

**LONG ISLAND POWER AUTHORITY  
MINUTES OF THE 168th MEETING  
HELD ON APRIL 20, 2005**

**Pursuant to notice dated April 13, 2005, the Long Island Power Authority (the "Authority") was convened for the one hundred and sixty-eighth time at 11:10 AM at the Long Island Power Authority Assembly Center in Uniondale, NY.**

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

**Richard M. Kessel, Chairman  
Patrick Foye, Deputy Chairman  
Howard Steinberg, Deputy Chairman  
Michael Affrunti  
Nancy A. Akeson  
Harvey Auerbach  
John Fabio  
James Herrmann  
Robert Maimoni  
Nancy Nugent  
James M. Shuart  
Jonathan Sinnreich**

**Also representing the Authority were Stanley Klimberg, General Counsel, Edward Grilli, Chief of Staff, Seth Hulkower, Chief Operating Officer, Elizabeth McCarthy, Chief Financial Officer, Richard Bolbrock, Vice President – Power Markets, Bert Cunningham, Vice President – Communications, Bruce Germano,**

**Vice President – Retail Services, Kenneth Kane, Controller, and Kathleen Stella, Secretary to the Board of Trustees.**

**Upon determining that a quorum was present, Chairman Kessel called the meeting to order.**

**Chairman Kessel called for a moment of silence in recognition of the passing of Pope John Paul II. The Chairman stated that the Pope was a great man and great world leader. (A moment of silence was held.)**

**Chairman Kessel stated that the first item on the agenda is the adoption of the minutes of the Board's last meeting held on March 24, 2005.**

**Upon motion duly made and seconded, the following resolution was approved, with Deputy Chairman Steinberg and Trustee Maimoni abstaining:**

**735. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MARCH 24, 2005 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 March 24, 2005 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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**Chairman Kessel stated that the next item on the agenda is the Operations Report, to be delivered by Mr. Hulkower.**

With respect to Sales & Marketing Load & Revenue Growth and Retention, Mr. Hulkower reported that LIPA already has 9.5 MW of commitments in economic development against a goal of 10.1 MW. He indicated that it takes time for the commitments to come in, and it requires efforts by the major account executives.

Deputy Chairman Foye asked whether the goal was set too low. Mr. Hulkower answered that it was not, and the goal has gone up every year. He indicated that LIPA is more likely to get economic development commitments early in the year.

Mr. Hulkower reported that in the NYISO Demand Response program, LIPA is working to sign up the customers that enrolled last year, and LIPA expects to meet its target of 450 MW.

Mr. Hulkower reported that 30, 60 and 90 day arrears have all gone down from past months, and commercial arrears are on par with last year. He continued that residential accounts are still showing higher arrears than last year, but they have come down from the previous month. He indicated that he met with KeySpan's new Vice President of Finance to develop a plan to reduce arrears.

Deputy Chairman Steinberg asked whether KeySpan uses outside vendors for collections or handles this internally. Mr. Hulkower answered that it is primarily done internally, and it is only turned over to outside collections at a later stage.

Deputy Chairman Foye asked whether LIPA tracks its arrears in comparison with KeySpan, since LIPA and KeySpan have essentially the same customer base. Mr. Hulkower responded that prior to bill separation, there was essentially the same customer base, and he will examine this matter. Deputy Chairman Foye asked whether the comparative information is useful. Mr. Hulkower noted there is a big difference in that LIPA has a greater ability to encourage customers to pay, since it is easier to disconnect and reconnect electric service than gas. He indicated that he will report any useful information to the Board.

With respect to Reliability Performance Measurements, Mr. Hulkower reported that March was a tough month due primarily to weather conditions. He stated that he expects improved numbers in April.

Chairman Kessel stated that the next item on the agenda is the Finance Report, to be delivered by Ms. McCarthy.

Ms. McCarthy reported that for the three months ended March 31, 2005, the Authority had a deficit of \$64.3 million, which was approximately \$2 million or 3 percent better than budgeted. She continued that LIPA's revenues were approximately \$1.9 million ahead of budget, due primarily to colder than normal weather. She added that heating degree days were 3.4 percent above normal.

Ms. McCarthy reported that LIPA continues to see lower than budgeted growth and higher than budgeted migration to the Long Island Choice Program, which is margin-neutral to LIPA. She continued that LIPA's fuel and purchased power costs were \$4.8 million or one percent below budget, due primarily to the higher migration to the Long Island Choice Program.

Ms. McCarthy reported that Operations and Maintenance expenses were \$4 million or two percent above budget, driven primarily by a charge related to a work force reduction at the Nine Mile Point Two plant, and timing differences related to the Management Services Agreement and LIPA's Clean Energy Program. She continued that Payments in Lieu of Taxes were approximately \$2.5 million or seven percent ahead of budget, due to higher than forecasted increases in school taxes. She added that cash was at \$48 million on March 31, 2005, with \$250 million invested in LIPA's Rate Stabilization Fund and the remaining \$198 million in operating funds.

Deputy Chairman Steinberg asked whether the work force reduction was a one-time event. Ms. McCarthy answered that it was a special charge, and LIPA will see a benefit from this over the long term. Deputy Chairman Steinberg asked if other work force reductions are planned for the balance of the year that would impact LIPA. Mr. Hulkower answered that work force reductions are planned over the next several years, and they have all been incorporated into the budget. Deputy Chairman Steinberg asked if the reductions will have any negative impact on LIPA's operational capability. Mr. Hulkower responded no.

Trustee Akeson stated that the regularly scheduled, comprehensive Finance and Audit Committee meeting was held this morning, and the Committee comprehensively discussed LIPA's financials and hedging program, which has been working well. She continued that the Committee also met with KPMG, LIPA's auditors, with whom the Committee is very satisfied. She indicated that Ms. McCarthy and her staff are doing a great job.

Deputy Chairman Foye also complimented Ms. McCarthy and her staff. He asked whether LIPA benchmarks its investment manager against an index, given that LIPA has \$500 million of cash investments. Ms. McCarthy answered that LIPA uses various indexes and the investment manager has performed slightly above the benchmarks. Deputy Chairman Foye asked whether the indexes are adjusted for risk in light of the fact that LIPA has approximately two-thirds of its cash investments in commercial paper. Ms. McCarthy answered in the affirmative.

Turning to the next agenda item, Chairman Kessel stated that the Authority has approximately \$525 million in outstanding Electric System Subordinated Revenue Bonds, Series 1 through 3, which are secured by letters of credit issued by various banks. The Chairman continued that the Authority's \$200 million Commercial Paper program currently has approximately \$100 million of Series CP-1 outstanding, which program is secured by letters of credit issued by various banks.

Chairman Kessel stated that the Authority has an opportunity to extend the term of the existing letters of credit under favorable terms, but this opportunity will no longer be available after July 18, 2005. The Chairman continued that the Trustees are being requested to approve a resolution which would authorize the execution and delivery of one or more reimbursement agreements providing for the extension of credit facilities supporting the Series 1-3 Bonds and/or the Commercial Paper Notes. He added that the existing letters of credit expire on June 15, 2006.

Chairman Kessel stated that due to regulatory charges affecting certain letter of credit banks, the Authority has the option to extend the letters of credit supporting the Series 1-3 Bonds and the Commercial Paper Notes, preserving the State guarantee on related banks through December 15, 2015. The Chairman indicated that the extensions will maintain for the Authority in the future the availability of the current high ratings of such banks. He added that the resolution authorizes the execution and delivery of reimbursement agreements and the making of conforming changes to related documents providing for the extension of credit facilities supporting the Series 1-3 Bonds and Commercial Paper Notes.

Deputy Chairman Foye noted that the resolution was discussed in detail at the Finance and Audit Committee meeting.

Trustee Auerbach stated that Ms. McCarthy had explained that the credit of these banks will be enhanced by the terms.

Upon motion duly made and seconded, the following resolution was approved unanimously:

**736. ADOPTING CERTAIN RESOLUTIONS RELATING TO THE EXTENSION OF THE LETTERS OF CREDIT ASSOCIATED WITH THE SERIES 1-3 BONDS AND THE COMMERCIAL PAPER PROGRAM**

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WHEREAS, on May 20, 1998 the Long Island Power Authority (the "Authority") adopted its Electric System General Subordinated Revenue Bond Resolution as amended and supplemented from time to time (the "Subordinated Resolution"), which, consistent with the LIPA Act, authorized bonds of the Authority designated as "Electric System Subordinated Revenue Bonds" and notes of the Authority designated as "Commercial Paper Notes", as special obligations of the Authority in accordance with the terms thereof; and

WHEREAS, on May 28, 1998, the Authority issued \$1,500,000,000 of its Electric System Subordinated Revenue Bonds, which are now designated as Sub series 1A, 1B, 2A, 2B, 3A and 3B (the "Series 1-3 Subordinate Lien Bonds"); and

WHEREAS, in 2001 the Authority created a Commercial Paper program under which it may issue Commercial Paper Notes, which are now designated as Series CP-1, CP-2 and CP-3 (the "Commercial Paper Notes"); and

WHEREAS, the Series 1-3 Subordinate Lien Bonds are currently secured by the following Irrevocable Transferable Letters of Credit dated as of May 23, 2003 issued pursuant to a Reimbursement Agreement dated as of May 1, 2003 (the "Reimbursement Agreement"): Subseries 1A - between Baryersiche Landesbank and Landesbank Baden-Württemberg, Subseries 1B - State Street Bank, Subseries 2A - WestLB AG, Subseries 2B - Bayerische Landesbank, Subseries 3A - between JPMorgan Chase Bank N.A. (as successor to JPMorgan Chase Bank) and Landesbank Baden-Württemberg, Subseries 3B - WestLB AG; and

WHEREAS, the Commercial Paper Notes are currently secured by the following Irrevocable Transferable Letters of Credit dated May 21, 2003 issued pursuant to a Reimbursement Agreement dated as of May 1, 2003 (the "CP Reimbursement Agreement"): Series CP-1 - JP Morgan Chase Bank N.A. (as successor to JPMorgan Chase Bank), Series CP-2 - HSH Nordbank (as successor to Landesbank Schleswig-Holstein Girozentrale a.k.a LB-Kiel) and Series CP-3 - Bayerische Hypo-und Vereinsbank AG (together the Subseries 1A, Subseries 2A, Subseries 2B, Subseries 3A and Subseries 3B Letters of Credit and the Series CP-2 Letter of Credit are the "Letters of Credit"); and

WHEREAS, the Authority has an opportunity to extend the term of the existing Letters of Credit under favorable terms, which opportunity will no longer

be available after July 18, 2005, as a result of certain regulatory changes affecting some of the Letter of Credit banks; and

WHEREAS, authorization is being sought to execute and deliver amendments to the Reimbursement Agreement and/or the CP Reimbursement Agreement (the "Amendments") for the purpose of providing for the extension of the Letters of Credit as more particularly set out in the attached memorandum submitted to the Trustees;

NOW, THEREFORE, BE IT RESOLVED BY THE TRUSTEES OF THE LONG ISLAND POWER AUTHORITY, AS FOLLOWS:

1. The Chairman and Chief Financial Officer of the Authority are hereby authorized to execute the Amendments with such amendments, supplements, changes, insertions and omissions thereto as may be approved by the Chairman or Chief Financial Officer, which amendments, supplements, insertions and omissions shall be deemed to be part of such resolution as approved and adopted hereby.

2. Each Authorized Representative (as defined in the Subordinated Resolution) is hereby authorized and directed to execute and deliver any and all agreements, documents and instruments and to do any and all acts necessary or proper including making any necessary conforming changes to related documents for carrying out the extension of the Letters of Credit and for implementing the terms of the Amendments and this resolution and each of the documents authorized thereby and hereby.

3. This resolution shall take effect immediately.

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Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution to authorize the Chairman to engage the law firm of LeBoeuf, Lamb, Greene & MacRae to provide complex litigation services. The Chairman continued that in November 2004, the Authority retained the law firm of Thelen Reid & Priest to provide, among other things, complex litigation services to the Authority and LIPA. He indicted that Mr. Jonathan Siegfried, the lead

litigation attorney at Thelen Reid, who is currently advising and representing the Authority and LIPA, is moving to LeBoeuf Lamb.

Chairman Kessel stated that Mr. Siegfried's work for LIPA has been on a number of significant disputes and issues arising from the principal operating agreements between LIPA and KeySpan. The Chairman continued that during this time Mr. Siegfried has gained substantial knowledge on the background, details and legal considerations relative to these matters, and it is now necessary to engage his new law firm in order to be able to continue to utilize his valuable services. He added that LeBoeuf Lamb will provide service to the Authority and LIPA at the same hourly rates agreed to by Thelen Reid and also only on an as-needed basis.

Deputy Chairman Steinberg stated that any transitional costs should be absorbed by the firm if there are additional legal time costs in having the new firm get up to speed on the matters. Mr. Klimberg stated he will make sure of that. Deputy Chairman Foye asked Mr. Klimberg to confirm that the favorable billing rate that LIPA had with Thelen Reid will be carried over to LeBoeuf Lamb. Mr. Klimberg stated that LeBoeuf Lamb will charge the same rates that Thelan Reid was charging LIPA.

Deputy Chairman Foye stated that he wanted to note for the record that he sits on another State board, which is represented by LeBoeuf, but he did not have any role in their selection by LIPA.

Upon motion duly made and seconded, the following resolution was approved unanimously:

#### **737. ENGAGEMENT OF LAW FIRM**

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**RESOLVED**, that the Chairman be, and hereby is, authorized to engage LeBoeuf, Lamb, Greene & MacRae L.L.P. to provide complex litigation services to the Authority and LIPA, effective immediately, with the contract to expire on October 31, 2009.

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Chairman Kessel stated that the next item on the agenda is a presentation by Broadwater Energy concerning their proposed liquefied natural gas (LNG) facility. The Chairman thanked Trustee Sinnreich and the other Trustees who have brought the matter to his attention.

Chairman Kessel stated that Broadwater has made a proposal to construct an LNG facility in the Long Island Sound, approximately nine miles off the North Shore of Long Island. The Chairman continued that the project, which would be completed in 2010, would provide natural gas to Long Island, and to other points in New York and the region. He added that since LIPA and its customers would be the ultimate users of the gas from this facility, LIPA has decided to undertake a comprehensive analysis of this project.

Chairman Kessel stated that LIPA has engaged Levitan & Associates to provide to the Board over the next few months a comprehensive analysis to determine the viability and economics of the project. The Chairman continued

that he intends to present LIPA's recommended position on the project to the Board no later than September.

Chairman Kessel stated that the prime issue is that there is a significant need for additional natural gas supply on Long Island, not just for residential and commercial direct customers, but also to fuel future generating plants that will have to be built on Long Island in order to keep the lights on. The Chairman continued that despite the fact that LIPA has taken a lead in clean energy and renewables, the fact is that over the next twenty to thirty years LIPA will see the construction of a number of additional baseload generating plants. He added that, currently, natural gas and oil are the fuels for the only viable baseload generating technologies for providing electricity in bulk to keep the lights on.

Chairman Kessel stated that LIPA is going forward with a number of projects to reduce the need to build baseload generating plants, including the Neptune Project, which has now been fully permitted, and the offshore wind project. The Chairman continued that the fact remains that baseload generation will be critically important, and ultimately natural gas will be the critically important fuel for new generating plants. He added that it would be easy to oppose the Broadwater project but there must be alternatives.

Chairman Kessel stated that LIPA has asked Levitan & Associates to specifically review the impact of the Broadwater project on the gas supply and the cost of electricity on Long island over the next twenty to thirty years. The Chairman continued that this review will be in the context of considering other

alternatives that exist today or might exist over the next twenty to thirty years, including some of the proposed projects that have not yet been fully permitted, such as Islander East and Millennium, and other potential long-term projects. He indicated that LIPA intends to take a very hard look at this project and it will be critically important to understand the source of gas, how it gets to Long Island, how much goes to other areas, and the impact on the gas market.

Chairman Kessel stated that the prime determinant of LIPA's rates is the cost of fuel, and the question is what is the best, most competitive, safest and most environmentally sound way to bring a reliable supply of gas to Long Island. The Chairman indicated that the sanctity of the Sound and the safety of the people living in this region are critically important. He continued that LIPA has been discussing the matter with Governor Pataki and his staff, and LIPA is trying to gather information to advise the Board and the Governor's office about this project.

Trustee Sinnreich asked whether LIPA must take a formal position, since LIPA is not formally part of the regulatory process. Chairman Kessel answered that LIPA is not part of the regulatory process, but ultimately LIPA will have to decide whether or not to enter into power purchase agreements with respect to facilities that are powered by gas from various sources. The Chairman indicated that LIPA has a responsibility, not as a permitting agency but as a user of the facility, to at least review it. He stated that the world is teetering on the brink of an energy price crisis. He continued that LIPA has to play a role regarding Broadwater, and the Board will want to determine whether to play a strong role, a

moderate role or no role at all. He added that LIPA will want to examine the other projects as well.

Trustee Nugent asked whether KeySpan will take part in the evaluation conducted by Levitan & Associates. Chairman Kessel answered no.

Deputy Chairman Foye asked at what point the LIPA Board and staff have to consider a power purchase agreement. Chairman Kessel answered that LIPA considers a power purchase agreement when a facility is prepared to be built.

Chairman Kessel reiterated that the Broadwater project would not be commercial until 2010, but if it is approved prior to that, some of the decisions by LIPA would be moved up.

Chairman Kessel stated that there may be companies right now that are considering building generation on Long Island that are talking with Broadwater or Islander East, or other project developers. He indicated that the Board may want to take a position on or before the time Broadwater makes its formal filing with FERC, which is expected before the end of the year.

Chairman Kessel stated that he has asked Mr. John Hritcko to make a presentation on behalf of Broadwater Energy.

Mr. Hritcko stated that he is Senior Vice President and Regional Project Director of Broadwater Energy, and he is delighted that he was invited to speak

about the Broadwater Energy proposal to site and operate a LNG regasification facility offshore in the Long Island Sound. He continued that Long Islanders see tremendous challenges with regard to energy, and they are painfully aware that New Yorkers pay the highest electric and natural gas prices of any state in the contiguous United States. He added that prices for natural gas in the downstate region have spiked repeatedly in recent times, reaching highs of about \$40 per decatherm in winter.

Mr. Hritcko stated that the high cost of living, driven by high taxes, housing and energy costs, is eroding the quality of life on the Island and is driving businesses and individuals elsewhere. He continued that the use of natural gas in the region has increased substantially over the past fifteen years, and growth is forecasted to continue. He indicated that much of the natural gas demand will be attributable to electricity generation, including power for residential usage. Mr. Hritcko stated that a recent study by Long Island University/C.W. Post concluded that expanding and diversifying the region's natural gas supply is a fundamental predicate to repowering and reducing emissions from existing generating facilities that are less efficient and contribute to air quality problems. He continued that the study indicated that repowering could triple the efficiency of certain generating units, significantly reduce emissions and add up to 4,200 MW of additional generating capacity without the need to site a new plant. He added that natural gas will play a bigger role as the preferred fuel for power generation, and we need to address that need today if the price for both natural gas and the electricity produced by burning it is to be brought under control.

**Mr. Hritcko stated that meeting the region's future energy needs will require a diversified and balanced portfolio of energy sources. He continued that demand side savings and renewables can provide alternatives, but the challenge of meeting a significant portion of resource needs from renewables is daunting. He explained that while widespread renewable sources of energy are the hope for the future, they cannot be expected to provide any appreciable, economically viable contribution toward today's immediate demand for electricity on Long Island.**

**Mr. Hritcko stated that while some of the demand may be met by importing power from neighboring states via new transmission cables, this will not meet on-Island generation requirements, and it carries with it the risk of system operating interruptions that are solely within the control of other entities. He continued that nuclear and coal plants are out of the question on Long Island. He added that the trend for new generation on Long Island is predominantly natural gas-fired technology.**

**Mr. Hritcko stated that traditional supply sources are not keeping pace with North American demand, and the tightening of the gas supply market will lead to increased competition for natural gas, increased prices and price volatility unless there is access to the world-wide natural gas resource base. He indicated that New York State is particularly vulnerable to the effects of the tightening of the supply market given its increasing demand and location at the end of the pipeline.**

Mr. Hritcko stated that LNG should be developed as a means of diversifying the State's natural gas portfolio. He continued that Broadwater is an LNG project that would bring natural gas directly into the region, and it would be part of the solution to rising natural gas prices and meeting future demand for natural gas. He added that delivering supplies of LNG directly into high consumption areas, such as Long Island, will have a greater impact on the region's prices.

Mr. Hritcko stated that Broadwater's studies have shown that energy consumption in the Long Island and New York City area could benefit from savings up to \$6 billion during Broadwater's first decade of operation. He continued that the estimate is based on Broadwater's estimates of lower wholesale prices of natural gas and how they would result in lower consumer prices.

Mr. Hritcko stated that Broadwater is at the beginning of a multi-year federal and state regulatory review process to obtain siting and operating permits. He continued that Broadwater anticipates completing its initial studies and making a formal application to the FERC by the fourth quarter of this year, and the FERC would then issue a Draft Environmental Impact Statement in early 2006. After the completion of the permitting process, the project would proceed to construction and preparation for the first arrival of natural gas in 2010.

Mr. Hritcko stated that the review process by both the federal and state agencies will be extensive and rigorous, and will take more than two years to complete. He indicated that Broadwater looks forward to continuing its dialogue

with LIPA as part of the process. He added that Broadwater will be a highly scrutinized energy proposal with every measure in place to ensure its viability from a safety, security and environmental perspective, and Broadwater is the best way to provide a solid base of dependable natural gas for Long Island in the coming years.

Chairman Kessel thanked Mr. Hritcko for coming, and for agreeing to cooperate with LIPA's analysis of the project.

Chairman Kessel asked how the \$6 billion in savings is defined and how the figure was arrived at. Mr. Hritcko answered that the \$6 billion will be savings over the first ten years of operation from the Broadwater facility bringing natural gas into the region, and the savings will be in the national and regional supply prices. He indicated that without Broadwater, the prices for natural gas and energy will continue to rise. Chairman Kessel asked whether the \$6 billion savings number assumes no other additional major new supplies of natural gas to the region. Mr. Hritcko answered that assumptions were made concerning certain volumes coming on line.

Chairman Kessel asked whether Long Island needs all of the current projects that have been proposed, including Broadwater and Millennium. Mr. Hritcko answered that many of the other projects provide the ability and operating flexibility to move supplies from North America into the area, and they are needed. He continued that Broadwater brings a new diversified supply of

natural gas directly into this region and allows for a dependable supply well into the future.

Chairman Kessel asked what percentage of the total amount of gas would come directly to Long Island. Mr. Hritcko answered that the gas will flow through the existing infrastructure into Long Island and Connecticut, and roughly 75 percent will flow south into New York, with approximately 20 percent going to Long Island. He indicated that energy pricing, particularly for natural gas, is done on a regional basis, and having this much gas brought into the region will affect all prices.

Chairman Kessel asked if Broadwater did any studies to look at the value of the project compared to others such as Islander East. Mr. Hritcko stated that Broadwater views Islander East and some of the other pipeline projects as essentially mutually exclusive projects that will provide pipeline capacity and flexibility to move gas into this region, whereas Broadwater will bring in a new and diversified supply.

Chairman Kessel asked whether New York State has some permitting requirements for this facility to operate. Mr. Hritcko answered that the states have tremendous power in siting these facilities.

Chairman Kessel asked how significant the environmental and safety issues are that directly impact the Long Island Sound and how critical LIPA's role in the process will be. Mr. Hritcko stated that the project will not be built if it

cannot be done safely, in an environmentally sound fashion and consistent with other uses of the Long Island Sound. He indicated that the regulatory review will ensure that all of these aspects of the facility are thoroughly studied before it is allowed to go forward. He added that although LIPA does not have regulatory oversight, it will be a key recipient of the benefits and thus has a tremendous interest in the status of the project.

Deputy Chairman Foye stated that he commends Chairman Kessel for holding this meeting and beginning the process in a public way. He continued that while LIPA is not a regulator, LIPA clearly will have a role. He requested that Broadwater make the information available to all concerned citizens.

Deputy Chairman Steinberg asked whether Broadwater's sponsors include the Royal Dutch Shell group. Mr. Hritcko answered yes.

Deputy Chairman Steinberg asked what is Broadwater exactly and what is the balance sheet that will back this project. Mr. Hritcko answered that Broadwater is a joint venture with two equal partners, namely Shell and TransCanada Pipeline. He continued that the two will finance this project privately with a \$700 million investment and without support from LIPA and its customers. Deputy Chairman Steinberg stated that his question was aimed at the environmental concerns and the ability of Broadwater to remediate any environmental damage that may occur in the future. He continued that there needs to be transparency regarding the underlying balance sheet and the

assurances provided that will make people will feel comfortable that Broadwater will be capable of remediating any adverse environmental impact.

Deputy Chairman Steinberg asked what the source of supply of natural gas is. Mr. Hritcko answered that the source could be virtually anywhere in the world, but it is anticipated that the primary source would be the Atlantic Basin, including projects in South America, Africa and Europe.

Deputy Chairman Steinberg asked how assured the sources of supply will be and what is the vulnerability to geopolitical risk. Mr. Hritcko responded that natural gas has been successfully delivered commercially throughout the world for more than forty years with virtually no interruption of supply, and there is flexibility in bringing ships in from other regions in the event of a disruption.

Trustee Auerbach asked if Broadwater explored the possibility of doing this as an onshore facility on one of the islands between Long Island and Connecticut, where there may be a lesser chance to pollute the Sound or where there may be better protection from terrorism. Mr. Hritcko stated that based on an extensive review, Broadwater is confident that the location chosen is the best for this region. He added that Broadwater will lay out the results of the study during the intensive review process at the federal and state levels, but from an environmental standpoint the location chosen is the least sensitive portion of the Sound, and it is far removed from any populated areas.

Trustee Maimoni asked if the State of Connecticut has a role in the project. Mr. Hritcko answered that the State of Connecticut does not have direct regulatory oversight in the project, but that State may have many interests in terms of the impact on their use of the Sound and their energy prices. He continued that Broadwater has engaged Connecticut as part of the National Environmental Policy Act pre-filing process, and Broadwater is talking to elected officials, public officials and private citizens in Connecticut just as if they had direct oversight.

Trustee Maimoni asked why Broadwater chose to site the facility on the New York side as opposed to Connecticut. Mr. Hritcko answered that there are a myriad of reasons, including that the project will primarily serve New York markets, and because Broadwater recognizes that at this time there is a moratorium in Connecticut regarding energy infrastructure.

Chairman Kessel asked whether the savings to Long Island will be the same as to New York City or Connecticut. Mr. Hritcko answered that the benefit will be regional, and the utilities using the project will be better able to assess how the dollars will flow. Chairman Kessel stated that from LIPA's perspective, the impact on electricity prices over the next twenty to thirty years will be most important, especially at wholesale levels on Long Island and the whole region.

Trustee Nugent stated that LIPA should also analyze the economic impact on KeySpan, since the KeySpan employees are essential to LIPA's success. She continued that the people working to keep the lights on could be impacted.

Trustee Affrunti asked whether there is an existing facility that LIPA could see or get records on concerning performance, and what impact will the facility have on Long Island Sound and the environment. Mr. Hritcko answered that there are four existing import terminals in the United States that have been operating since the late 1970's or early 1980's, and they are fully operating today and even expanding. He continued that there are myriad of other proposals for new facilities, a similar offshore facility just became operational in the Gulf of Mexico, and more facilities are anticipated. He stated that history has shown these are very good, reliable sources of supply, and the impact on the Sound will be thoroughly reviewed.

Trustee Herrmann asked whether there is anything from the operation that will be discharged into the Sound. Mr. Hritcko answered that it is a closed system and all of the water will either be treated or placed in containers and removed. He indicated that this subject is part of the environmental review process.

Trustee Herrmann asked at what temperature LNG vaporizes. Mr. Hritcko answered that LNG vaporizes at any temperature above minus 260 degrees Fahrenheit, and it immediately absorbs heat and vaporizes upon release into the atmosphere. Trustee Herrmann asked whether there is a danger of a large cloud forming. Mr. Hritcko answered that this is included in the studies to be conducted by the Coast Guard and other agencies. He indicated that a recent Department of Transportation study concluded that even under the worst case

scenario, that type of flammable cloud would travel no farther than 2.25 miles from the facility.

Trustee Akeson asked what is the lifespan of the facility, and what happens when it reaches the end of that lifespan. Mr. Hritcko answered that the engineering life of the facility is approximately thirty years, but with proper maintenance it can last well through the first half of the century. He continued that once the facility is no longer needed, it can be taken off its mooring and removed in a very efficient and clean manner.

Trustee Fabio asked how the new supply of gas would impact the access of gas ESCO's to greater supplies. Mr. Hritcko answered that the LNG facility involves a large volume of gas, and it will definitely have a big impact on the market in the region. He indicated that the local impacts are best assessed by the various companies that would be affected.

Trustee Sinnreich asked what is the economic advantage of physically locating the facility in the Long Island Sound, as opposed to bringing it somewhere else and transporting the gas through existing pipelines. Mr. Hritcko answered that New York and Long Island are located at the end of the pipeline and all of its gas supplies have historically moved through an extensive delivery system throughout the United States and Canada. He continued that the demand market has grown, but the supply sources have not, and this facility will be a supply source directly in the demand market area.

Trustee Sinnreich asked whether there is adequate and efficient pipeline capacity to bring in the gas from the Gulf, if the facility were to be sited there. Mr. Hritcko answered that even if the proposed pipeline projects could be built, they will draw from the existing sources. He indicated that this project will allow access to the vast worldwide supply and bring it directly into the market. Trustee Sinnreich asked if the only way to accomplish this is to locate the facility in LIPA's region. Mr. Hritcko responded that this is Broadwater's assessment, and that is why Broadwater has proposed the project be sited in the Long Island Sound.

Trustee Sinnreich asked what kind of vessels would be able to detach the facility from its mooring and move it. Mr. Hritcko answered that the facility is extremely robust, and it would take a lot just to disconnect it from the mooring, which would entail disconnecting it from the pipeline as well. He continued that it would be moved at a relatively slow speed, and there would be plenty of time to detect that, react and overcome the situation. He added that there are layers of protection in terms of safety and security from structural, operating and first responder standpoints, and involving homeland security reviews, which make the possibility extremely small that it could occur. Trustee Sinnreich asked if it would be a terrorist target there. Mr. Hritcko replied that it is highly unlikely that the facility would become a target, since it would not have the high profile that terrorists look for. He continued that even if the facility were destroyed, there are other backup systems that would continue to provide natural gas, so the value of targeting it would be quite small.

**Chairman Kessel again thanked Mr. Hritcko for coming to make this presentation, and indicated that LIPA's goal is to come to the Board with an analysis and recommendation in the early fall.**

**Upon motion duly made and seconded the Board voted unanimously to adjourn the meeting at 1:05 PM.**

**Respectfully submitted,**

**Stanley B. Klimberg**