

**LONG ISLAND POWER AUTHORITY**

**MINUTES OF THE 212<sup>th</sup> MEETING**

**HELD ON OCTOBER 28, 2010**

The Long Island Power Authority (the "Authority") was convened for the two-hundred-and-twelfth time at 11:13 AM at the LIPA Board Room, in Uniondale, NY, pursuant to legal notice given on October 25, 2010; verbal notice given by the Chairman at the September 23, 2010 meeting of the Board of Trustees; and electronic notice posted on the Authority's website.

**The following Trustees of the Authority were present:**

**Howard Steinberg, Chairman  
Laurence Belinsky  
David Calone  
X. Cristofer Damianos  
Gemma de Leon  
Lawrence Elovich  
Michael Fragin  
Christopher Hahn  
Neal Lewis  
Susan Gordon Ryan  
Suzette Smookler  
Lawrence Waldman**

**The following Trustees of the Authority were absent:**

**James Herrmann  
Diana Weir**

Representing the Authority were Michael D. Hervey, Chief Operating Officer; Lynda Nicolino, General Counsel and Secretary; Herb Hogue, Vice President and CFO; Paul DeCotis, Vice President – Power Markets; Mike Deering, Vice President-Environmental Affairs; and Bruce Germano, Vice President-Retail Services

*Chairman Steinberg welcomed everyone to the 212<sup>th</sup> meeting of the Long Island Power Authority Board of Trustees. He then led the Board in a moment of silence to honor the men and women serving our country, followed by the Pledge of Allegiance.*

*Chairman Steinberg made a motion to accept the minutes of the September 23, 2010 meeting of the Board of Trustees, which was seconded. He asked if there were any additional changes or deletions, and after hearing none, the following resolution was then adopted, with Trustee Fragin abstaining:*

**1012. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE SEPTEMBER 23, 2010 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY**

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**RESOLVED**, that the Minutes of the meeting of the Authority held on September 23, 2010 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

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*The Chairman next remarked on the following items:*

- *The status of the search for a new Chief Executive Officer;*
- *The status of the 2011 budget process;*
- *Potential good news for customers on rates;*
- *The Board's plan to host a public budget workshop followed by several public meetings on the budget;*
- *The status of LIPA's review of its strategic options going forward;*

- *The status of the Request for Proposals for Utility Services Management.*

*After concluding his remarks, Chairman Steinberg turned to Chief Operating Officer Michael Hervey for his report.*

*Mr. Hervey reported on the following items:*

- *The kick-off of LIPA's Customer Satisfaction Employee Culture Program, which aims to improve LIPA's customer satisfaction ratings;*
- *His participation in the Electric Power Research Institute's Asset Management Conference;*
- *The status of the Smart Grid Corridor Project;*
- *The upcoming Board workshop on the 2011 budget;*
- *The commitment and involvement of the Finance and Audit Committee in putting together the 2011 budget;*
- *The recent work of the Storm Committee, which will present its findings at today's Board meeting;*
- *The status of the Request for Proposals for the Utility Services Management;*
- *Recent efforts to re-examine the internal compensation structure at LIPA;*
- *The status of the 2011 capital work plan;*
- *LIPA's reliability metrics;*
- *Concerns about, and proposed solutions for, the metric related to the average time taken to answer a call;*
- *The status of LIPA's office space transition; and*
- *The recent fire in one of the operations buildings at National Grid in Hicksville.*

*Mr. Hervey then stated that he would turn the meeting over to Mr. Germano to give an update on customer communications.*

*Mr. Germano gave an update on several changes made to the ways in which LIPA communicates with its customers, particularly during storms and outages, and how those changes have positively affected the customer experience. He also noted items that LIPA is examining going forward, including a Request for Proposals for text messaging capability, LIPA's outbound call capability, and the Outage Management System.*

*Mr. Germano concluded his report.*

*Mr. Hervey and Mr. Germano took questions from the Trustees.*

*The Chairman stated that the next item on the agenda is the Financial Report, to be presented by Mr. Hogue.*

*Mr. Hogue then presented the Financial Report, which included the financial results for the nine months ended September 30, 2010.*

*Mr. Hogue concluded his report and took questions from the Trustees.*

*The Chairman stated that the next item on the agenda is the presentation of the ad hoc Storm Committee report relating to preparations for the predicted impact of Hurricane Earl.*

*Trustee Calone, chair of the Committee, along with Trustees Damianos and Waldman, members of the Committee, presented the Storm Committee's report and findings, which included a discussion of LIPA's current storm policy, the application of the policy to Hurricane Earl, and recommended changes to the policy going forward.*

*Trustee Calone concluded the presentation and took questions from the other Trustees.*

*The Chairman thanked the members of the Storm Committee for an excellent analysis and report and stated that he looked forward to the implementation of the Committee's recommendations.*

*The Chairman stated that the next item on the agenda is the Approval of Authorization to Enter into an Easement Agreement for the Newbridge Road Connector Project.*

*After requesting a motion on the matter, which was seconded, the Chairman indicated that the matter would be presented by Mr. Hervey.*

*Mr. Hervey presented the following action item:*

### **Requested Action**

The Trustees are requested to adopt a resolution authorizing the Chief Operating Officer or his designee to execute an easement agreement with the New York State Office of General Services (“OGS”) in the amount of \$500,000, to finalize the Newbridge Road Connector Project.

### **Background**

In order to maintain a continuous and reliable supply of power and energy for the Long Island Power Authority’s (“LIPA”) customers, on September 29 2004, the Trustees authorized LIPA to enter into an agreement with Neptune Regional Transmission System, LLC to purchase all of the firm transmission capacity of a 660 MW undersea cable between Long Island and New Jersey (“Neptune Cable Project”). To enable receipt and delivery of capacity from the Neptune Cable Project, the Newbridge Road substation needed to be expanded to create a 345kV underground transmission circuit between the Newbridge Road substation and the East Garden City substation, both on the west side, and the Ruland Road substation on the east side (the “Newbridge Road Connector Project” or “Project”). The Project’s eastern expansion was accomplished by gaining access to and use of certain property between the substations, including 3.4 acres of State-owned property, which is controlled by the State University of New York at Farmingdale. Mr. Hervey noted that in determining the appropriate routes for the Project’s transmission circuit, LIPA reviewed several alternative routes for the eastern and western expansions. On the east side, LIPA determined that using the State-owned property was the most beneficial option since it would be the lowest cost route available to LIPA; this determination was based on that fact that it was the shortest route, did not involve multiple private property owners, required no street crossing or other impediments and restoration of the disturbed property would be minimal. This route was also scrutinized and approved in an Article VII proceeding with the New York State Public Service Commission.

As such, on April 3, 2006, pending the appraised valuation of a permanent easement, OGS issued an interim permit to LIPA on behalf of the State that allowed for LIPA’s installation, operation and maintenance of the Newbridge Connector Project for a fee of \$10,000. It was agreed that the permit fee would be applied toward the permanent easement value once determined.

Since that time, LIPA and OGS have completed the valuation process by obtaining three appraisals with values for a fee interest ranging from \$6.88 to \$13.39 per square foot (psf). It was agreed between the parties that the easement value would be \$500,000, which reflects the lowest appraised value of \$6.88 psf for 148,140 square feet (i.e., 3.4 acres), discounted by

discounted by 50% to establish the permanent easement value. At LIPA's request, National Grid's Real Estate Unit has reviewed the appraisals and advised LIPA that the proposed value of the easement is reasonable and consistent with prices paid for other comparable easements. LIPA's staff has also reviewed the appraisals, as well as the recommendation from National Grid, and believes that the easement price is in all respects reasonable and appropriate.

**Recommendation**

Based upon the foregoing, Mr. Hervey recommended approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

*After a discussion by the Trustees and the opportunity for the public to be heard, the following resolution was unanimously adopted by the Trustees:*

**1013. AUTHORIZATION TO EXECUTE EASEMENT AGREEMENT FOR THE NEWBRIDGE ROAD CONNECTOR PROJECT**

WHEREAS, in order to maintain a continuous and reliable supply of power and energy for the Long Island Power Authority's ("LIPA") customers, on September 29, 2004, the Trustees authorized LIPA to enter into an agreement with Neptune Regional Transmission System, LLC to purchase all of the firm transmission capacity of a 660 MW undersea cable between Long Island and New Jersey ("Neptune Cable Project"); and

WHEREAS, the Neptune Cable Project, which went into service in 2007, interconnects with LIPA's system at the Newbridge Road substation, which was expanded to create a 345kV underground transmission connection to and between the Ruland Road and East Garden City substations (the "Newbridge Road Connector Project" or "Project"); and

WHEREAS, the Project was accomplished by gaining access to and use of certain property between the substations, including 3.4 acres of State-owned land controlled by the State University of New York at Farmingdale; and

WHEREAS, on April 3, 2006, pending the appraised valuation of a permanent easement, OGS issued an interim permit to LIPA on behalf of the State that allowed for LIPA's installation, operation and maintenance of the Newbridge Connector Project for a fee of \$10,000; and

WHEREAS, it was agreed that the permit fee would be applied toward the permanent easement value; and

WHEREAS, for the reasons more fully set forth in the accompanying memorandum the appraisal process is complete and the parties have agreed that the easement value is \$500,000; and

WHEREAS, LIPA staff believes that the easement price is in all respects reasonable and appropriate:

NOW, THEREFORE, BE IT RESOLVED, that the Chief Operating Officer, or his designee, is authorized to execute and effect an agreement with the New York State Office of General Services for the acquisition of the permanent easement in the amount of \$500,000, and to perform such further acts as may be necessary, convenient or appropriate, in the judgment of the Chief Operating Officer, or his designee, to acquire the easement.

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*Chairman Steinberg stated that next on the agenda is the approval of Authorization to Enter into Agreement for Electric Service Pursuant to the Long Island Power Authority Tariff for Electric Service – Service Classification No. 13 with Gershow Recycling Corporation.*

*After requesting a motion on the matter, which was seconded, the Chairman stated that the matter would be presented by Mr. Germano.*

*Mr. Germano presented the following action item:*

#### **Requested Action**

The Trustees are being requested to authorize the execution of an electric rate agreement with Gershow Recycling Corporation (“Gershow”) for a seven year term, using a time of use rate (M284) as provided for in the Long Island Power Authority’s (“LIPA”) Tariff for Electric Service (the “Tariff”), Service Classification No. 13 (“SC-13”).

#### **Background**

Gershow is an operator of several metal processing recycling facilities in NYC and on Long Island and as such, purchases and recycles scrap metal for use by the metal producing industry. Gershow is planning to change the recycling operations at its Medford facility by replacing the natural gas-operated motors that supply power to a large metal shredder used in the recycling process with new electric motors. These new motors would require the provision of transmission level electric service (69KV) from LIPA. Currently, LIPA estimates that the additional load created by Gershow’s new operations would be approximately 5.7 MW during peak usage.

To supply this amount of electricity to the new motors, Gershow plans to build, own and operate its own substation on the site of the Medford facility and pay for LIPA to design and install the transmission equipment and appurtenant and ancillary electric facilities necessary to provide service to Gershow. LIPA’s facilities would include automated isolation switches, metering equipment, and the related controls necessary to protect the transmission system and measure electric consumption. In order to effectuate Gershow’s plan, there would be three separate agreements related to 1) the construction of LIPA-owned equipment to interconnect Gershow’s substation to LIPA’s system at Gershow’s

cost; 2) the operating requirements for interconnecting to LIPA's system; and 3) the rates at which service would be provided to Gershow.

Under the SC-13 Tariff, LIPA has the ability to provide electric service pursuant to the terms of an electric rate agreement for the purpose of, among other things, expanding the load of an existing customer by 100 KW, with a total non-coincident load greater than 1.5 MW after expansion. The SC-13 tariff also includes a provision for granting access to an established "modified time of use" rate (M284) for such qualifying customers. The modified time of use rate is not a discounted rate; rather, it is an established tariff rate that is priced to discourage electric use during peak demand periods on week days in the summer months from 3PM to 8PM, when the cost of generating electricity is high.

LIPA believes it is desirable to offer the M284 rate to Gershow. Under the M284 rate, Gershow plans to operate its business in a manner that would minimize and/or avoid using the electrified metal shredder during peak demand periods in order to realize the significant cost savings provided under the tariff. By operating its business outside this peak period, LIPA's ratepayers would benefit by avoiding the high incremental costs of generating/transmitting electricity to Gershow during such peak periods. LIPA staff estimates that the average avoided cost over the term of the agreement (net of the bill savings to Gershow) would amount to approximately \$222,000 per year.

### **Recommendation**

Based upon the foregoing, Mr. Germano recommended that the Trustees adopt a resolution in the form of the resolution attached hereto.

*After a discussion by the Trustees and the opportunity for the public to be heard, the following resolution was unanimously adopted by the Trustees:*

#### **1014. AUTHORIZATION TO EXECUTE RATE AGREEMENT WITH GERSHOW RECYCLING CORPORATION**

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**WHEREAS, the Long Island Power Authority ("LIPA") Tariff for Electric Service, Service Classification No. 13 (SC-13) authorizes LIPA to enter into electric service agreements with qualifying customers to, among other things, expand the load of an existing customer by 100 KW, with a total non-coincident load greater than 1.5 MW after expansion; and**

**WHEREAS, the SC-13 tariff includes a provision for granting access to an established "modified time of use" rate (M284) for qualifying customers that is priced to discourage electric usage during LIPA's high cost of generation period in the summer months on weekdays from 3PM to 8PM; and**

**WHEREAS, Gershow Recycling Corporation ("Gershow"), an operator of metal processing recycling facilities is planning to change its recycling operations at its Medford site from gas to electric by replacing the natural gas-operated motors that supply power to a large metal shredder utilized in the recycling process with new electric motors; and**

**WHEREAS, these new motors will require the provision of transmission level electric service (69KV) from LIPA with a significant anticipated load added to the system and to supply this amount of electricity to the new motors; and**

**WHEREAS, Gershow plans to build, own and operate its own substation on the Medford site and pay for LIPA to design and install transmission equipment and appurtenant and ancillary electric facilities to provide such service to Gershow; and**

**WHEREAS, Gershow has indicated its plan to operate its business in a manner that would minimize and/or avoid using the electrified metal shredder during peak usage periods in order to realize the significant cost savings provided under the tariff; and**

**WHEREAS, offering the M284 rate to Gershow would benefit LIPA's ratepayers by avoiding the high incremental costs of generation/transmission that would otherwise be needed to supply electricity to Gershow during peak demand periods;**

**NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying memorandum, the Chief Operating Officer, or his designee be, and hereby is, authorized to enter into an electric service agreement for a period not to exceed 7 years with Gershow utilizing the modified rating periods for Service Classification No. 2-MRP-Rate M284.**

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*Chairman Steinberg announced that the next Board meeting is scheduled for December 16, 2010 at 11:00 a.m. in Uniondale.*

*The Chairman called for a motion to enter Executive Session to discuss litigation relating to taxes and other matters. Upon motion duly made and seconded, the following motion was unanimously approved:*

**1015. EXECUTIVE SESSION - PURSUANT TO SECTION 105 OF THE PUBLIC OFFICERS LAW**

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**RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Trustees of the Long Island Power Authority shall convene in Executive Session for the purpose of discussing property tax and other litigation matters.**

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*At approximately 1:37 p.m. the open session of the Board of Trustees was temporarily adjourned on motion into Executive Session which commenced at 1:50 p.m.*

*After noting that no votes were taken in the Executive Session, Chairman Steinberg entertained a motion to adjourn, which was duly made and seconded, after which the meeting ended at 2:20 p.m.*

**Respectfully submitted,**

**Lynda Nicolino**