and directives for modifications or additions to an operating nuclear plant would receive priority as to available utility funds?

Yes _____

No x

If yes: Guidance _____; and/or Enforcement _____ (Check one or both)

Please explain, with examples: Similar to 2.A. and 2.C.

6. a. Has the PUC established any operating performance incentive plan(s) applying to nuclear plant operation that can have a financial effect on the utility?

Yes x No

Please explain, with examples: For Niagara Mohawk Power Corporation the Commission ordered (C. 27741 II - Opinion 83-17) the modification of the FAC such that the variation from the forecast of total fuel cost be passed through to the ratepayers in the following manner; first \$50 million of variation - 80%, next \$50 million of variation - 90%, and over \$100 million of variation - 100%. This would provide adequate incentive to minimize fuel cost in the range where the Commission feels the utility has the most control.

6. b. If yes to 6.a., above, identify the nuclear plant(s):

- (1.) Nine Mile Point 1
- (2.)
- (3.)
- (4.)

6. c. If yes to 6.a., above, do the provisions of such plan(s) encourage the utility to maintain the plant in commercial operation rather than to reduce power level or shutdown?

Yes x No

Please explain, with examples: Operating the nuclear plant
would result in lower total annual fuel cost.

7. Do nuclear plant reductions in power or full shutdowns result in the imposition of any penalties from the PUC (such as disallowance of replacement power costs)?

Yes x No

If yes, what is the type of penalty or penalties? (Check all that apply.)

- a. Disallowance of replacement power costs
 (1) full disallowance
 (2) partial disallowance x
- b. Reduction in rate of return
- c. Other FAC ; Please specify type: partial pass through of
 the first \$100 million increase over annual forecast fuel
 cost to be recovered from the ratepayers.

Please explain situations that result in penalties, with examples:

If the actual fuel cost for a certain year exceeds the PUC's
forecast in any amount up to \$100 million the excess can only
be partially recovered through the FAC. The precise manner of
recovery was described in 6.A. above. There have been two
instances where it was found that outages of Con Edison's
Indian Point II plant had been prolonged unnecessarily due
to this utility's actions. The monies spent for replacement
power relating to these extended outages was found to be non
recoverable from the ratepayers since the utility's actions
were judged to have been imprudent.

8. Is it considered likely that utilities under your jurisdiction that currently have a nuclear plant(s) under construction or nearing operation will be directed to phase into the rate base the capital costs for such plant(s) over a period of years rather than all at one time?

Yes x No

Please explain, with examples: Long Island Lighting Company's Shoreham Plant is under consideration - the company asked for a three year phase-in within the context of C. 28525 - Shoreham Rate Making Principles.

8. b. If yes, to 8.a., above, what would be the most likely period of the phase-in? (Check one.)

x 2 to 5 years
 6 to 10 years
 11 to 15 years
other, please specify: _____ years

Please explain, with examples: Staff's proposal for the Shoreham Plant is for a four year phase-in. The State's Consumer Protection Board's proposal was initially for a three year phase-in, later modified to five years.

8. c. Assuming a phase-in of nuclear plant capital cost recovery, does the possibility exist that such phase-in could impact the availability of adequate funds for safe nuclear plant operation?

Yes _____ No x

If such circumstances were to exist, please describe the PUC's existing authority to enforce the allocation of adequate funds for safe nuclear plant operation:

General regulatory authority to insure safe and
adequate service.

REQUEST FOR DOCUMENTS

1. Please provide citations to, and copies of, the State statutes, regulations and other legal authority that define PUC responsibility to provide adequate funds for safe operation of a nuclear plant in accordance with NRC standards.

None

2. Please provide citations to any Federal statutes, cases, or other legal authority that the PUC uses in meeting its responsibility to provide adequate revenues for meeting the costs of NRC nuclear safety standards, orders and directives.

None

3. Please send copies of PUC orders that specifically address the utility's need to cover the safety-related costs of operating a nuclear plant. We are particularly interested to know whether or not any such orders refer to the utility's ability to satisfy, from a financial standpoint, NRC-mandated safety requirements, orders and directives; please include such documents.

None

4. Please provide representative copies of utilities' rate requests that specifically refer to the need to meet NRC safety-related costs referred to above. None

Person responding to
this questionnaire:

Name Frank Berak

Signature _____

Title Chief, Rates and Valuation Section

Division/Office Power Division

Commission or Agency Dept. of Public Service

Thank you for your assistance.

Please return this completed
questionnaire to:

Michael Foley, Director of Financial Analysis
National Association of Regulatory Utility
Commissioners
P. O. Box 684
Washington, DC 20044

- Telephone: (202) 628-7325

ATTACHMENT 2

CONFORMED COPY

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report: October 24, 1983

LONG ISLAND LIGHTING COMPANY

(Exact name of registrant as specified in charter)

New York	1-3571	11 - 1019782
(State of Incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

250 Old Country Road, Mineola, New York 11501

516-228-2150

(Address and telephone number of Principal Executive Offices)

Item 1. Changes in Control of Registrant

Not applicable.

Item 2. Acquisition or Disposition of Assets

Not applicable.

Item 3. Bankruptcy or Receivership

Not applicable.

Item 4. Changes in Registrant's Certifying Accountant

Not applicable.

Item 5. Other Events

a. Rates

The Public Service Commission of the State of New York (PSC) authorized interim rate relief effective September 15, 1983, equivalent to \$90.6 million on an annual basis and designed to provide approximately \$43.4 million in additional revenues by March 31, 1984. The Company had requested interim rates to provide \$64.3 million by the same date. This interim relief is subject to refund pending a final determination by the Commission on the Company's application for permanent rates.

Hearings on the permanent electric rates have been suspended temporarily in order to allow the parties to determine the impact on the Company's filing of the slippage of the Shoreham commercial operation date beyond April 1, 1984. Based on procedural decisions made by the PSC, it appears that the Company will be permitted to update its rate presentation to reflect, among other things, a new Shoreham commercial operation date. The Company anticipates that a decision on the Company's application for an increase in permanent electric rates will be rendered in the fall of 1984, and that the interim rate relief discussed above will remain effective pending a final determination by the PSC on the Company's application for permanent rates.

In the proceedings on the Company's request for \$11.8 million in additional annual gas revenues, hearings have been temporarily adjourned in order to allow a negotiated settlement of all issues in the case. Settlement negotiations are continuing.

b. Shoreham Nuclear Power Station

On September 21, 1983, the Atomic Safety and Licensing Board (ASLB) released its partial initial decision with respect to Shoreham. In effect, all the issues required to be litigated prior to loading fuel and commencing low-power testing have been resolved in favor of the Company with the exception of open issues involving the emergency diesel generators. The ASLB also noted that two other issues remain to be resolved, but these will not impact fuel loading or low-power testing. The ASLB decision is subject to appeal.

Damaged crankshafts in the three emergency diesel generators at the Shoreham plant are being replaced with crankshafts of a newer, heavier design. Other related components such as crankshaft bearings and connecting rods are being replaced as well. Installation and retesting should be completed in February 1984. Fuel loading may not begin until (a) the three crankshafts have been replaced, (b) all three diesel generators have been successfully tested, (c) all issues involving the adequacy of the three diesel generators have been resolved before the ASLB (d) necessary administrative work has been completed and (e) authorization from the NRC to load fuel has been received. The Company cannot predict with any certainty at this time the impact that the delay resulting from the developments respecting the diesel generators will have on the Company's estimates of when fuel load could begin, when Shoreham will become operational or the total cost of the unit. It now appears that the diesel problems have delayed fuel load until the second quarter of 1984, at best. The diesel generators are intended to provide backup power for the plant in the unlikely event that all five transmission lines independently bringing power to the plant fail.

The cause of the crankshaft damage and failures has not yet been determined. Fault analysis experts have been engaged to evaluate the cause of the crankshaft failure. The Company cannot determine until the results and conclusions from the failure analysis become available, whether replacement of the crankshafts and related components will resolve the diesel generator problems, or whether some other remedial measures may be required. Accordingly, the Company has committed to the purchase of three new diesel generators from a different manufacturer as a contingent measure should the failure analysis or other factors indicate this to be necessary or prudent. The last of these new units is scheduled for delivery in July 1984. In addition, a new building is being designed to house these generators.

Hearings on the Company's offsite radiological emergency response plan are now scheduled to begin on December 5, 1983. On October 4, 1983, New York Governor Cuomo, in a letter to the Chairman of the NRC, urged the NRC to reject the Company's plan, but at the same time pointed out that he had made "no final judgement" regarding the possibility of developing and implementing such a plan for Shoreham.

c. Litigation

On October 11, 1983 a New York State Supreme Court Justice refused to grant a temporary restraining order against the Company and several commissioners on the PSC that would have prohibited the Company from declaring or paying dividends on its common or preferred stocks, including the dividend payable on November 1, 1983 and would have suspended the interim electric rate increase granted by the PSC in September. The proceeding was brought as a class action by a business association and several commercial and residential ratepayers against LILCO and the PSC. Instead, a hearing on a request for a preliminary injunction against the Company and the PSC has been scheduled for November 4, 1983 in State Supreme Court in Albany on the same issues. The Company believes that this case is without merit.

Item 6. Resignations of Registrant's Directors

Not applicable.

Item 7. Financial Statements, Pro Forma Financial Information, and Exhibits

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LONG ISLAND LIGHTING COMPANY
Registrant

By Thomas H. O'Brien
THOMAS H. O'BRIEN
Senior Vice President

Dated: October 24, 1983

ATTACHMENT 3

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report: December 5, 1983

LONG ISLAND LIGHTING COMPANY
(Exact name of registrant as specified in charter)

New York	1-3571	11 - 1019782
(State of Incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

250 Old Country Road, Mineola, New York 11501
516-228-2150
(Address and telephone number of Principal Executive Offices)

Item 1. Changes in Control of Registrant

Not applicable.

Item 2. Acquisition or Disposition of Assets

Not applicable.

Item 3. Bankruptcy or Receivership

Not applicable.

Item 4. Changes in Registrant's Certifying Accountant

Not applicable.

Item 5. Other Events

a. Ratings of Securities:

On November 28, 1983, Standard & Poor's Corporation (S&P) placed Long Island Lighting Company on its "CreditWatch" with negative implications. S&P's CreditWatch is intended to alert investors to potential changes in ratings of securities. In the November 28 issued of "CreditWeek," S&P attributed this action to reports by the press which disclosed "preliminary findings" made by New York Governor Cuomo's Commission studying energy, economic, and safety issues related to Shoreham. No report is scheduled to be released prior to December 15, 1983.

The rating agency noted that the purported findings are "rumor at this point and not binding in any event." S&P took action, however, since uncertainty could be heightened as to whether the plant will be allowed to open in the event the newspaper accounts proved to be accurate.

Item 6. Resignations of Registrant's Directors

Not applicable.

Item 7. Financial Statements, Pro Forma Financial Information, and Exhibits

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LONG ISLAND LIGHTING COMPANY
Registrant

By Thomas H. O'Brien
THOMAS H. O'BRIEN
Senior Vice President

Dated: December 5, 1983

ATTACHMENT 4

CONFORMED COPY

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-KCurrent Report

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report: December 22, 1983

LONG ISLAND LIGHTING CO INC NY

(Exact name of registrant as specified in charter)

New York	1-3571	11 - 1019782
(State of Incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

250 Old Country Road, Mineola, New York 11501

516-228-2150

(Address and telephone number of Principal Executive Offices)

Item 1. Changes in Control of Registrant

Not applicable.

Item 2. Acquisition or Disposition of Assets

Not applicable.

Item 3. Bankruptcy or Receivership

Not applicable.

Item 4. Changes in Registrant's Certifying Accountant

Not applicable.

Item 5. Other Events

a. Shoreham Nuclear Power Station:

On December 14, 1983, the panel appointed by New York Governor Mario Cuomo to report on energy, economic and safety issues relating to operation of the Shoreham Nuclear Power Station (the Panel) issued its report. The Governor held a public meeting on the Shoreham issues on the following day in Suffolk County, New York.

Members of the Panel represented dramatically opposing positions on nuclear power in general and Shoreham in particular. As a result, most of the approximately 300 page report is devoted to the viewpoints and opinions of individual members or groups of members with very little consensus on the questions reviewed by the Panel.

The report includes 10 "points of agreement," with the caveat that, "Not every member agrees with each point and the reader must consult Section V, the 'Views of Panel Members' for clarifications of the positions of individual members."

These points of agreement included the following:

- Suffolk County's position that no emergency preparedness is possible for Shoreham was a result of "governmental, not purely scientific or technical processes," although this position was taken after the County had commissioned studies of "reasonable quality";
- Nuclear power is not inherently unsafe;
- The Shoreham plant in hindsight should probably not have been built;

- The Company did not adequately prepare for its role as nuclear power utility owner and operator;
- The Nuclear Regulatory Commission should consider feasibility of offsite emergency planning before construction of a nuclear plant begins, and in the context of Shoreham, the Panel supported Governor Cuomo's request to the NRC that a low-power license should not be issued until the issue of offsite emergency planning has been resolved;
- When the significant investment in Shoreham creates an incentive to license, "it is not obvious that failure to operate would be tantamount to economic suicide for the State or the region";
- Economic analyses submitted to the Panel indicate an economic advantage to operating Shoreham instead of abandoning it; however, these analyses did not take into account further delays which may occur;
- An economic analysis taking these recent delays into account should be undertaken immediately;
- The Panel expressed reservations about the feasibility of implementing the Company's offsite emergency plan without assistance from county government;
- Without Shoreham, there is sufficient generating capacity on Long Island for at least the next decade;
- If the plant is eventually licensed to operate "an objective inspection program" by a firm satisfactory to federal, state, and local governments and to the Company would either reveal problems to be corrected or "confirm the assertions of previous inspections that found little cause for concern."

Nine questions were considered by the Panel and "answers" were discussed to the extent an answer could be agreed upon by panel members. Among the areas considered were the State's responsibility and authority for offsite emergency planning; the economic impacts of operation versus abandonment of Shoreham; the need for Shoreham's generating capacity; and whether the State should take action to ensure operation of the plant.

The Panel found that the present worth penalty associated with abandonment of the Shoreham plant would be approximately \$1 billion with a further loss of \$565 million in tax revenues which otherwise would be paid by LILCO to Suffolk County

municipalities. The Panel noted that even simple changes in the many long-range assumptions in the analyses reviewed by the Panel could have a significant impact on the results of the analyses.

The Panel noted that Shoreham's generating capacity will not be required until 1998 according to their Staff analyses. At the same time, it was noted that without Shoreham's capacity the Company would be "more heavily dependent on oil-fired capacity for the next 15 years."

On the issue of the State's role in emergency planning, the Panel noted that no federal law requires State and local governments to participate in emergency planning. Furthermore, the Panel opined that State intervention in the offsite emergency planning process was not warranted at this time.

The Panel report offers little or no new information with respect to the Shoreham situation. Although the findings of the Panel are merely advisory and not binding on the Governor or any federal, state or local agency, the absence of clear and credible solutions to the problems considered by the Panel, particularly the absence of a recommendation for State intervention in the emergency planning process, does little or nothing to relieve the present uncertainties respecting Shoreham.

On December 21, 1983, the State of New York, at the direction of Governor Mario Cuomo, submitted a brief to the Atomic Safety and Licensing Appeal Board, challenging the conclusion reached by the Nuclear Regulatory Commission earlier this year that a low-power license could be issued without either resolution of the offsite emergency preparedness planning issues or even a predictive finding that these issues will ultimately be resolved in favor of the license applicant.

In a December 20 press release, Governor Cuomo indicated that the State will oppose the offsite emergency response plan submitted by and to be implemented by the Company, in the pending licensing proceedings. Governor Cuomo also noted that he had previously assembled a special cabinet level working group to develop short intermediate and long term actions designed to "investigate the impact on rate payers and the Long Island community whether the plant opens or not" which is in the process of formulating options for his consideration.

b. Ratings of Securities:

On December 10, 1983, Duff & Phelps (D&P) reduced the ratings on the Company's First Mortgage Bonds, General and Refunding Bonds, and Preferred Stock. On December 19, D&P withdrew the commercial paper rating. On December 15, 1983 Moody's Investor Service, Inc. (Moody's) also reduced the ratings assigned to the First Mortgage Bonds, General and Refunding Bonds, Preferred Stock, and unsecured Pollution Control Revenue Bonds. Moody's also announced the Company's commercial paper rating would be rated "Not Prime." As previously reported, Standard & Poor's Corporation (S&P) placed the Company's securities on "CreditWatch" as of November 28, 1983.

D&P noted that the outlook for the Company indicated "extended and deeper financial strain, and increased risks related to the Shoreham nuclear plant with delays and further politicizing of the Shoreham issues." Moody's attributed its action to uncertainty surrounding operation of the Shoreham plant and the recovery of the investment in the plant and concern that "further erosion of cash flow and coverages excluding AFUDC could seriously impede financing flexibility."

The current ratings of the Company's principal securities and its commercial paper by Moody's, Fitch Investor's Service, Inc., (Fitch), S&P and D&P, are as follows:

	<u>Moody's</u>	<u>Fitch</u>	<u>S&P</u>	<u>D&P</u>
First Mortgage Bonds*	Ba1	BBB	BB+	10
General & Refunding Bonds*	Ba2	BBB-	BB	12
Pollution Control Revenue Bonds (unsecured)	Ba2	**	BB	**
Preferred Stock***	"ba3"	BB+	BB-	13
Commercial Paper	Not Prime	F-3	**	**

* Fitch is the only rating agency which still considers the First Mortgage Bonds and G&R Bonds as investment grade securities.

** Not Rated

*** The Company's Preferred Stock is no longer considered investment grade by any of the four rating agencies.

c. Financial Condition:

In 1983, the Company raised approximately \$1.0 billion dollars including the takedown of the full amount of the credit available under domestic and foreign revolving credit agreements. Subject to the accessibility of the financial markets, the Company's 1984 financing plan presently include the sale of \$300 million of General and Refunding Bonds, \$150 million of Preferred Stock and \$125 million of Common Stock, including sales through the Automatic Dividend Reinvestment Plan. The Company also plans to issue in 1984 \$100 million of its Authority Financing Notes in connection with one or more offerings by New York State Energy Research and Development Authority of a like amount of its Pollution Control Revenue Bonds. However, the recent downratings by Duff & Phelps and Moody's Investor's Service, Inc., which reflect the impact of the New York Governor's panel on Shoreham, adversely affects the Company's ability to access the capital markets.

Among the expected effects of these downratings are increased financing costs to the the Company and a limitation on purchasers of the Company's securities to those able to buy securities that are below investment grade. While the Company has been advised that there are currently markets for high yield utility securities, such as those of the Company, the Company cannot at this time predict with certainty whether it will be able to obtain all of the capital required to complete its planned 1984 construction requirements and other capital requirements. At December 16, 1983, the Company had cash and short-term investments totaling \$313 million, estimated to be sufficient to meet the Company's cash requirements to the end of May 1984 without additional external financing.

On December 21, 1983, the Board of Directors of the Company declared a quarterly dividend of 50 1/2c per share on the Company's common stock. This dividend is payable February 1, 1984 to shareowners of record January 3, 1984. The declaration of the February 1, 1984 dividend payment at the current quarterly rate followed lengthy discussion regarding regulatory and political uncertainties currently facing the Company and a careful review of the Company's financial condition and prospects. In addition, the Board decided that the absence of favorable developments in the near future could affect the level or continuation of subsequent dividends on the common stock.

d. Rates

Hearings on the Company's pending application to the Public Service Commission of the State of New York (PSC) for permanent

electric rates have been suspended until January 23, 1984. This delay resulted from the slippage in the commercial operation date of the Shoreham facility and its resultant impact on the Company's original filing. The Company, on December 19, 1983, completed an update of its original filing. The updated filing envisions a rate year of October 1, 1984 through September 30, 1985 and requests permanent rate relief totaling \$281 million. This total includes the interim rate relief plus \$188 million or approximately 11.8% above the temporary rates which became effective on September 15, 1983 (see the Company's Form 8-K dated October 24, 1983). The interim rate relief would remain effective pending a final determination by the PSC on the Company's application for permanent rates. The Company anticipates that a decision on its application for an increase in permanent electric rates will be rendered by September 30, 1984.

For ratemaking purposes the update does not reflect a Shoreham in-service date in the rate year. Should Shoreham go into service during the rate year, the Company proposes that the costs of operating Shoreham such as depreciation, operating taxes, operation and maintenance costs would be accumulated in a deferred account. Fuel savings associated with the nuclear facility would be similarly deferred.

In the proceedings on the Company's request for additional gas rate relief, the Commission indicated, at its December 7, 1983 meeting, that it would adopt the Administrative Law Judge's Recommended Decision which approved all aspects of the gas settlement reached between the Company and all active parties. The settlement envisions gas rate relief in the amount of \$3.9 million annually to become effective on January 1, 1984. This annual relief will provide total rate relief of \$5.58 million by March 31, 1985, the end of the rate year originally contemplated in the proceeding. On April 1, 1985 the Company will increase the annualized amount of rate relief to \$5.58 million. Provision has also been made for a second stage filing in the Summer of 1984 to cover the then known levels of property taxes and wages. An option for a third stage filing in 1985 for increases in property taxes and wages is also contained in the settlement in the event the Company has not filed a gas rate case by the time of its third stage filing.

Item 6. Resignations of Registrant's Directors

Not applicable.

Item 7. Financial Statements, Pro Forma Financial Information, and Exhibits

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LONG ISLAND LIGHTING COMPANY
Registrant

By Thomas H. O'Brien
THOMAS H. O'BRIEN
Senior Vice President

Dated: December 22, 1983

ATTACHMENT 5

CONFORMED COPY

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report: December 23, 1983

LONG ISLAND LIGHTING COMPANY

(Exact name of registrant as specified in charter)

New York	1-3571	11 - 1019782
(State of Incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

250 Old Country Road, Mineola, New York 11501
516-228-2150

(Address and telephone number of Principal Executive Offices)

Item 1. Changes in Control of Registrant

Not applicable.

Item 2. Acquisition or Disposition of Assets

Not applicable.

Item 3. Bankruptcy or Receivership

Not applicable.

Item 4. Changes in Registrant's Certifying Accountant

Not applicable.

Item 5. Other Events

a. Bokum Resources Corporation:

The United States Bankruptcy Court in New Mexico has dismissed three of the four counterclaims asserted by Bokum Resources Corporation (BRC) against the Company in the pending BRC bankruptcy proceeding. In these counterclaims, BRC had alleged that the Company interfered with BRC's efforts to sell its common stock to others; breached a fiduciary duty to BRC and its shareowners and failed to provide it with sufficient moneys to complete its uranium mine and ore-processing mill and fraudulently induced and coerced BRC to enter into the uranium ore purchase contracts and mine and mill development financing agreements with the Company. BRC had claimed damages of approximately \$55 million for these three counterclaims. The issues in the remaining BRC counterclaim, the LILCO mortgage foreclosure, a breach of contract suit begun by BRC against the Company and other suits involving BRC and its creditors have not yet been resolved. (Information on the status of the BRC mine and mill properties, the several agreements between BRC and the Company, and litigation relating thereto appears in the Company's Form 10-K for the year ended December 31, 1982, the Form 10-Q for the quarter ended March 30, 1983, and the Form 8-K dated August 25, 1983.)

b. Resignation of Trustee:

Citibank, N.A. has notified the Company that it will be resigning from its position as Trustee under the Company's Indenture of Mortgage and Deed of Trust (the First Mortgage) effective February 29, 1983. The Company proposes to appoint a successor Trustee pursuant to the provisions of the First Mortgage.

Item 6. Resignations of Registrant's Directors

Not applicable.

Item 7. Financial Statements, Pro Forma Financial Information,
and Exhibits

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LONG ISLAND LIGHTING COMPANY
Registrant

By Thomas H. O'Brien
THOMAS H. O'BRIEN
Senior Vice President

Dated: December 23, 1983

ATTACHMENT 6

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report: December 29, 1983

LONG ISLAND LIGHTING COMPANY

(Exact name of registrant as specified in charter)

New York	1-3571	11 - 1019782
(State of Incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

250 Old Country Road, Mineola, New York 11501

516-228-2150

(Address and telephone number of Principal Executive Offices)

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-KCurrent Report

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report: December 29, 1983

LONG ISLAND LIGHTING COMPANY

(Exact name of registrant as specified in charter)

New York	1-3571	11 - 1019782
(State of Incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

250 Old Country Road, Mineola, New York 11501
516-228-2150

(Address and telephone number of Principal Executive Offices)

Item 1. Changes in Control of Registrant

Not applicable.

Item 2. Acquisition or Disposition of Assets

Not applicable.

Item 3. Bankruptcy or Receivership

Not applicable.

Item 4. Changes in Registrant's Certifying Accountant

Not applicable.

Item 5. Other Events

a. Shoreham Nuclear Power Station

Testing of the three emergency diesel generators, the crankshafts, connecting rod bearings and pistons of which were replaced after cracks were discovered in the crankshafts in August 1983, is proceeding essentially on schedule with completion of such tests now expected early in March 1984. When the tests on the emergency diesel generators have been satisfactorily completed, the plant will be physically ready for fuel loading. Fuel loading, however, is dependent upon a favorable resolution by an Atomic Safety and Licensing Board (ASLB) of all issues involving the adequacy of the three diesel generators. The Company has requested that the hearings relating to such issues begin in February 1984, but it is not clear that they will begin until the summer of 1984. The Company cannot predict when such hearings will be completed.

The Company is also proceeding with the installation of three additional emergency diesel generators which have been ordered from another manufacturer. These new additional emergency diesel generators are scheduled to be installed in a new specially constructed building and tested by August 1985, at an aggregate cost of approximately \$89 million, almost all of which will have been expended before the end of 1984. If the new emergency diesel generators are needed to replace the existing diesel generators, the approval of an ASLB respecting their use may be required.

The Company will have expended approximately \$3.2 billion on the Shoreham Unit as of December 31, 1983. The Company expects to spend approximately \$620 million in 1984 for Shoreham. Additional delays beyond 1984 are estimated to cost an additional \$40 to \$45 million each month, almost wholly for carrying charges, insurance, taxes and overhead expenses.

b. Extension of Credit

Pursuant to the Revolving Credit Agreement of the Tri-Counties Resources Trust through which the Company finances its nuclear fuel, outstanding loans currently maturing in September 1986 are automatically extended to September 1987 unless each individual bank gives notice by December 31, 1983 that it elects not to extend the maturity date with respect to its portion. The Company has been advised orally by one of the banks that it intends to give notice of its election not to extend the maturity of its \$45 million portion of the outstanding \$180 million Revolving Credit Agreement. At this time, the Company does not know whether any of the other lending banks will elect not to extend the maturity date on their respective portions of this Revolving Credit Agreement.

c. Liquidity

The Company estimates that it will have approximately \$278 million of cash and short-term investments at December 31, 1983. The Company anticipates that dependent upon its ability to access the capital markets, it will sell or issue approximately \$700 million of securities in 1984. The Company has been advised that there are currently markets for high yield utility securities, such as those of the Company, but it cannot predict at this time with certainty whether it will be able to obtain all of the capital required to complete its planned 1984 construction requirements and other capital requirements.

d. Gas Rate Increase

On December 20, 1983, the Public Service Commission of the State of New York issued an order adopting the recommended decision of an Administrative Law Judge which approved a settlement of the Company's request for gas rate relief. Details of this settlement were reported in the Company's Current Report on Form 8-K dated December 23, 1983.

Item 6. Resignations of Registrant's Directors

Not applicable.

Item 7. Financial Statements, Pro Forma Financial Information, and Exhibits

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LONG ISLAND LIGHTING COMPANY
Registrant

By Thomas H. O'Brien
THOMAS H. O'BRIEN
Senior Vice President

Dated: December 29, 1983

ATTACHMENT 7

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report: January 5, 1984

LONG ISLAND LIGHTING COMPANY

(Exact name of registrant as specified in charter)

New York	1-3571	11 - 1019782
(State of Incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

250 Old Country Road, Mineola, New York 11501
516-228-2150

(Address and telephone number of Principal Executive Offices)

Item 1. Changes in Control of Registrant

Not applicable.

Item 2. Acquisition or Disposition of Assets

Not applicable.

Item 3. Bankruptcy or Receivership

Not applicable.

Item 4. Changes in Registrant's Certifying Accountant

Not applicable.

Item 5. Other Events

a. Problems Facing the Company

Since 1973, when the Atomic Energy Commission, predecessor to the Nuclear Regulatory Commission (NRC), issued a construction permit for the Company's 809 MW Shoreham Nuclear Power Station in Suffolk County, New York, Shoreham has experienced the effect of revised regulations, construction delays and increased costs. The increased costs have been due, among other reasons, to design changes, inflation and the construction delays, all of which have resulted in total costs (including carrying costs and taxes) far higher than planned and far higher than for nuclear plants currently operating. Despite these problems, the Company has virtually completed construction of Shoreham with the exception of three emergency diesel generators, and has received a favorable partial initial decision from an Atomic Safety and Licensing Board. The Company has experienced mechanical problems with three emergency diesel generators which have since been rebuilt and are being tested. These problems have delayed the scheduled date of physical readiness for fuel load until March 1984 or, if new replacement generators must be installed, to August 1985. In either case, the issue of the adequacy of emergency generation capability must be approved by the NRC before fuel loading can take place.

The Company faces serious problems in obtaining approval of an offsite emergency response plan which is a condition to obtaining an operating license from the NRC. Suffolk County has taken the position that an emergency response plan is not possible and has steadfastly refused to participate in offsite emergency response planning and has opposed every effort of the Company to obtain licensing. While the Company has developed its own emergency response plan, there can be no assurance that such plan will be accepted in the licensing proceedings or that an operating license will ultimately be issued. The situation has been further complicated by the issuance of an inconclusive

report by a study commission appointed by Governor Cuomo of New York and by the apparent decision of the Governor to oppose any offsite emergency response plan in which governmental authorities do not participate. The Governor also opposes low power operation before offsite emergency planning issues have been resolved.

The Company had expended approximately \$3.2 billion on the Shoreham unit as of December 31, 1983. The Company expects that gross expenditures for Shoreham will be approximately \$677 million in 1984. Additional delays beyond 1984 are estimated to cost an additional \$40 to \$45 million each month, almost wholly for carrying charges, including insurance, taxes and overhead expenses (depending upon, among other factors, the outcome of the Company's pending application for rate relief). Because of the continuing difficulties in obtaining an operating license for Shoreham, the prospect exists for further delays and uncertainties, further increases in its costs and severe financial strains for the Company.

For several years a major portion of the Company's earnings have consisted of Allowance for Funds Used During Construction (AFC). This condition is expected to continue until the completion of Shoreham and its inclusion in rate base. AFC is the cost of funds invested in a construction project expected to be recovered from customers over the service life of the project through revenues when the project is completed and included in rate base. Such AFC does not represent cash earnings. Therefore, the Company is heavily dependent on external financing until Shoreham is adequately reflected in rates. There can be no assurance as to the amount or the timing of such rate relief from the Public Service Commission of the State of New York (PSC).

Some members of Governor Cuomo's study commission and, according to some newspaper reports, various government officials have suggested that Shoreham be totally abandoned or indefinitely mothballed. Any such outcome could well have a serious adverse financial impact on the Company and, unless the PSC grants to the Company prompt and adequate rate increases, could jeopardize the continued financial viability of the Company.

The Company's 1984 financing plan calls for the sale of an aggregate of approximately \$700 million of debt and equity securities. However, given the various adverse factors now impacting the Company, no assurances can be given regarding the Company's ability to raise sufficient funds in 1984 and in future years in order to meet its construction and other capital

requirements and operational needs. To the extent the Company is unable to raise such funds in 1984 or in subsequent years, the Company's initial response would be to reduce the level of its capital and operating expenditures. In addition, the absence of favorable developments in the near future could affect the level or continuation of dividends on the Common Stock. The Company can give no assurance that such measures will be sufficient in the circumstances, nor can it now predict what other measures it might then take.

b. Extension of Credit

Pursuant to the Revolving Credit Agreement of the Tri-Counties Resources Trust through which the Company finances its nuclear fuel, outstanding loans currently maturing in September 1986 are automatically extended to September 1987 unless each individual bank gives notice by December 31, 1983 that it elects not to extend the maturity date with respect to its portion. The Company has been advised that all of the banks have elected not to extend the maturity of the notes outstanding under the terms of the \$180 million Revolving Credit Agreement.

c. Bokum Resources Corporation (BRC)

The United States Court of Appeals for the Tenth Circuit, in an order filed on December 27, 1983, let stand the decision of the District Court for the District of New Mexico which affirmed an order of the bankruptcy court placing BRC into involuntary bankruptcy. (The bankruptcy court's proceedings are discussed in the Company's Form 10-K for the year ended December 31, 1982.)

BRC has given notice that it will appeal the decision of the bankruptcy court which dismissed three of four counterclaims BRC had asserted against the Company in the bankruptcy proceeding. (See the Company's Form 8-K dated December 23, 1983.)

d. Financing

On January 3, 1984, the Company entered into an agreement with Blyth Eastman Paine Webber Incorporated, as agents, for the sale of 5,000,000 shares of Common Stock (\$5 Par Value) at \$10.50 per share, for an aggregate price of \$52,500,000. The closing of the transaction, subject to customary conditions, is scheduled for January 10, 1984.

Copies of the Agency Agreement between Blyth Eastman Paine Webber Incorporated and the Company, and the Prospectus dated January 3, 1984 relating to the sale are filed as exhibits to this Report.

e. Securities Litigation

On January 5, 1984 Judge John R. Bartels of the United States District Court for the Eastern District of New York dismissed plaintiff Geraldine Rubin's class action complaint against the Company and the underwriters in connection with the Company's offering in 1980 of its Series T Preferred Stock. The suit was commenced in March 1983 alleging that shares of Series T Preferred Stock had been purchased in reliance upon an allegedly false and misleading description of the tax status of the stock as set forth in the prospectus.

Judge Bartels held that all of plaintiff's claims were "frivolous" and ordered that attorneys fees incurred by the Company and the underwriters be assessed against plaintiff and her attorney.

Item 6. Resignations of Registrant's Directors

Not applicable.

Item 7. Financial Statements, Pro Forma Financial Information, and Exhibits

Exhibits

Exhibit 1 Agency Agreement relating to the sale of 5,000,000 shares of Common Stock, Par Value \$5 Per Share.

Exhibit 28 Prospectus dated January 3, 1984 relating to the sale of 5,000,000 shares of Common Stock, Par Value \$5 Per Share.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LONG ISLAND LIGHTING COMPANY
Registrant

By Thomas H. O'Brien
THOMAS H. O'BRIEN
Senior Vice President

Dated: January 5, 1984

ATTACHMENT 8

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report: January 10, 1984

LONG ISLAND LIGHTING COMPANY

(Exact name of registrant as specified in charter)

New York	1-3571	11 - 1019782
(State of Incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

250 Old Country Road, Mineola, New York 11501
516-228-2150

(Address and telephone number of Principal Executive Offices)

Item 1. Changes in Control of Registrant

Not applicable.

Item 2. Acquisition or Disposition of Assets

Not applicable.

Item 3. Bankruptcy or Receivership

Not applicable.

Item 4. Changes in Registrant's Certifying Accountant

Not applicable.

Item 5. Other Events

The Company announced today that in lieu of making payment of approximately \$26.2 million of property taxes attributable to the Shoreham Nuclear Power Station, it would promptly place in escrow an amount equal to not less than \$26.2 million pending resolution of litigation initiated by the Company in New York Supreme Court, Suffolk County, seeking review and correction of the assessments of the Shoreham property made by the Assessor of the Town of Brookhaven for the tax years 1976/1977 through 1978/1979 and 1980/1981 through 1983/1984. The taxes for the 1983/1984 tax year, approximately \$52.5 million, became a lien on December 1, 1983. Approximately half of this amount has been claimed as due and payable today which is the last day of the grace period for the payment to the Town of Brookhaven of the first installment of the 1983/1984 real property taxes.

The Company continues to believe that an operating license for Shoreham will ultimately be issued and that the plant will become operational. Suffolk County, however, has undertaken to prevent Shoreham from operating. Nonetheless, Shoreham has been assessed and taxed as though it were in operation which it is not. Suffolk County is one of three beneficiaries of the taxes. Taxes on the Shoreham property provide 8% of the tax revenues of Suffolk County, 22% of the tax revenues of the Town of Brookhaven and 92% of the tax revenues of the Shoreham-Wading River School District. The Company has paid approximately \$139 million in property taxes attributable to the Shoreham Nuclear Power Station during the tax years 1976/1977 through 1978/1979 and 1980/1981 through 1982/1983. If the Company is successful in the tax litigation, the Company believes that Suffolk County, the Town of Brookhaven and the Shoreham-Wading River School District would be unable to refund the taxes paid. Accordingly, the Company intends, in the Shoreham property tax proceedings, to establish the inequity of permitting Suffolk County to benefit from property taxes

collected on Shoreham at the same time as it contends in the licensing proceedings for Shoreham before the Nuclear Regulatory Commission that the plant should not operate. While the Shoreham property tax litigation presents novel questions for adjudication, the Company believes that fundamental legal, equitable and constitutional principles support the Company's position.

The proceedings to review the tax assessments of the Shoreham property are among numerous other such proceedings respecting all of the Company's properties filed by the Company in 1983 and prior years against various assessing units throughout the Company's system. Seven of these proceedings have been filed against the Brookhaven Assessor seeking a reduction of the assessments on the Shoreham property in the past eight years. The most recent Shoreham-related tax proceeding was commenced in late 1983. Discovery proceedings are being conducted in connection with the earlier Shoreham-related property tax proceedings. The Company does not know when a trial of the assessment cases will begin nor can it predict the outcome.

The Company's First Mortgage Indenture and its General and Refunding Indenture permit the payment of the taxes to be deferred pending good faith litigation challenging the tax assessments. In this connection, the Company is supplying to both indenture trustees opinions of counsel of the Company that it is in compliance with the applicable provisions of the indentures. Moreover, as mentioned above, an amount at least equal to the deferred taxes now claimed to be due and payable is to be placed in escrow, in order to assure that the property securing those indentures is not subject to forfeiture or loss on account of the deferred payment of such taxes.

The Company also announced today that its Board of Directors has directed the Company's management to further develop a proposed program of austerity measures to minimize cash expenditures. Such a program involves severe paring of internal operations, limitations of support of industry and community agencies, reductions of inventories and purchases and extensive curtailment of a wide variety of commitments.

Item 6. Resignations of Registrant's Directors

Not applicable.

Item 7. Financial Statements, Pro Forma Financial Information, and Exhibits

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LONG ISLAND LIGHTING COMPANY
Registrant

By Thomas H. O'Brien
THOMAS H. O'BRIEN
Senior Vice President

Dated: January 10, 1984

ATTACHMENT 9

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report: February 21, 1984

LONG ISLAND LIGHTING COMPANY

(Exact name of registrant as specified in charter)

New York	1-3571	11 - 1019782
(State of Incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

250 Old Country Road, Mineola, New York 11501
516-228-2150

(Address and telephone number of Principal Executive Offices)

Item 1. Changes in Control of Registrant

Not applicable.

Item 2. Acquisition or Disposition of Assets

Not applicable.

Item 3. Bankruptcy or Receivership

Not applicable.

Item 4. Changes in Registrant's Certifying Accountant

Not applicable.

Item 5. Other Events

a. New Chairman of the Company

The newly elected Chairman of the Company's Board of Directors and Chief Executive Officer William J. Catacosinos outlined his plans for the Company at a press conference held on Long Island on February 8, 1984. A press release setting forth the principal features of the Company's program is annexed to this Form 8-K as an Exhibit. Dr. Catacosinos, a member of the Board of Directors since 1978, was elected to succeed Charles R. Pierce on January 30, 1984. Mr. Pierce will continue to serve the Company as a consultant.

b. The Company's 1984 Financing Plan

The Company's present 1984 financing plan calls for the sale of an aggregate of approximately \$700 million of debt and equity securities. The Company had on hand as of February 20, 1984 cash and short-term investments of approximately \$214 million. The \$214 million on hand includes gross cash proceeds of \$52.5 million from the direct sale of 5,000,000 shares of Common Stock in January 1984 and approximately \$10.4 million in proceeds from the sale of Common Stock through the Company's Automatic Dividend Reinvestment Plan in February 1984. Given the various adverse factors now impacting the Company, no assurances can be given regarding the Company's ability to raise sufficient funds in 1984 and in future years in order to meet its construction and other capital requirements and operational needs. To the extent the Company is unable to raise such funds in 1984 or in subsequent years, the Company's initial response would be to reduce the level of its capital and operating expenditures. In this connection, to conserve cash, the Company has announced that it would reduce its non-fuel related operations and maintenance expenditures, estimated at approximately \$250 million in 1984, by \$100 million without significantly affecting customer service and that it has suspended construction payments for its share of Nine Mile Point

2. For additional information relating to this suspension of payments, see Item 5f below. In addition, the absence of favorable developments in the near future could affect the level or continuation of dividends on the Common Stock. The Company can give no assurance that such measures will be sufficient in the circumstances, nor can it now predict what other measures it might take. After giving effect to the suspension of payments for Nine Mile Point 2 but before giving effect to the proposed austerity program, to additional financing, to any change in dividend policy, or to other cash conservation measures, the Company estimates that the \$214 million in cash and short-term investments on hand as of February 2, 1984 is sufficient to continue the Company's operations only into early summer of 1984.

c. Shoreham Nuclear Power Station

The Public Service Commission of the State of New York (PSC) is currently investigating the prudence of the costs incurred by the Company in the construction of the Shoreham Nuclear Power Station. Hearings with respect to filed testimony are expected to begin in May 1984 before an Administrative Law Judge.

The Staff of the PSC filed its testimony respecting the prudence of the Shoreham expenditures on February 10, 1984. Based upon \$3.846 billion assumed by the Company in its pending electric rate case to be the cost of Shoreham if it becomes operational in January 1985, the PSC Staff testimony would allow no more than \$2.296 billion of the Shoreham cost in rate base. The Staff would exclude \$104.8 million of engineering costs as excessive, \$295.8 million of construction labor costs as unreasonable, \$610.3 million attributable to avoidable schedule delays, \$539.2 million attributable to the emergency diesel generator problems and all costs in excess of \$3.846 billion if operation of Shoreham is delayed beyond January 1985. The New York State Consumer Protection Board, Suffolk County, and Long Island Citizens in Action, three of the intervenors in the prudence investigation, in their filed testimony allege that "a strong presumption is raised that any expenditures on Shoreham in excess of \$1.9 billion through 1983 are the result of imprudence."

The Company could be required under certain circumstances to write down the value of its assets in the event the PSC disallows a portion of the Shoreham costs from the Company's rate base. The Company is evaluating the impact which any disallowance of the Shoreham costs will have on the Company's financial condition and operating results. The Company cannot now determine the amount, if any, of such

write-down. The effect, dependent upon many factors, could be substantial.

The Company believes that its direct testimony, filed in 1981 and supplemented in 1983, together with its rebuttal testimony to be filed in April 1984, supports its view that the costs of Shoreham have been prudently incurred. In this connection, on February 8, 1984, the Company filed in this proceeding a report by Arthur D. Little, Inc. containing findings based on its independent assessment of the Company's management of Shoreham. The review by Arthur D. Little, Inc. was based on the same information contained in documents which the Company has produced in discovery proceedings brought by the PSC over the course of its investigation of the prudence of the management of Shoreham, as well as information provided by the Company to the PSC, its consultants and other interested parties in a series of interviews held by them with the management of the Company and its contractors. Arthur D. Little, Inc. concluded "that LILCO's decisions and related management processes were prudent under the circumstances that prevailed at that time." Notwithstanding the Company's belief that all of the costs of Shoreham were prudently incurred, the Company's Chairman has indicated that, as part of a proposal that would ameliorate the impact of including all of the Shoreham costs in its rate base, the Company might be willing to absorb \$500 million of Shoreham's cost in return for some help from Suffolk County or New York State in bringing the unit into operation.

The Company had expended approximately \$3.2 billion on the Shoreham unit as of December 31, 1983. The Company expects that gross expenditures for Shoreham will be approximately \$634 million in 1984. Additional delays beyond 1984 are estimated to cost an additional \$40 to \$50 million each month, almost wholly for carrying charges, including insurance, taxes and overhead expenses, depending upon, among other factors, the outcome of the company's pending application for rate relief. Based upon a fuel loading date of October 1, 1984 and a commercial operation date of July 1, 1985, the cost of Shoreham is estimated at \$4.1 billion. Because of the continuing difficulties in obtaining an operating license for Shoreham, the prospect exists for further delays and uncertainties, further increases in its costs and for severe financial strains for the Company.

Some members of a commission appointed by New York Governor Mario Cuomo to study the energy, economic and safety issues relating to the operation of Shoreham and, according to some newspaper reports, various government officials have suggested that Shoreham be totally abandoned or indefinitely mothballed. In his press conference on February 8, 1984, the Company's Chairman stated that, among other options under

consideration by the Company to reduce its cash requirements, was the abandonment of Shoreham. Any such outcome would have a serious adverse financial impact on the Company and, unless the PSC grants to the Company prompt and adequate rate increases, would jeopardize the continued financial viability of the Company.

The Company has notified the Nuclear Regulatory Commission of problems that occurred during testing earlier this month with the turbochargers associated with the three rebuilt emergency diesel generators at Shoreham. When functioning normally, turbochargers provide a power "boost" to the engines by pressurizing the flow of air into the diesels. The turbochargers which sustained bearing damage have been repaired, reassembled and returned to testing on two of the engines.

The third engine, which has completed its high-load test program including a seven-day endurance run, has been disassembled for an inspection of its major components and appropriate maintenance as required. Inspection of the new crankshaft and pistons indicate no sign of failure. Design analysis is still in process. However, the inspection has disclosed cracks in the area of the cylinder block and in certain connecting rod bushings of this third engine. A detailed engineering review and analysis is being conducted to determine the cause and significance of this problem. Inspection of the other two engines did not reveal similar cracking.

These developments have not caused and are not expected to cause an extensive delay in the testing program and the Company continues to believe that the design review and diesel generator testing program begun late in 1983 will be completed in the spring of 1984 at the earliest. When the tests on the emergency diesel generators have been satisfactorily completed, the plant will be physically ready for fuel loading. Fuel loading, however, is dependent upon a favorable resolution by an Atomic Safety and Licensing Board (ASLB) of issues involving the adequacy of the three diesel generators. Although it is the Company's belief that fuel loading could take place at the earliest in the fall of 1984, the Company cannot predict when the hearings will begin or when they will be completed. A schedule for the commencement of these hearings may be set following a pre-hearing conference on February 22, 1984.

The Company is also proceeding with the installation of three additional emergency diesel generators which have been ordered from another manufacturer. These new additional emergency diesel generators are scheduled to be installed in a new specially constructed building and tested by August 1985, at

an aggregate cost of approximately \$91 million, almost all of which will have been expended before the end of 1984. There is a possibility that the rebuilt diesel generators may be licensed only for interim use. If the new emergency diesel generators are needed to replace the existing diesel generators, the approval of an ASLB respecting their use may be required. Furthermore, if the new emergency diesel generators are needed to replace the existing diesel generators as a precondition for fuel loading, the Company may be unable to obtain the necessary financing or adequate rates to meet its cash requirements pending the completion, installation and testing of the new generators.

On February 15, 1984, Governor Cuomo of New York announced a multi-faceted statewide energy program. Although details of proposed legislation dealing with all aspects of the program were not immediately available, the energy program is intended, among other things, to develop short-term, intermediate and long-term actions to mitigate the economic impact of Shoreham upon ratepayers and the economy of Long Island.

d. Litigation

In mid-February 1984, Wilfred O. Uhl, the Company's President, Charles R. Pierce, the Company's former Chairman and Chief Executive Officer, and the Company, were served with complaints in two separate actions, each brought in the United States District Court for the Eastern District of New York. In the first of these actions, the plaintiff, Richard Weiland, alleges violations of Sections 10(b) and 20 of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. In the second action, the plaintiff, Ira Joel Cohen, alleges violations of Section 11 of the Securities Act of 1933 and of Sections 10(b) and 20 of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. Both actions have been brought as class actions.

Also in mid-February 1984, Eva Mumken commenced an action against the Company, Messrs. Pierce and Uhl, Thomas H. O'Brien, the Company's Senior Vice President-Finance, Michael Czumak, its Controller and Edward Eacker, its Treasurer. The lawsuit was brought in the United States District Court for the Eastern District of New York as a class action. Also named as defendants are Blyth Eastman Paine Webber Incorporated, Prudential Bache Securities, Inc., E.F. Hutton & Company Inc., Lehman Brothers Kuhn Loeb Incorporated, Philbro-Salomon Brothers Inc. and Price Waterhouse & Co. Price Waterhouse serves as independent auditor for the Company. The other defendants or, in certain instances, their predecessors, served as underwriters in various offerings of the Company's Common Stock. Plaintiff

Mumken alleges violations of Sections 11 and 12 of the Securities Act of 1933 and of Section 10(b) of the Securities Act of 1934 and Rule 10b-5 promulgated thereunder.

The plaintiffs in the three actions are Common Stock holders of the Company. In general, in their respective complaints, Weiland, Cohen and Mumken allege that over the years in which each owned the Company's Common Stock, one or more of the defendants, either individually or in concert, failed to make adequate disclosures respecting the cost of Shoreham and the management of the construction of the unit. The allegations of mismanagement are alleged to be based either upon reports appearing in newspapers or statements appearing in the testimony of the PSC filed in the prudency investigation discussed above. The plaintiffs, in their respective lawsuits, seek damages to be proved in the litigation.

The Company will oppose the litigation.

e. Shoreham Real Property Taxes

On February 1, 1984, the Receiver of Taxes of the Town of Brookhaven, and, on February 2, 1984, the Attorney General of the State of New York, commenced separate actions against the Company in New York State Supreme Court, Suffolk County, by service of summons and complaints, respecting the Shoreham taxes, payment of which the Company has deferred. The Company has escrowed funds covering the imposed taxes and related charges. (See the Company's Current Report on Form 8-K dated January 10, 1984.) The Town of Brookhaven seeks a judgment for the amount of the unpaid taxes, together with interest and penalties, and the Attorney General seeks an order sequestering funds in an amount necessary to assure payment of the taxes, interest and penalties. Neither plaintiff seeks any immediate relief.

In addition to the steps taken by the Town of Brookhaven and the Attorney General, several legislative measures responsive to the Company's deferral of taxes have been introduced in the New York State Senate and Assembly. If these measures became law and were held to be valid despite litigation which the Company would undertake, they would compel the PSC to cancel the Company's franchises, place the Company in receivership, permit the Company's customers to withhold payment of their bills for electric and gas service and permit the Suffolk County Treasurer to apply to a court to attach the property of the Company for the purpose of collecting the unpaid taxes. The Company believes that such measures, if they became law, would be invalid.

f. Nine Mile Point 2

On February 9, 1984, the Company suspended periodic payments for construction of its 18% share of Nine Mile Point 2, a nuclear generating unit under construction near Oswego, New York by Niagara Mohawk Power Corporation as agent for the co-owners. The co-owners of Nine Mile Point 2, in addition to the Company and Niagara Mohawk, are New York State Electric & Gas Corporation (NYSEG), Rochester Gas & Electric Corporation (RG&E) and Central Hudson Gas & Electric Corporation.

The Company has also announced that it had initiated discussions with the other co-owners respecting the Company's continued participation in the Unit. Central Hudson has disclosed that it has commenced discussions with Niagara Mohawk, NYSEG and RG&E as to appropriate courses of action with a view toward completion of Nine Mile Point 2 consistent with its present schedule. Central Hudson has also stated that if an arrangement cannot be agreed upon, Nine Mile Point 2 may have to be abandoned. Niagara Mohawk has notified the Company that it considers the Company to be in default of its obligations to the other co-owners and has demanded payment. Niagara Mohawk has also advised the Company that it may institute litigation against the Company and that such litigation could result in encumbering, diminishing or eliminating the Company's interest in Nine Mile Point 2. The outcome of the Company's suspension of construction payments cannot now be predicted.

Niagara Mohawk is currently reviewing the costs and schedule for Nine Mile Point 2, last estimated to be \$4.2 billion with commercial operation in late 1986. This estimate assumed direct construction expenditures of \$418 million in 1984. However, the Company has been advised by Niagara Mohawk that such construction expenditures in 1984 are now expected to reach \$615 million. The Company's share of the total estimated construction expenditures in 1984 is approximately \$114 million, of which approximately \$11.5 million had been paid prior to the decision to suspend payments. The Company's 1984 financing costs for Nine Mile Point 2 are estimated at approximately \$63 million. The Company had expended approximately \$570 million for Nine Mile Point 2 through December 31, 1983, consisting of \$348.5 million for direct construction costs, \$7.2 million for nuclear fuel for the unit and \$214.3 million of financing costs.

The energy program announced by the New York Governor on February 15, 1984 would include actions to limit the Company's investment in Nine Mile Point 2, the development of options for the co-owners to assume the Company's share of Nine Mile Point 2, involvement of the New York Power Authority in the unit and a phase-in of the costs of the facility.

g. Dividend Litigation

A New York State Supreme Court Justice in Albany County, New York has dismissed a lawsuit brought as a class action by a business association and several commercial and residential ratepayers against the Company and several commissioners of the PSC. The plaintiffs had sought to prohibit the Company from declaring or paying dividends on its common or preferred stock and to suspend the interim electric rate increase granted by the PSC in September 1983. This decision is subject to appeal.

h. Ratings of the Company's Securities

Following the Company's announcement in late December 1983 that the absence of favorable developments in the near future could affect the level or continuation of subsequent dividends on the Company's Common Stock, Moody's Investor Service, Inc. (Moody's) in January 1984 lowered its ratings on all of the Company's securities except the Preferred Stock which remained as "ba3." In Moody's view, since December 1983, when it reduced the ratings on all of the Company's fixed income securities, the Company's prospects for continued financial flexibility and for resolution of the Shoreham emergency response plan impasse have worsened. However, in January 1984, Standard & Poor's Corporation (S&P) removed the Company's securities from its "CreditWatch." In February 1984, Duff & Phelps (D&P) reduced its ratings on the Company's First Mortgage Bonds.

The current ratings of the Company's principal securities and its commercial paper by Moody's, Fitch Investor's Service, Inc., (Fitch), S&P and D&P, are as follows:

	<u>Moody's</u>	<u>Fitch</u>	<u>S&P</u>	<u>D&P</u>
First Mortgage Bonds*	Ba2	BBB	BB+	11
General & Refunding Bonds*	Ba3	BBB-	BB	12
Pollution Control Revenue Bonds (unsecured)	Ba3	**	BB	**
Preferred Stock***	"ba3"	BB+	BB-	13
Commercial Paper	Not Prime	F-3	**	**

* Fitch is the only rating agency which still considers the First Mortgage Bonds and General and Refunding Bonds as investment grade securities.

** Not Rated

*** The Company's Preferred Stock is no longer considered investment grade by any of the four rating agencies.

i. Appointment of Successor Trustee Under First Mortgage

The Company has appointed J. Henry Schroder Bank & Trust Company as Successor Trustee under the Company's Indenture of Mortgage and Deed of Trust (the First Mortgage), effective as of the close of business on February 29, 1984. The resignation of Citibank, N.A. as Trustee was disclosed in the Company's Current Report on Form 8-K dated December 23, 1983, as amended by Amendment No. 1 thereto on Form 8. Under the provisions of the First Mortgage, the appointment of J. Henry Schroder Bank & Trust Company is subject to the right of the holders of a majority in principal amount of the First Mortgage Bonds then outstanding to appoint a successor trustee and to give notice thereof within one year of the first publication of a notice respecting the appointment of the successor trustee. Such notice was published on February 8, 1984.

Item 6. Resignations of Registrant's Directors

Not applicable.

Item 7. Financial Statements, Pro Forma Financial Information, and Exhibits

Exhibit 28 - Corporate news release dated February 8, 1984.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LONG ISLAND LIGHTING COMPANY
Registrant

By Thomas H. O'Brien
THOMAS H. O'BRIEN
Senior Vice President

Dated: February 21, 1984



250 OLD COUNTRY ROAD
MINEOLA, N.Y. 11501



CONTACTS: Ira L. Freilicher, V.P.
Lilco 516/228-2027

A. F. Long, Pres.
D. F. King & Co., Inc. 212/269-5550

J. W. Cornwell, E.V.P.
D. F. King & Co., Inc. 212/269-5550

W. C. Neilson, S.V.P.
D. F. King & Co., Inc. 212/269-5550

S. L. Nahum, A.V.P.
D. F. King & Co., Inc. 212/269-5550

FOR IMMEDIATE RELEASE

MINEOLA, NEW YORK, February 8, 1984 . . . William J. Catacosinos, recently elected Chairman and Chief Executive Officer of the Long Island Lighting Company, at a press conference today reviewed the problems presently facing the Company and outlined the following 5-step program for the future of Lilco:

1. "We are carefully evaluating our operations to determine what additional cost reduction measures we can take to lower our cash requirements with minimal impact on the services we provide to our consumers. This will mean hard decisions not faced in the past. This will mean hardship, and personal and financial sacrifices among all of us at Long Island Lighting Company including our management, our employees and our shareholders, but these decisions that we have to make will be necessary in order that we continue as a viable entity.

2. "We are examining our ability to continue to fund the construction payments for the Nine Mile II nuclear project.

3. "An evaluation of our Company's ability to continue its cash dividend policy is also underway, and recommendations will be made to our Board of Directors at the appropriate time.

4. "Since members of our senior management group will be retiring in the near future, we are acting to reorganize and revitalize our Company's leadership and direction in order to take into account the changing nature of our business. I believe it is essential to place strong emphasis on our nuclear operations as well as to recognize the importance of our gas system.

5. "We will actively seek rate abatement. Studies are underway to determine means to phase in the Shoreham costs over a period of time with minimum financial impact on our consumers."

Dr. Catacosinos stated: "We need and ask for the help of our Governor, our County Executives, financial institutions, the consumers and the support of our shareholders. Above all, we must have the continued dedication of the thousands of Lilco employees who have provided outstanding service to the community for the past 70 or more years.

"On behalf of the Board of Directors, management and the dedicated employees of the Company, we look to the future. No doubt we have all learned from the experiences of the past. However, for the resolution of the remaining Shoreham problems and the continued viability of Lilco, I pledge that our energies and attention will be directed to the future and the accomplishment of these goals. I believe we can and shall succeed. That is why I am here."

Dr. Catacosinos said that Lehman Brothers, investment bankers highly regarded for their experience and capability in the public utility field, will assist Lilco in many of its studies and in the program outlined.

In addition, D. F. King & Co., Inc., a well-known consulting and communications firm, will assist Lilco in its corporate and financial public relations with respect to the community and the shareholders.

#

#

#

WILLIAM J. CATACOSINOS

William J. Catacosinos was elected Chairman and Chief Executive Officer of LILCO by the Company's Board of Directors on January 30, 1984. Catacosinos, 53, has been a member of LILCO's Board since February 1978.

From August 1969 to November 1983, Catacosinos was Chairman and Chief Executive Officer of Applied Digital Data Systems, Inc. of Hauppauge, Long Island, a company he founded. In 1980, the NCR Corporation of Dayton, Ohio bought this manufacturing company of terminals and computers for \$60.5 million.

Dr. Catacosinos was a founder of Corometrics Medical Systems, Inc., a Connecticut-based electronics firm which pioneered the manufacture of fetal heart monitoring equipment. In 1974, American Home Products acquired the company for \$20 million.

At Brookhaven National Laboratory, Dr. Catacosinos worked consecutively as administrative officer, business manager and Assistant Director of Business Administration from 1956 to 1969.

Dr. Catacosinos has been a management consultant to the Atomic Energy Commission, the United States Congress and the government of Greece. As Adjunct Professor at the NYU Graduate School of Business, Dr. Catacosinos taught "Management Practices" and "Management of Technical Operations". He earned his B.S., M.B.A. and Ph.D. from NYU.

As a Naval Officer from 1952 to 1956, Dr. Catacosinos's responsibilities included supervising construction of Super Aircraft Carriers at the New York Naval Shipyard in Brooklyn.

He currently serves as a Director of the Stony Brook Foundation, a fund-raising group. He is also a trustee of the Polytechnic Institute of New York.

William J. Catacosinos and his wife, Florence, live in the village of Mill Neck, Long Island. They have two sons, William and James.

ATTACHMENT 10

TODAY

CORPORATE COMMUNICATIONS DEPARTMENT
LONG ISLAND LIGHTING COMPANY

March 6, 1984

The following information has been released to the public:

Dr. William J. Catacosinos, Chairman and Chief Executive Officer of the Long Island Lighting Company, announced today at a press conference an austerity program to conserve cash including the following:

1. Lower capital and expense budgets totaling more than \$100 million for the remainder of 1984;
2. A sharp reduction in the number of personnel positions within the Company;
3. Salary reductions for employees.

In addition, after careful consideration of the Company's cash requirements the Board of Directors determined to omit cash dividends on the common stock for the balance of the year or until such time as the Company's financial condition is sufficiently strong for dividends to be restored. Specific elements of the austerity program are as follows:

*Elimination of the total of 741 positions at LILCO, 544 through personnel termination and 197 through attrition, as well as an additional 246 jobs with outside contractors.

*A cutback of 50% in Directors' fees.

*A cutback of 20% in salaries for Officers.

*A salary reduction of 10% for management personnel now earning \$35,000 or more, and a 5% reduction for those below that level.

*A cutback of 11% in the Company's 1984 capital budget, and a 22% reduction in the 1984 operating budget.

Dr. Catacosinos added that the Company plans to announce in the next two weeks a management reorganization plan.

New York Times

—NEW YORK, WEDNESDAY, MARCH 7, 1984—

LILCO ANNOUNCES AUSTERITY PLANS TO CUT ITS LOSSES

SUSPENDS STOCK DIVIDEND

Cost of Shoreham Plant Cited
as Cause of Utility's Woes
—Jobs Will Be Lost

By LINDSEY GRUSON

Special to The New York Times

GARDEN CITY, L.I., March 6—The Long Island Lighting Company will stop paying dividends on its common stock for at least the rest of the year and will reduce its work force by nearly 20 percent, the new chairman of the company announced today.

The chairman, Dr. William J. Catacosinos, said the utility would also cut the salaries of all managers and about 20 percent of its lower-level employees. In addition, it will reduce directors' fees.

The utility is faced with financial problems that it traces to the cost overruns on the 800-megawatt Shoreham nuclear power plant. At a current estimated cost of \$4.1 billion, the plant is 15 times over the original estimate.

Lilco's cutbacks, which will affect most of the departments in the troubled utility, are part of a plan to conserve cash and save the company from insolvency, Dr. Catacosinos said. He estimated that the plan would save \$374 million this year.

Continued Service Promised

Dr. Catacosinos said customers would not notice any reduction in service. The layoffs will be concentrated in areas not directly related to producing and distributing electricity, he said.

The community relations office and other departments "that may have been good for the community" but were not vital will be closed, he said. He declined to provide further details about who would be laid off.

The company cannot begin charging its customers for the bulk of Shoreham's construction costs until the plant enters service, but a series of technical and political setbacks have delayed the plant.

The nuclear projects of a number of other utilities across the country face similar cost overruns and delays. Shoreham, however, is the most expensive reactor in the country for its size, and the plant now represents half assets of its owner.

At a news conference in the Garden City Hotel here, Dr. Catacosinos said he hoped the austerity plan would show state legislators that the utility had made sufficient sacrifices to deserve financial assistance.

'To Avoid a Further Crisis'

"We hope that by doing this, other people will step up and say, 'What can we do to avoid a further crisis,'" he said.

"What we're trying to do is save this company. For too long, too many people have believed that we're not in trouble. The truth is that we are in trouble and it's serious."

Wall Street analysts said that they

Continued on Page B3, Column 1

Austerity Plan Is Put Forward By Lilco Chief

Continued From Page A1

had foreseen the austerity plan and that the decision to stop dividend payments did not surprise them.

"We expected the dividend to be cut, and the only question was whether it would be an omission," said Scott Sartorius, a utilities analyst with Salomon Brothers. "We're not talking about a company with a lot of cash. The rate-payers are going to take it on the chin and those in power felt that the stockholders had to take part of the sock."

The utility's common stock, which paid \$2.02 in dividends last year, closed down 1 1/2 today at 6 1/2, its lowest point in more than a decade.

A spokesman for the utility said he thought it was the first time in the 74-year history of the company that it had missed a dividend payment. Dr. Catacosinos said dividends would not be restored until the utility's financial condition improves.

As recently as a month ago Lilco common stock was trading at 10 1/4. Lilco stock has been falling steadily since the late 1970's, when it traded in the high 20's.

Preferred Dividends Continue

Dr. Catacosinos said the board of directors, which approved the austerity program at a meeting today, had not considered suspending payments on the company's preferred stock. A dividend for owners of preferred stock was declared last week.

Dr. Catacosinos said there were no plans to seek an emergency rate increase. A \$279 million, or 21 percent, rate request is before the State Public Service Commission, however.

Despite the cutbacks, Dr. Catacosinos said the company still faced a cash shortfall of \$100 million this year. But he declined to predict at what point the utility might run out of money.

Although Dr. Catacosinos said the austerity program was necessary for the company to survive, he emphasized that there were no plans to declare the utility bankrupt.

In addition, Dr. Catacosinos said he



Dr. William J. Catacosinos, Lilco chairman, at news conference yesterday.

had not decided how to proceed with Shoreham. He said the utility had rejected a proposal to convert it to coal and emphasized his continued commitment to starting the plant.

But Dr. Catacosinos added that the company could not afford to continue paying interest on the money it borrowed to build the plant.

"How long can we hold out?" he asked. "That's the gut question." Interest payments and other overhead on the plant total \$40 million a month.

Dr. Catacosinos also said Governor Cuomo, who opposes Shoreham, had told him the company's request for state aid would not hinge on what Lilco did with Shoreham.

Aides to Governor Cuomo said the actions by Lilco were internal company decisions.

"This is unfortunate and just another indication of how terrible a mistake Shoreham was," said Timothy J. Ruesert, the Governor's counsel.

Governor Cuomo said that he had spoken with Dr. Catacosinos Monday and that the Lilco chairman had assured him the cuts would not affect service.

The largest savings under the austerity plan, \$167 million, will come from skipping the dividend payments, Dr. Catacosinos said.

Under the austerity plan announced today, Dr. Catacosinos said the utility will:

¶Eliminate a total of 987 jobs. At least 544, or 10 percent, of the company's 5,842 employees will be laid off and 197 will leave through attrition or retirement, he said. In addition, the utility will eliminate 246 jobs for which it contracts with other concerns.

¶Cut the salaries of managers who earn more than \$35,000 a year by 10 percent. There will be a 5 percent reduction for managers who earn less than \$35,000.

¶Reduce fees to board members by 50 percent. The 11 directors now are paid about \$15,000.

¶Cut the salaries paid officers of the company by 25 percent. Dr. Catacosinos said his salary, \$275,000 a year, will be reduced by 20 percent. He will earn \$220,000, \$10,000 less than his predecessor, Charles R. Pierce.

The New York Times/Vic DeLucia

ATTACHMENT 11

NEW YORK STATE PUBLIC SERVICE COMMISSION

IN THE MATTER

- of the-

Proceeding on motion of the Commission as to
the rates and charges of LONG ISLAND LIGHTING
COMPANY for electric service.

MINUTES OF HEARING held at the
Nassau County Police Headquarters, Mineola,
New York, on January 31, 1984, commencing at
9:35 a.m.

BEFORE:

FRANK S. ROBINSON,

Administrative Law Judge

APPEARANCES:

(As previously noted.)

1 financial form of relief, when will the company run
2 out of cash?

3 A I think in order to come up with that particular
4 number, we have to have a lot of other assumptions
5 made and I have not done that specific calculation
6 out that far.

7 Q Are there assumptions that would have to be inputted
8 into this analysis regardin future austerity measures?

9 A It's not a difficult analysis.

10 As I indicated earlier, we have just
11 completed a cash receipts and disbursements schedule
12 whereby we assume that in addition to the common stock
13 that we sold in January, that we would have been
14 successful in selling both the \$75 million of bonds
15 and I believe we used \$50 million of preferred stock
16 and that indicated that we would run out of cash, I
17 believe, in September--August or September and we
18 would end up the year having to find a source of
19 another approximately \$250 million.

20 Now, to do the calculation it can be done
21 and I just haven't done it.

22 Q I would like to pose four scenarios to you and not
23 ask you to answer them because I think you could
not provide an answer.

1 If the company were to skip one, two, three
2 and four quarterly dividends, how much more G and R
3 bonds could the company issue before the end of the
4 rate year?

5 A None.

6 Q Then you don't have to do that analysis?

7 A Unless I am corrected, the common stock dividend is
8 not involved in the calculation of the coverage ratio.

9 Q How much less would the company have to finance if
10 they skipped one, two, three or four quarterly
11 dividends?

12 A Well, our quarterly dividend, common stock dividend,
13 is approximately \$50 million. From that \$50 million,
14 you have to deduct the dividends that are reinvested
15 because at the present time a large number of our
16 shareholders reinvest their common stock dividends
17 into the company, so from a cash basis, while we pay
18 out \$50 million in common stock dividends, approximately
19 \$12 to \$14 million of that is reinvested in the
20 company through the purchase of newly issued common
21 stock..

22 Q Have the amounts of reinvested dividends declined
23 in the last quarter?

 A We will have the results for this period, the

1 February 1st reinvestment period. We declared the
2 dividend on December. That dividend is payable
3 February 1st, and the results are not in. People
4 have until, I believe it's 20 days after the date to
5 change their minds. So we really won't have a final
6 answer on how much of the dividends are reinvested
7 until towards the end of February.

8 Q Will you expect, based on the uncertainties regarding
9 the company since the summer of 1983, that there would
10 be a decline in the number of investments and the
11 dollars that would be reinvested compared to previous
12 quarters?

13 A I think it's reasonable to assume that there will be
14 some decline in the amount of the dividend reinvested.
15 However, our earlier indications are that it's probably
16 going to be very, very small. You have to realize
17 over the years the participation in that dividend
18 reinvestment program has increased every year and
19 we have had an increased number of shareholders.

20 Right at the moment it looks as though
21 there has been a slight decrease in the number of
22 people in that plan. Some people are upset because
23 of the decline in the common stock; on the other hand,
some people may feel it gives them an opportunity to

1 average down.

2 Q You have said quite a while ago that based upon your
3 discussions with persons in the financial community,
4 that other than the pollution control bond issue and
5 the common stock issuance, you didn't perceive any
6 significant difficulty in marketing your G and R bonds
7 and your preferred? Am I fairly paraphrasing what
8 you said?

9 A Yes. I think today we can sell preferred stock and
10 bonds and we would do so if we did not have this
11 pending testimony coming on the prudency hearing.

12 Q When you say you could sell preferred stock and G and R
13 bonds, did you mean the dollars reflected in your
14 testimony on page 32 and 33 and at the times suggested
15 by your testimony or that these are orders of magnitude
16 around these periods that you could issue stock in
17 whole or in part?

18 In other words, are the real proposals or
19 a real financial plan that we have here or are these
20 sort of what you think you may be able to issue if
21 everything sort of works out? Is this a reasonable
22 financial plan today?

23 A If it were not for this impending testimony that will
be coming forth on February 10th there is no question

1 in my mind and some other things of this nature--
2 there is no question in my mind that we could go into
3 the market and sell \$75 million of bonds. The
4 constraint on that number is our coverage test.

5 My recollection is that at the present time
6 at a 16 percent rate, we can sell approximately
7 \$77 million of G and R bonds. So the constraint, there
8 is not a market constraint. It's a coverage constraint,
9 a revenue constraint.

10 On the preferred stock, we would sell the
11 preferred first because the preferred stock is not
12 only subject to the rate on the preferred stock but
13 it's also subject to the rate on our short-term, and
14 assuming a 16 percent rate on the preferred and 11 per-
15 cent borrowing rate on our short-term debt, we can
16 sell something in the neighborhood of \$70 million of
17 the preferred stock at the present time.

18 So those numbers are constrained by our
19 revenues and expenses, not by market conditions. If
20 it were not for these constraints, coverage constraints,
21 I think we could sell more.

22 Q These constraints you have listed would allow you to
23 sell two issuances, one preferred and one G and R
bond, and all of them by April 1984. What about the

1 NEW YORK STATE PUBLIC SERVICE COMMISSION

2 -----
3 IN THE MATTER

4 - of the -

5 Proceeding on motion of the Commission as to
6 the rates and charges of LONG ISLAND LIGHTING
7 COMPANY for electric service.
8 -----

9 MINUTES OF HEARING held at the
10 Nassau County Police Headquarters, Mineola, New
11 York, on Thursday, February 2, 1984, commencing
12 at 9:35 a.m.
13

14 BEFORE:

15 FRANK S. ROBINSON,

16 Administrative Law Judge

17 APPEARANCES:

18 (As previously noted.)
19
20
21
22
23

1 company, and at that time, some of the shareholders
2 avail themselves of the opportunity to buy additional
3 stock from funds over and above the amount they
4 received in dividends.

5 So on a cash flow basis, you have to net
6 that out, and the savings would be probably more in
7 the neighborhood of the outflow of cash, would be
8 reduced by the net cash effects, which would be in
9 the neighborhood of \$140 million, \$150 million, on an
10 annual basis.

11 Q So that over the years 1984 and 1985 that could give
12 LILCO 280 to 300 million dollars of additional cash
13 if you were to skip dividends for that length of time?

14 A We have already paid the February dividend. So you
15 would be talking about seven dividends rather than
16 eight dividends.

17 Q It would be slightly less?

18 A It is an arithmetical calculation.

19 Q In your opinion, Mr. O'Brien, if LILCO were to pass
20 even a single dividend, would it be able to maintain
21 access to the financial markets?

22 A I don't know. It is certainly rather questionable.
23 Obviously, it would prohibit us from selling any
common stock at any sort of a reasonable price. It

1 would obviously have a severe impact on our ability
2 to sell preferred.

3 We probably, in my opinion, would not be
4 able to access the preferred market. We might be
5 able to sell some bonds.

6 Q But not the amount of bonds that you currently have
7 in your plans for 1984 and 1985; would that be a fair
8 statement?

9 A I think prudence would dictate that if we did not pay
10 the dividend, that we would have to assume that we
11 would not be able to obtain money in the external
12 markets, either from the sale of securities or borrow-
13 ings from banks.

14 Q If that were to occur, what options would the company
15 have to finance their needs over 1984 and 1985, even
16 net of what you would save in terms of dividend payments?

17 A If we were excluded from raising funds externally,
18 the only alternative would be to look to the company
19 internally, and that would require severe trimming in
20 all our expenditures, and obviously, the amount of
21 money that might be saved there would not be sufficient
22 to accomplish the work that has to be done to continue
23 safe and adequate service to our customers.

The alternative then, would be, I would

1 assume, to go to the only other source left, which
2 would be the Public Service Commission, and ask for
3 a very, very substantial increase in rates immediately.

4 Q You could use the line of credit that you have already
5 drawn down, couldn't you, and that would give you
6 three or four hundred million dollars?

7 A The numbers that I have quoted earlier, which assume
8 that we do no other financing other than the common
9 stock we sold this year, would result in our using up
10 all of that money that we have drawn down, the whole
11 \$270 million we had at the end of the year, and would
12 result in our being short or required to raise
13 approximately \$375 million in the latter part of the
14 year.

15 Right now, assuming there is no additional
16 financing done other than the common stock we have
17 done this year, this company will run out of money
18 sometime in June.

19 Now, we have been operating on the assumption
20 to the extent that we could sell the preferred and the
21 bonds, which may no longer be a valid assumption. If
22 we do those, that will take us into August or September.

23 Right now, I think, pending the filings in
 the prudency case, we have to assume that the only

ATTACHMENT 12

New York Times, 10-17-83

Shoreham Threat to Lilco Detailed

By MATTHEW L. WALD

The Long Island Lighting Company could be bankrupted if it were forced to absorb as much as \$1 billion of the \$3.5 billion estimated cost of its Shoreham nuclear plant, according to the draft report by the staff of Governor Cuomo's special commission on Shoreham.

The report, issued last week, also concluded that if the reactor were abandoned and Lilco allowed to collect its investment from ratepayers over several years, the company would still be driven into bankruptcy if it were permitted to collect only \$100 million each year on the part of the investment it had yet to re-

cover.

The study was prepared by professional utility analysts borrowed by the commission from the New York State Energy Office, the Consumer Protection Board and elsewhere. The 13 members of the commission got the study at the end of last month, and are using it and other materials to draft their own report. That final report, originally due at the end of August, is now supposed to be finished before Nov. 1.

The chairman of the commission, Dr. John H. Marburger, who is president of the State University of New York at Stony Brook, L.I., said in a telephone interview last week that at least some of the members of the commission disagreed with some of

the economic assumptions used in developing the study. The commission, created by Governor Cuomo in May to study the economic and safety problems posed by the 809-megawatt reactor, is sharply divided on whether the plant should open and who should pay for it.

The report noted, "In Lilco's situation, the common stockholders have an investment of approximately \$2 billion at the present time (based on July 1983 balances). Shoreham investment to date is about \$3 billion, exceeding the equity balance by some \$1 billion."

According to the report, "A \$500 million write-off would have some im-

Continued on Page D4

only one
its investment
a portion of
company would
be driven into
bankruptcy
to collect only
part of the
investment

Cost Threat to Lilco

Continued From First Business Page
 pact on Lilco's ability to pay dividends. Ultimately, the company would be likely to recover and be able to market common stock again."

However, it said, a \$1 billion write-off "would be likely to have far more serious consequences, including long-term dividend omission and, if the company survived, a long and difficult recovery in terms of availability of equity funds."

A Lilco spokesman, Judith Brabham, said on Friday that even a temporary interruption in dividends would bring insolvency, because it would probably make it impossible for the company to borrow money from conventional sources.

In general, according to utility experts, a utility can expect to be allowed to charge its customers for the capital cost of a plant, plus an authorized rate of return, if the costs were incurred prudently. The Public Service Commission has convened a proceeding to determine whether Shoreham, which is costing 10 times the amount budgeted, was constructed prudently, or whether some portion of the cost was incurred because of fraud or mismanagement.

Lilco currently puts the final price of Shoreham at \$3.4 billion, but acknowledges that that estimate does not take into account all of the delays that the company now expects. Because more than \$3 billion has already been spent, interest charges and other overhead costs on the thus far unproductive investment now come to more than \$1 million a day.

At one point last month the company had said that it expected commercial operation by Jan. 1, 1985, which would have put the cost at about \$3.5 billion, but more recently, Lilco has said that it cannot predict a startup date.

The staff report noted that along with the possibility of disallowing some costs for imprudence, "it is also arguable that costs should be disallowed if the costs were incurred for excessive capacity, if the costs exceed the value of the investment, or if the plant is abandoned." Suffolk County is seeking abandonment because, officials there say, it would be impossible to evacuate residents of the surrounding area in the event of a radiation accident.

A vice president of Lilco, Ira L. Frielicher, insisted, however, that the discussion was "absolutely academic."

'No Evidence' of Imprudence

"Under no circumstances can we envision our absorbing anything in the way of a loss," he said in a telephone interview. "Absolutely no evidence has been turned up that we were imprudent," he said.

Asked to comment on the study's findings, Mr. Frielicher said, "Certainly, an amount of \$1 billion or more is out of the question. We have not got studies which specify what amount under a billion we could absorb."

The company is now seeking to recover \$153 million on two canceled projects: twin reactors proposed for upstate in partnership with the New York State Electric and Gas Corporation, and an 800-megawatt coal plant, planned for Jamesport, L.I. Following established precedent in New York, Lilco asked the Public Service Commission for permission to amortize the recovery over 10 years, and include in customers' rates a profit on the unamortized balance. The company's authorized rate of return is now 12.5 percent.

Reports of Bankruptcy Option Send LILCO's Stock Plunging

By Alan J. Wax
and Allison Mitchell

Long Island Lighting Co. stock plummeted to its lowest level in more than eight years yesterday as Wall Street reacted to news reports that one of the nation's Gov. Mario Cuomo is considering the Shoreham nuclear plant is a LILCO bankruptcy.

The utility's stock fell \$1.75 — or 12.2 per cent — to \$12.63, its lowest point since January, 1975. LILCO said in a statement that the decline "is attributable to press coverage resulting from speculation about a forthcoming report of Gov. Mario Cuomo's commission studying Shoreham."

Cuomo, meanwhile, announced he would hold a public hearing on Shoreham on Dec. 15, the same day he expects to receive the commission's final report. He said the time and place of the hearing would be arranged shortly.

At its final meeting Saturday, the governor's commission concluded that the state should consider having LILCO stockholders and state taxpayers share the cost of the plant, now estimated at more than \$3.4 billion, with the utility's customers. The group also concluded that Cuomo should not overrule Suffolk County and draw up an independent state emergency response plan for the plant. The federal government must approve such a plan for the area within 10 miles of a nuclear plant before the plant can receive a full operating license.

Cuomo's advisers had already been

studying such options as a take-over of Shoreham, or of LILCO itself, by the New York Power Authority; mothballing the plant for use in case of a change in world energy markets; or prodding LILCO into bankruptcy and reorganization.

Cuomo said that after hearings on Long Island he will decide "as to the next steps appropriate to continue my commitment to protect the safety of the residents of Long Island and to minimize the costs which result from the construction of the Shoreham plant, regardless of whether it ever operates."

Cuomo refused to say whether he favored operation or abandonment of the plant or whether he would send a representative to a federal licensing board's hearing next month to fight an emergen-

cy response plan proposed by LILCO that uses utility workers as substitutes for Suffolk County employees. In his statement, however, Cuomo said: "I continue my opposition to LILCO's proceeding on its own."

LILCO's stock was the fourth most heavily traded on the New York Stock Exchange yesterday, with 1,953,700 shares changing hands, and it declined as utility stocks in general and the overall stock market scored gains.

The previous volume record for trading in LILCO stock was 1.2 million shares on Feb. 18 — the day Cuomo jumped into the Shoreham safety plan controversy by saying that he would not impose a state emergency response plan on Suffolk, which contends that evacuation of Long Island is impossible.

LILCO spokeswoman Jan Hickman noted that the drop in the company's stock price was not a record. LILCO stock has fallen 29 per cent from its highest level this year, \$17.875 a share, reached in February.

Wall Street analysts who follow LILCO's fortunes also said the decline was a reaction to press reports. "Any word of bankruptcy or dividend omission has a way of dragging your stock three points down," said Danielle Seitz, an analyst with the investment firm of Smith Barney, Harris Upham & Co.

But Mark Lustig of the Salomon Brothers investment firm said that the drop was an overreaction. "Nothing fundamental has changed," he said. He said he expected LILCO stock to move up some, barring no new developments.

AIDES THINK CUOMO IS UNLIKELY TO ACT TO OPEN SHOREHAM

EFFECTS OF REPORT CITED

Findings of Study Panel Said to Affirm Intent to Follow Suffolk County Wishes

By JOSH BARBANEL

State officials said yesterday that Governor Cuomo was unlikely to take any steps to help open the Shoreham nuclear power plant, now that a commission he appointed has raised doubts about the plant's economics and emergency planning.

The officials cautioned that the Governor had not decided what to do about the 808-megawatt plant, nearing completion in Suffolk County, and said that he had not yet read the commission's report.

But they said that the commission's draft findings, disclosed over the weekend, reaffirmed a position long held by the Governor — that the state should not impose its will on Suffolk County and take over emergency planning.

Few Economic Benefits Found

The commission also concluded that there were few, if any, economic benefits in opening the plant instead of abandoning it.

Officials said Mr. Cuomo was also considering ways to reduce the impact of the plant on customers. The options under study, they said, included a state takeover of the Long Island Lighting Company, an "orderly" bankruptcy of the utility, or mothballing the plant.

Jan K. Hickman, a spokesman for the utility, said it would continue to seek the final Federal approvals

needed to operate the plant, whether or not the state cooperates.

"We intend to go ahead and prove our case on those final hurdles," she said. "We would prefer to have the involvement of Suffolk and the state."

Miss Hickman said "the state government has on five separate occasions" examined whether to proceed with the building of Shoreham, and "has each time concluded that the plant was in the best interest of the state."

No Participation From Suffolk

Frank R. Jones, a deputy Suffolk County executive, said that unless Mr. Cuomo acted forcefully against the plant, the Nuclear Regulatory Commission would give it approval to operate, despite the Governor's passive opposition.

"He has the power to shoot them down," Mr. Jones said of the Governor. "If they see the governor stand on the side much longer they will license the plant."

Suffolk County has refused to participate in an emergency plan required to

open the \$3.4 billion plant, and in February Mr. Cuomo said he "would not be a party to any effort to impose" a plan on the county.

In May, though, he appointed the commission to study the entire issue once more, raising the possibility that he might reverse himself.

But now, according to accounts of a commission meeting Saturday, the panel concluded that Suffolk County had acted reasonably in refusing to work on emergency plans and that no successful evacuation could take place without the county's cooperation.

Michael J. Del Giudice, Mr. Cuomo's secretary, said that the Governor would comment on the report "when we see it." He said Mr. Cuomo might ask for some additional analysis after reviewing the report, and that he planned to meet with groups on Long

Island before acting.

The commission is now due to report on Dec. 15, and Mr. Del Giudice said the Governor is likely to announce his plans before his State of the State message in January.

Beyond the issue of safety, state officials are considering the question of who should pay for the plant and how the impact on ratepayers could be reduced.

The state officials said that under one proposal, the New York Power Authority would buy a controlling interest in Lilco, and then reorganize the company and refinance the debt.

Under another proposal, the plant would be completed and then mothballed at Federal expense until it is needed.

A third plan calls for the sale, possibly to the Power Authority, of Lilco's 18 percent share of Nine Mile Point 2, a nuclear plant under construction up-

state, relieving Lilco of that financial pressure.

Officials are also considering whether the reorganization of the utility through a bankruptcy proceeding would help or hurt the economy of Long Island.

Felix G. Rohatyn, the financier, said he had been asked by Mr. Cuomo to look into financing questions, and had concluded that bankruptcy "is not at all unthinkable."

Leon J. Campo, one of the 13 members of the Shoreham panel, said that the group had agreed the state and the stockholders should share some of the costs of the plant through an "imaginative approach" to the problem.

"All parties should participate in the liability just as they have participated in the decision making," he said. "Normal business as usual will not serve the Long Island region. We are fearful of Depression-like conditions."

A draft report by Governor Cuomo's panel on Shoreham gives support to views long held by plant critics. News analysis, page B2.

LILCO's Dire Option: Bankruptcy

By Stuart Diamond
and Alison Mitchell

Once it was never discussed. Like a deadly form of cancer, the bankruptcy of an electric utility was considered too dire to mention.

But now, faced with the escalating costs of nuclear power plants like Shoreham, economists, public officials and utility analysts are beginning to whisper about bankruptcy for utilities troubled by their ventures into nuclear power, although experts caution it is still only a remote and risky possibility.

"LILCO is not New York City. I don't start with the notion that bankruptcy is unthinkable," said investment banker Felix Rohatyn, who once helped guide

New York City out of fiscal chaos and is now head of the Municipal Assistance Corp.

For weeks, Rohatyn and other members of the Cuomo administration have been searching for ways to shield ratepayers from some of the costs of the Long Island Lighting Co.'s \$3.4-billion Shoreham nuclear power plant, which an advisory commission to the governor predicts could end up with final price tag of \$4 billion.

Gov. Mario Cuomo is also examining whether to attempt to force abandonment of the plant because, some officials say, the marginal savings of running it may not be enough to justify overriding local concerns about the plant's safety.

While the state officials study the is-

sue, LILCO has been scrambling to finish its reactor while maintaining its financial health and calming jittery investors in a politically charged climate. LILCO's stock yesterday dropped to the lowest level in eight years, \$12.125 a share. It expects to be nearly \$70 million in the red at the end of this year, its bonds are now rated as speculative by Standard & Poor's and much of its earnings over the past few years has not been cash but credits on money it expects to earn when Shoreham opens.

LILCO officials warn that a bankruptcy, unprecedented in the electric utility industry, would have dire consequences for the local economy. In an interview yesterday, LILCO senior financial vice president Thomas O'Brien expressed

frustration at discussion of the subject by the state, saying, "If Mr. Rohatyn will be quiet and the governor would go govern someplace, we'll be fine . . . The governor talking about bankruptcy has got to jar investors' confidence . . . The governor could be of great service now just by being silent."

Frank Murray, Cuomo's chief staff energy adviser, said Cuomo has yet to make a policy decision on LILCO's fate and Rohatyn's comments cannot be ascribed to the administration.

Meanwhile, LILCO has been assuring its investors that a recent favorable federal licensing board hearing means that Shoreham will operate despite the opposition of Suffolk County and the state's

—Continued on Page 47

—Continued from Page 6

deliberations. But state officials, fearful that drastic rate hikes to pay for Shoreham would prove fatal to the Long Island economy and spur a grass-roots rebellion among their constituents, seem increasingly less inclined to permit business as usual — or even the survival of LILCO.

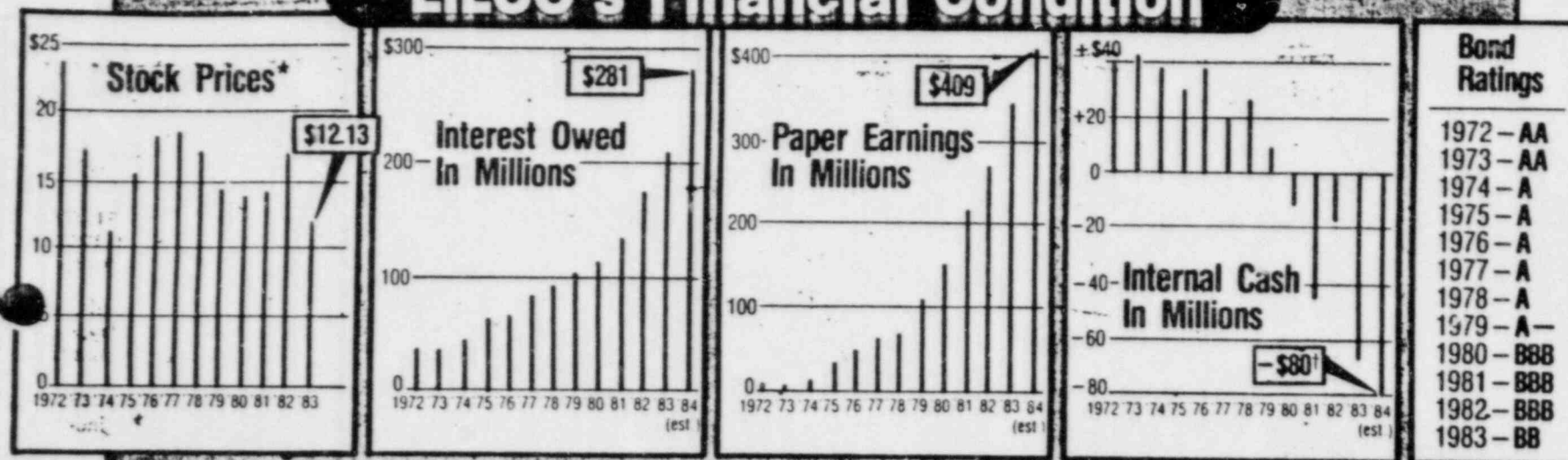
A coalition of Long Island legislators has demanded that LILCO president Charles Pierce resign. Attorney General Robert Abrams has indicated that he would fight to make stockholders, not ratepayers, pay for Shoreham if the plant is abandoned, although that would be a break with traditional state procedures. And aides to Cuomo are exploring everything from a New York Power Authority takeover of the company, including a forced change in management, to — most drastically — the bankruptcy of LILCO.

Proponents of bankruptcy say that a relatively brief period of confusion and pain would spell years of economic relief for ratepayers by moderating the sharp rate hikes that Shoreham might otherwise trigger. Investors, not consumers, would be forced to swallow the costs of the plant, and the utility's management would be put in the hands of a court-appointed trustee.

"The short-term consequences could be painful, but not overwhelming . . . It would not be the horror that we'd thought it to be," said Karen Burstein, former head of the State Consumer Protection Board and a member of Cuomo's advisory panel on Shoreham.

But others say bankruptcy could lead to more power failures, delayed utility hookups to new homeowners, higher electric rates set by bankruptcy judges instead of state regulators and industry-wide financial distress. Utilities borrow more money from Wall Street than any other American industry.

LILCO's Financial Condition



* Stock prices as of 12/31 of each year except 1983, which is yesterday's close, 12/1/83.

Internal cash is money left over after all expenses and all dividends are paid. A negative figure means the utility has to borrow money to meet such obligations.

The paper earnings chiefly comprise money anticipated from customers but which cannot be collected until Shoreham and Nine Mile 2 operate. Currently, the earnings are instead financing charges on the

construction, since LILCO doesn't sell the power until the charges they are added to the total cost of construction. If LILCO can't collect its anticipated earnings from customers, the paper earnings become a huge liability owed for money already borrowed. The accounting term for the paper earnings is Allowance for Funds Used During Construction. This would be the deficit without higher electric rates.

SOURCES: Long Island Lighting Co., Salomon Brothers, Public Service Commission, Standard and Poor's

LILCO's Dire Option: Bankruptcy

(con't)

"No responsible person I know of is advocating bankruptcy as a responsible policy, because it will benefit nobody," said Ira Freilicher, vice president of LILCO. "It has the potential to cost the customers more money, cause temporary chaos on Long Island while the situation is being worked out and do a lot of damage to the Long Island economy."

Here is a look at some of the questions that a utility bankruptcy would raise:

How would it happen? According to Freilicher, LILCO would not file for bankruptcy voluntarily. And under state law, the Public Service Commission has few avenues to force a bankruptcy since it is required to utilities the rate hikes necessary for operating expenses and a reasonable rate of return on their investments. Only if the PSC finds that some of the company's costs were caused by imprudent management can it charge them to the investors. And analysts say LILCO would have to be penalized for up to \$1 billion of its Shoreham investment before it would become insolvent.

LILCO has \$260 million in cash from excess borrowing this year as a cushion in case the utility cannot borrow the \$700 million it figures it needs next year.

Would the lights go out? Normally the sale of a

firm's product or service is halted or substantially curtailed when it goes bankrupt. But experts say a regulated electric utility can't go out of business, because it provides an essential service. "It's unlike a company that makes widgets and you can go out and buy someone else's widgets," said John Dyson, chairman of the New York Power Authority. "You have to keep the lights on."

What are the benefits and risks? Proponents of bankruptcy argue it would help ratepayers by forcing stockholders to pay off the debt. "There would be winners and there would be losers," said John Wilson, president of J.W. Wilson and Associates, a Washington-based economic consulting firm. "The beneficiaries would be utility customers, who conceivably would not have to pay the same level of bills they would pay otherwise. The losers would be the stockholders of the company."

As a result, a utility bankruptcy would have to be handled through a section of the federal bankruptcy code, Chapter 11, that allows companies to carry on their business while they reorganize. Under such a reorganization, the company would be granted a moratorium on repaying debt. During that time some cash would be raised by eliminating or cutting stockholder dividends and deferring property tax payments to local governments — for LILCO \$184 million annually. Deferral of property taxes could force increases in tax rates for other property owners.

Some experts say a bankruptcy judge would be likely to appoint a trustee to run the company and work out a plan under which the banks that lent money to LILCO are repaid, though perhaps over a longer period of time and at lower interest rates than they had expected.

One key question, however, is how much of an austerity program the judge would impose and how it would affect staff levels and maintenance. Robert Stewart Jr., an attorney in the law department of the Oklahoma Gas and Electric Co., argues, in a worst-case scenario contested by others, that a utility would be forced to reduce the workforce to a minimum.

"As a result of a severe austerity program, not only will new service extensions be indefinitely postponed but also the company will have a substantially reduced capability to react to contingencies such as outages caused by ice and wind storms," he said. In the year ending Sept. 30, LILCO made 13,711 new gas and electric hookups and the utility says it provides emergency responses within 20 minutes to a half hour barring major storms.

Who would provide power? Some companies emerge from a bankruptcy reorganization intact. But a key Cuomo aide argues that in the case of the Long Island Lighting Co., a bankruptcy could make it easier to bring in the New York Power Authority to take over LILCO's facilities and provide power to Long Island. "It would be easier for PASNY because it would be logical for a state agency to do something in that case," the adviser said, likening it to the creation of the Municipal Assistance Corp. to do borrowing for New York City when it lost access to credit markets in the mid-1970s.

Who would set rates? According to Robert Viles, a lawyer who helped redraft the U.S. bankruptcy code in 1978, no one contemplated the case of a regulated utility going bankrupt. The consequence, he said, is that the law is vague on whether the bankruptcy judge or the state's regulatory commission would set rates during a reorganization — or what criteria a judge would use to set rates.

But a crucial imponderable is how the credit markets would react. Some experts predict that not only would all utility stocks across the nation be downgraded, but the state's bonds would suffer as well because New York would be perceived as violating an implicit regulatory contract for reimbursement of prudent expenses. That would result not only in higher rates over the long term for all electricity consumers, but a penalty to state taxpayers who would have to contend with higher borrowing costs. In addition, some experts suggest that whatever agency or corporation which succeeds LILCO would be unable to borrow money needed to build new plants and buy equipment.

Others argue that the effects would not be as extreme. "Investment banker hype," says Wilson, arguing that there would most likely be a "modest jolt" in interest costs and a dip in utility stock prices for a short time following a bankruptcy. Subsequently, he said, investors would scrutinize utilities individually, with only those with plants in a similar situation to Shoreham permanently affected.

Perhaps the most disturbing part of a bankruptcy, for public officials, is that it is a gamble. In the 104 years since Thomas A. Edison perfected the light bulb no investor-owned electrical utility has ever gone bankrupt. As a result, no one can agree what would happen.

Although General Public Utilities appeared close to insolvency several years ago because of the 1979 nuclear accident at Three Mile Island, banks, regulatory agencies and the federal government worked out a joint rescue plan. At the time, Theodore Barry & Associates, a private consultant, studied bankruptcy and concluded: "The uncertainties associated with bankruptcy pose risks to ratepayers, regulators and investors. These risks, which cannot be completely quantified, should be avoided."

In LILCO's case, the only certainty is that a bankruptcy would be contested in court, by either irate stockholders — the largest stockholders include financial institutions such as Merrill Lynch and Chase Manhattan Bank — or bondholders. "I would imagine there would be grounds for a suit. They would be confiscating our property," said Herbert Jaffe, a director of the Association of Investors in New York Utilities.

The average LILCO stockholder owns 250 to 275 shares. About a third of the stockholders are from Long Island and almost two-thirds live in New York State, according to company officials and financial reports.