

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 155th MEETING

HELD ON MAY 29, 2003

Pursuant to notice dated May 22, 2003, the Long Island Power Authority (the "Authority") was convened for the one hundred and fifty-fifth time at 11:10 AM at LIPA 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
Edna Gerrard
Nancy Nugent
Vincent Polimeni
Jonathan Sinnreich**

Also representing the Authority were Stanley Klimberg, General Counsel, Edward Grilli, Chief of Staff, Seth Hulkower, Chief Operating Officer, Bruce Germano, Vice President – Retail Services, Richard Bolbrock, Vice President – Power Markets, Bert Cunningham, Vice President – Communications, Edward P. Murphy, Jr., Chief Administrative Officer, 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 welcomed Trustee John Fabio, who was recently appointed to the Board by New York State Assembly Speaker Sheldon Silver. The Chairman stated that Trustee Fabio has a tremendous amount of government experience, and he formerly served as a Councilman in the Town of North Hempstead. He continued that Trustee Fabio has quickly become actively engaged in the Board's activities.

Trustee Fabio stated it is his pleasure and honor to be a member of the Board. He continued that he welcomes the opportunity to contribute to an institution that is the lifeblood of Long Island.

Chairman Kessel stated that the first item on the agenda is approval of the minutes of the March 27 Board meeting. Upon motion duly made and seconded, the following resolution was approved, with Deputy Chairman Steinberg abstaining:

645. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MARCH 27, 2003 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on March 27, 2003, 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.

* * *

Chairman Kessel stated that LIPA is now five years old as an electric service provider, and it is necessary to thank all of the Trustees, present and past, for their dedication and hard work. The Chairman praised Mr. Zarb for his great work.

Chairman Kessel thanked Governor Pataki, who turned around the electric system on Long Island, and who does not receive enough credit for his accomplishments. The Chairman indicated that Governor Pataki is thrilled about the fifth anniversary. He added that the Governor took a huge risk that others were not willing to take.

Chairman Kessel stated that Governor Pataki fulfilled his promise to lower electric rates by a double-digit percentage, and a LIPA electric bill is lower today than before the takeover, even with a thirteen-percent increase in residential use, which is extraordinary. The Chairman indicated that Long Island's electric rates have gone from second highest to thirty-fifth in the country, and LIPA has provided rate stability in the face of fluctuating costs, particularly the tripling of natural gas prices within five years. He added that the value of the LIPA deal for Long Island is \$12 billion in total economic terms, and the average residential customer has saved \$1,200 over the five-year period.

Chairman Kessel stated that businesses have prospered due to the actions of the Governor and the Board. The Chairman continued that LIPA has also

improved electric service, despite the storm problems in 2002 and 2003. He noted that LIPA has added 500 MW of new generation, more than what was added in the prior thirty years.

Chairman Kessel indicated that LIPA's ISO margin is approximately eight times larger than for New York City and 50 to 100 times larger than for the rest of the State. The Chairman further indicated that this has been accomplished while maintaining a motivated workforce. He added that LIPA has invested more than \$800 million in the electric system, which was in poor shape, but is now high quality.

Chairman Kessel stated that LIPA is a world leader in alternative energy due to the Governor's efforts in creating and promoting the Clean Energy Initiative. The Chairman continued that the largest commercial solar roof was recently unveiled in Farmingdale, and it has produced more than 155,000 kWh this year. He indicated that LIPA also has the largest collection of fuel cells connected to its grid, and LIPA has reduced peak load during the summer to approximately seven to eight times the level under LILCO's last summer of operation.

Chairman Kessel thanked LIPA's staff for their work in running the electric system on Long Island. The Chairman indicated that from the top management staff to LIPA's customer relations staff, the people are extraordinary. He added that LIPA is helping the Long Island economy and providing reliable electric

service with a very good workforce while lowering rates, which is a solid accomplishment.

Chairman Kessel indicated that LIPA expects another summer of extraordinary growth in the use of electricity, despite the relatively cool weather thus far. The Chairman continued that LIPA may see normal summer usage of between 4,800 and 4,900 MW, which is approximately 1,100 MW more than LILCO's projected demand five years ago.

Chairman Kessel stated that LIPA has taken a number of steps to prepare for the summer, including enhancing its energy efficiency and peak load reduction programs, with a goal of more than 300 MW. The Chairman continued that almost 26,000 LIPA Edge thermostats have been installed, which could save 26 MW. He added that several smaller generation projects, including the Far Rockaway and Greenport projects, are nearing completion.

Chairman Kessel indicated that the Calpine Stony Brook project has fallen through for now because Calpine was not able to consummate a deal with the State University of New York. The Chairman further indicated that Con Edison has exercised a provision in a contract with LILCO to take back 63 MW from the Y-50 line. He added that there are worries about both major transmission lines due to prior damage, and there are concerns about the capability of operating the Y-49 and Y-50 lines on a continual basis.

Chairman Kessel stated that the NUSCO cable is being repaired, but there are concerns that the Connecticut DEP may order LIPA to remove it. The Chairman continued that the line is expected to be repaired by the middle of June, but it is not known whether it will be functional. He added that the Connecticut Legislature has approved an extension of a moratorium, which will keep the Cross-Sound cable from being available to LIPA for at least another year as a regular resource.

Chairman Kessel indicated that he has decided, after consulting with the Board members and the Governor's Office, to order six GE portable generators to be available for operation hopefully by July and to provide an additional 120 MW. The Chairman thanked Mr. Grilli, Mr. Davidson, Mr. Cunningham, Ms. Burgess-Levy and the LIPA staff for their work in reaching out to the community in this matter. The Chairman added that the temporary generators will be used as a last resort in the event of an emergency.

Chairman Kessel stated that the temporary generation will cost approximately \$15-\$17 million, which is a cost worth incurring to keep the lights on. The Chairman further stated that LIPA had budgeted for the Cross-Sound cable to be fully operational for most of this year, and had also budgeted to make capacity payments to Calpine for the facility at Stony Brook that is now not moving forward. He continued that the effect on LIPA's budget will be to break even, and LIPA will not have the benefits of the Cross-Sound cable or the Calpine facility.

Chairman Kessel indicated that LIPA will examine whether it is prudent to purchase some portable generation on Long Island for future summers, in light of the Connecticut moratorium and its effect upon the ability to bring gas to Long Island. The Chairman further indicated that without the Islander East pipeline, it will be virtually impossible to install a new base-load natural gas fired power plant on Long Island.

Chairman Kessel requested that Mr. Grilli make a presentation regarding the proposed temporary generation for the summer of 2003.

Mr. Grilli stated that LIPA undertook a similar project in 2002 after having problems with the Y-49 and Y-50 cables, and the same kind of units (TM2500) will be used this year. He continued that LIPA plans to use six units, as opposed to ten in 2002, and the units will be placed on KeySpan property in Holtsville and on LIPA property in Shoreham. He added that much of the infrastructure was left at the sites after last year, and LIPA is better prepared to accomplish this project on an expedited basis in 2003.

Mr. Grilli indicated that the cost is approximately \$15 million for a three-month lease, which will be offset by the cost savings from the Cross-Sound cable and the Calpine project, but the negotiations with GE are not concluded. He stated that the DEC has been extremely cooperative, since they are familiar with the technology and the units will be operated only in the event of an emergency. He added that a SEQRA analysis has been completed, and the permits will be issued by the DEC hopefully by the end of June.

Deputy Chairman Steinberg asked whether there are additional costs associated with the operation of the temporary units. Mr. Grilli responded that fuel will be the only additional cost.

Chairman Kessel indicated that the temporary generators were run three times last summer to prepare for contingencies. The Chairman further indicated that there were times last summer when the State called emergencies and ordered LIPA to turn on all generation, although Long Island did not have an emergency.

Trustee Polimeni asked what the value of the units are, should they be purchased by LIPA. Mr. Grilli responded that LIPA asked GE the same question in 2002, but GE was not willing to discuss a sale at that time.

Trustee Polimeni asked whether there are other vendors for temporary generators. Mr. Grilli responded that there are smaller units that LIPA could purchase from other vendors, but he cannot speculate as to their cost.

Deputy Chairman Foye asked whether GE was the sole supplier of the units. Mr. Grilli answered that only GE supplies the truck-mounted TM2500 units, and reiterated that smaller units are available from other sources.

Trustee Auerbach asked what proportion of the \$15 million represents the rent payable to GE, compared to the personnel cost. Mr. Grilli responded that it is approximately two-thirds for rental and one-third for personnel.

Trustee Auerbach asked whether the \$10 million in rent would be applied to the cost of the generators should LIPA decide to purchase rather than rent in the future. Mr. Grilli responded affirmatively.

Deputy Chairman Foye asked whether LIPA sought other proposals for temporary generation. Mr. Grilli responded that LIPA received other proposals, many of which concerned 2 to 5 MW generation, and which would have posed problems in terms of siting. He continued that LIPA also spoke with Pratt & Whitney, but their costs would have been higher.

Deputy Chairman Foye asked what could be done to prepare for the same need arising in 2004. Mr. Grilli responded that the first step is to examine the possible purchase of some of the units. He continued that LIPA could issue an RFP to solicit proposals by other vendors to provide emergency generation.

Chairman Kessel stated that the need may not be eliminated if Connecticut continues its moratorium, and Long Island cannot get additional supplies of natural gas. The Chairman added that certain generation projects planned for this summer were lost. He added that there are huge financial issues related to the ownership of generation.

Deputy Chairman Foye concurred, and he stated that this poses a real challenge for the Board, but LIPA ought to be planning on a long-term basis to prevent the recurrence of the need. He continued that LIPA should be seeking to obtain permanent generation rather than renting on a temporary basis. Chairman Kessel agreed. The Chairman stated that the ultimate solution lies in adding base load generation and/or transmission to Long Island. He continued that the Cross-Sound cable problem highlights the danger of allowing one state to control the future of another state and/or the region.

Chairman Kessel indicated that LIPA has enough resources to continue to provide power if something were to go wrong, such as the failure of a plant, but all the GE units would not help if LIPA lost the Y-49 cable. The Chairman further indicated that the Cross-Sound cable was approved by the State of Connecticut and the Federal government, but it is not operating. He added that unless the Department of Energy intervenes, the Cross-Sound cable will not operate until the summer of 2005.

Trustee Polimeni asked how many GE operators will there be per temporary generation unit. Mr. Grilli replied one. Trustee Polimeni asked what fuel the units use. Mr. Grilli responded that the units use an ultra low sulfur fuel, or at least low sulfur fuel. Trustee Polimeni asked whether the storage tank is above ground. Mr. Grilli answered affirmatively.

Chairman Kessel stated that two additional units in Freeport are expected to be operational next year, which will be tremendously helpful. The Chairman

continued that despite all the issues, LIPA is in better shape than New York City and the rest of the State, and there may be days this summer where LIPA runs the units to help those other areas.

Trustee Fabio asked what the projected completion date is for the proposed transmission project on the South Shore. Chairman Kessel responded that the Board will be discussing the competitive process in the near future, but LIPA could open access to a new corridor for supply of less expensive generation from New Jersey, Pennsylvania, Maryland and Delaware if it could obtain a transmission line running from the south of Long Island under the Atlantic Ocean. The Chairman continued that LIPA is seriously exploring the possibility and there are several companies that would likely compete for the project. He added that the earliest in-service date is the summer of 2006, and the Governor, the DEC and the Nassau County Executive and Legislature have been supportive of the project.

Trustee Fabio asked whether there is a possibility that gas could also be transported in that manner. Chairman Kessel responded that the best way to get gas to Long Island is through the Sound, but LIPA is examining alternatives. The Chairman continued that after gas is brought to Long Island, it gets caught in the KeySpan system, which presents an anti-competitive situation.

Trustee Fabio indicated that it is necessary for developers of power plants to obtain a power purchase agreement in order to obtain financing. Chairman

Kessel concurred, and he added that the chances of a new base load power plant being available soon are de minimis.

Trustee Polimeni asked whether dual fuel generation can be considered. Chairman Kessel answered affirmatively, but noted the DEC is stringent on dual fuel use. The Chairman continued that LIPA must also seek combined cycle facilities, which utilize waste heat to run another generator. He reemphasized that the Connecticut moratorium has undermined the ability to build large base-load gas-fired combined cycle generation on Long Island.

Trustee Akeson asked why LIPA decided to use six temporary generators as opposed to ten, given the precarious situation, and further, why the cost is so greatly reduced to \$15 million from the \$40-\$50 million in 2002. Mr. Grilli responded that the infrastructure LIPA purchased and installed in 2002 will result in a cost savings in 2003, with much of the savings resulting from having purchased the transformers used last year. He continued that GE provided the units in response to an emergency request by LIPA in 2002, but LIPA was able to obtain a better price in 2003 because the units were not committed for this summer.

Mr. Hulkower added that the transformers are a permanent addition to LIPA's capital stock and they are available as spares. He continued that improvements were made to the sites in 2002, and those embedded costs do not have to be incurred again this year.

Mr. Grilli also noted that LIPA is in better shape this year because 400 MW from all ten units placed in 2002 are available, and two new units will be on-line in June. He continued that given the uncertainties of the transmission cables, the loss of 63 MW to Con Edison, and the loss of the Calpine unit, the prudent decision was to obtain 120 MW of temporary generation, which translates to six units.

Trustee Akeson asked whether the transformers would be useful if LIPA purchases temporary generators. Mr. Grilli responded affirmatively, provided that the transformers are applicable to the units LIPA would purchase.

Deputy Chairman Foye asked when LIPA became aware of the loss to Con Edison. Mr. Grilli responded that the issue arose earlier this year, and there were subsequent negotiations with Con Edison and the Governor's office. Chairman Kessel indicated that the final decision was made a few weeks ago, and Con Edison is not budging on the issue. The Chairman further indicated that Con Edison would still be in a worse position than LIPA given a loss of a major piece of equipment or line, and there are economic realities LIPA must deal with. He added that southwestern Connecticut is in worse shape, and some of the same temporary generation units are being sought for that area, which could be avoided if the Cross-Sound cable were operational.

Deputy Chairman Steinberg indicated that a long-term comprehensive plan is needed from the LIPA staff to address the issue of new generating capacity, rather than dealing with it on a piecemeal basis. Chairman Kessel concurred, and

he indicated that LIPA is working with the Sustainable Energy Alliance to develop a long-range master plan for Long Island.

Chairman Kessel stated that without the ability to import a significant amount of gas, there can be no plan. The Chairman further stated that the President and Department of Energy have been helpful on this issue, and they must pursue this issue further to prevent one part of the country from crippling another.

Chairman Kessel requested that Mr. Kass make a presentation concerning the environmental impact of the temporary generation.

Mr. Kass stated that he is a member of the firm of Carter, Ledyard & Milburn, environmental counsel to LIPA. He continued that an environmental assessment concerning the temporary generation has been prepared by the firm of Allee, King, Rosen & Fleming, which is the same type of assessment that was prepared for the ten temporary units installed in 2002, and which covers all relevant areas of environmental concern.

Mr. Kass stated that the facilities use low sulfur oil. He further stated that the assessment indicates there are no significant environmental impacts, and all ambient air standards, noise standards and other areas of potential impact are in compliance. He recommended that the Board approve the resolution to adopt a negative declaration under SEQRA.

Deputy Chairman Foye asked whether LIPA could utilize aircraft engines more cheaply than relying on GE. Mr. Kass responded that the LM 6000 units are in fact improved versions of an aircraft engine, but smaller in scale. He continued that they must be designed to work on the right kind of fuel and to work with various emission controls.

Chairman Kessel stated that the Trustees are being requested to adopt a resolution ratifying and approving the Chairman's issuance of a negative declaration under SEQRA for the project and approving LIPA's entry into an agreement with General Electric to lease equipment and receive services needed for the temporary generation.

Upon a motion duly made and seconded, the following resolution was approved, with Deputy Chairman Foye abstaining:

646. RATIFICATION AND APPROVAL OF ISSUANCE OF NEGATIVE DECLARATION AND ENTRY INTO AGREEMENT WITH GENERAL ELECTRIC TO LEASE EQUIPMENT AND RECEIVE SERVICES FOR TEMPORARY GENERATORS

WHEREAS, the growing Long Island economy and other factors have resulted in a continued increasing demand for electricity, and the peak load for this summer, if as warm as Summer 2002, could exceed the Summer 2002 peak of 5,059 megawatts ("MW") by several hundred MW; and

WHEREAS, several recent developments have created an urgent need for additional generating capacity in the LIPA service area, including, among others, the fact that the Calpine Stony Brook Energy Center will not be in service this summer; Consolidated Edison has exercised a contract provision that reduces LIPA's share of the Y-50 cable import capacity by 63 MW; LIPA continues to experience problems with other major transmission lines; and there continues to be serious doubt about LIPA's ability to import electricity through the Cross Sound Cable due to regulatory and judicial delays in Connecticut; and

WHEREAS, LIPA's staff has concluded that it is prudent to install for a three-month period six General Electric TM 2500 mobile combustion turbine ("CT") generators in order to provide approximately 120 MW of power for reliability purposes this summer; and

WHEREAS, in accordance with SEQRA, LIPA has completed an assessment of the potential environmental impacts of the installation and operation of the temporary mobile generators during Summer 2003; that assessment is set forth in a comprehensive Environmental Assessment, which has been distributed to the Trustees, finding that the temporary installation and operation of those generators during Summer 2003 will not, either individually or cumulatively with other LIPA-sponsored projects, have a significant adverse impact on the environment; and, based on that EA, LIPA's Chairman issued a Negative Declaration on May 23, 2003 finding that the project would not result in any significant adverse impacts on the environment and that accordingly, an environmental impact statement need not be prepared in connection with the project; and

WHEREAS, LIPA proposes to enter into an agreement through its agent, KeySpan Electric Services LLC, with General Electric to lease the equipment and receive the services required to install and operate the temporary generators, under which agreement: LIPA will lease from GE Energy Rentals, Inc. ("GEER") six TM 2500 mobile CT generators plus associated auxiliary equipment for a term of three months and with a target commercial operation date of July 1, 2003; GEER will provide supportive services, including operation and maintenance, transportation and delivery, and assembly/disassembly of the temporary generators; GEER will lease two transformer units to LIPA and provide associated transportation services; and GEER will provide, through its subcontractor GE Industrial Systems (which is a division of General Electric Company), project management, design engineering, field engineering and balance of plant equipment to support the temporary installation and operation of the six CT generators; and

WHEREAS, the temporary mobile generation project is expected to cost approximately \$20 million;

NOW, THEREFORE, BE IT RESOLVED, that the Negative Declaration under SEQRA issued by LIPA's Chairman on May 23, 2003 is hereby ratified, confirmed and approved; and be it further

RESOLVED, that LIPA's entry into and execution of an agreement with GEER as referenced above is hereby approved; and be it further

RESOLVED, that the Chairman and his designees are authorized to take all necessary actions, and to execute or cause the execution of all other related agreements and arrangements and to perform such further acts and deeds which may be deemed necessary, convenient or appropriate, in the judgment of the Chairman or his designees, to ensure that LIPA's temporary generation for Summer 2003 as referenced above is carried out; and be it further

RESOLVED, that all actions taken by the Chairman and his designees with respect to LIPA's temporary generation for summer 2003 as referenced above are hereby in all respects ratified, confirmed and approved.

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Chairman Kessel indicated in regard to Fire Island that he is extremely disappointed in the way the transmission and distribution system was maintained and prepared for the summer by KeySpan. The Chairman continued that during the July 4th weekend last year, there were two major cable failures that triggered outages and rolling blackouts on Fire Island. He added that LIPA spent the entire winter focusing on Fire Island as the most critical area for improvement and ensuring a sufficient backup supply. He indicated that KeySpan is responsible for the repairs to the system.

Chairman Kessel stated that on Fire Island there were recent momentary interruptions and then an extended outage that impacted approximately 600 customers. The Chairman further stated that KeySpan's performance in preparing the system and making sure that it operated was abominable and disturbing. He indicated that LIPA has installed some small temporary generation at Robert Moses State Park because the new line that is supposed to be functioning was damaged during installation by one of KeySpan's subcontractors.

Chairman Kessel stated that the lines are working right now, and LIPA cannot afford to lose them again this summer. The Chairman continued that the

recent problem was from poorly maintained and prepared equipment, where KeySpan was aware the new line would not be available and the equipment would be needed. He added that this is a failure that has not been taken seriously enough by KeySpan.

Trustee Sinnreich stated that there is inadequate performance by KeySpan in virtually every aspect of their contractual relations with LIPA. He continued that it is not too early to begin to reconsider the generation purchase right issue, since the problems with KeySpan ultimately arise from LIPA's dependence on KeySpan on the generation side.

Chairman Kessel stated that the KeySpan workforce is doing an extraordinary job, and that the problem is a management issue at KeySpan. He commended Mr. Hulkower, Mr. Cunningham, Mr. Hervey, Ms. Burgess-Levy and Ms. Raso who went to Fire Island to address the situation.

Deputy Chairman Foye requested that the Board be briefed on KeySpan's response at the next meeting. He continued that LIPA should undertake another comprehensive review of its options relative to the purchase of the power plants and other related issues. Chairman Kessel agreed.

Mr. Hulkower indicated that LIPA's SAIFI is improving, but LIPA still has to show additional progress to catch up to its prior levels. He continued that the Fire Island problem affected a limited number of people, but it impacted the statistics.

Chairman Kessel requested Mr. Hulkower to deliver a presentation concerning the Town of Riverhead's suggested option for the Riverhead transmission upgrade project. The Chairman indicated that this analysis is only for the purpose of SEQRA, and it is planned to evaluate the options and reach a decision in June.

Mr. Hulkower stated that the Town of Riverhead has proposed a predominantly underground route as a fifth option for the upgrade to the Riverhead-Tuthill transmission line. He continued that the Town's route goes underground at Pulaski Street, winds around Stotzky Park and eventually gets to Northville Turnpike and then to Sound Avenue. He indicated that the route then travels along Sound Avenue to Church Lane, to Tuthill Lane, and then to Sound Avenue in order to connect to the Jamesport Substation. Mr. Hulkower indicated that the estimated cost of the Town's route is approximately \$29.5 to \$32 million, which is less than initially estimated.

Mr. Frank Murphy stated that he is an attorney with KeySpan, representing LIPA in regard to this project. He further stated that KeySpan has prepared a full Environmental Assessment Form (EAF) for LIPA concerning the Town-sponsored predominantly underground option. He added that it is reasonable for the Board to approve the resolution before it, so that this option can be considered.

Mr. Yablonsky stated that he is employed by KeySpan's Environmental Engineering and Compliance Department, which assisted in the preparation of a

full SEQRA Environmental Assessment for the transmission upgrade project. He continued that the assessment was conducted in accordance with SEQRA regulations. He indicated that the assessment evaluated the project's potential impacts on various environmental resources, such as land, water, air, plants, animals, agricultural resources, aesthetics, cultural resources, critical environmental areas, transportation, energy, noise, odors and public health.

Mr. Yablonsky indicated that there are no significant environmental impacts related to the project's construction or operation. He stated that the negative declaration is supported by the EAF. He continued that the EAF indicates that the project will cause only temporary and minor impacts that can be minimized or avoided entirely through proper design and implementation. He added that ecological resources will be protected by avoiding construction within wetland areas, following DEC wetland permit requirements, and utilizing appropriate construction methods.

Mr. Yablonsky stated that a Phase 1A cultural resource study was conducted by the Institute for Long Island Archeology. He continued that based on that study and on the study that was performed for other options, the route is considered to be sensitive due to its proximity to disturbed soils. He added that a Phase 1B study will be conducted as necessary to determine whether historic or prehistoric resources exist along the route.

Chairman Kessel asked whether this route is preferable to the four other options from an environmental perspective. Mr. Yablonsky answered that this

route will have less of an aesthetic impact, but there are potential impacts related to temporary traffic disruptions and disturbance of some of the larger trees on Sound Avenue.

Chairman Kessel indicated that a comparison of the reliability of the proposed route with the four other options can be conducted. Mr. Hulkower indicated this will be addressed.

Trustee Fabio asked whether there is more information concerning the possible disturbance of historic and/or prehistoric areas. Dr. David Bernstein indicated that he represents the Institute of Long Island Archaeology, which assisted in the assessment. He indicated that there are three areas of concern, including the historic district along Sound Avenue, a farm and a cemetery. He added that an overall sensitivity assessment has been prepared, and if construction plans are finalized for this route, a final assessment will also be prepared.

Trustee Nugent asked whether the cost of potential disruptions is covered in the estimate that has been presented. Mr. Hulkower indicated yes.

Trustee Sinnreich asked whether overhead lines will be removed if this option were selected. Mr. Hulkower responded that there will be significant removal of transmission facilities, as with the other options to a lesser extent.

Trustee Sinnreich asked whether the cost of removal is included in the estimate. Mr. Hulkower answered affirmatively.

Deputy Chairman Steinberg asked at what depth the lines will be buried. Mr. Hulkower responded six feet.

Deputy Chairman Steinberg asked whether there has been any discussion of cost sharing with the Town of Riverhead. Mr. Hulkower stated that there have been discussions, but no headway has been made with the Town.

Trustee Gerrard asked whether businesses would be impacted by the construction. Mr. Hulkower responded that there would be a lot of traffic congestion created, which LIPA would attempt to minimize.

Chairman Kessel stated that the Trustees are requested to approve a resolution approving and adopting, among other things, the determination that the Town-sponsored predominantly underground option for the Riverhead Transmission Line Upgrade will not have a significant impact on the environment, and does not require the preparation of an Environmental Impact Statement. The Chairman indicated that the issuance of a negative declaration with respect to such action is appropriate. He further indicated that he appreciates the help of the Town of Riverhead and Supervisor Kozakiewicz regarding this matter.

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

647. APPROVAL AND ADOPTION OF THE FULL ENVIRONMENTAL ASSESSMENT FORM FOR THE UNDERGROUND OPTION FOR THE RIVERHEAD TRANSMISSION LINE UPGRADE PROJECT, AND OF ISSUANCE OF A NEGATIVE DECLARATION UNDER SEQRA

WHEREAS, the growing Long Island economy and other factors have resulted in significantly increasing demand for electricity, including on the North Fork, which is projected to continue into the foreseeable future; and

WHEREAS, LIPA's staff has concluded that in order to meet the electricity needs of LIPA's customers on the North Fork and meet reliability criteria, it is necessary to undertake and complete by May 2004 the Riverhead Transmission Line Upgrade Project ("Project") which involves increasing the capacity of the existing overhead double circuit 23 kV Riverhead transmission line to a single circuit 69 kV line that runs from LIPA's Riverhead Substation to its new Jamesport Substation; and

WHEREAS, at the February 27, 2003 Board of Trustees meeting (the "February 27, 2003 meeting") four alternative options were presented for the Project, all of which combine overhead and underground construction methods and range from approximately 8 3/4 miles to just under 10 miles in length; and

WHEREAS, LIPA's staff prepared, with the assistance of environmental engineers, consultants and counsel, a Full Environmental Assessment Form ("EAF") for the Project in order to determine, under the State Environmental Quality Review Act ("SEQRA"), whether the Project would or might have any significant adverse environmental impacts; and

WHEREAS, the EAF demonstrated that no significant adverse environmental impacts would result from the Project and, accordingly, that no environmental impact statement was required under SEQRA; and

WHEREAS, at the February 27, 2003 meeting the Board (a) approved and adopted the Full EAF for the four options for the Project, and (b) determined that (1) the construction and operation of the four options for the Project as described in the Full EAF would not have a significant adverse effect on the environment, (2) an environmental impact statement was not necessary for such proposed action, and (3) directed the Chairman to prepare and file a Negative Declaration, effective immediately, for such proposed action in accordance with the requirements of SEQRA; and

WHEREAS, at the February 27, 2003 meeting the Board directed LIPA staff to study one or more underground options to be submitted by the Town of Riverhead for the Project ("Underground Option"); and

WHEREAS, in a March 27, 2003 letter the Town Attorney for the Town of Riverhead proposed an almost entirely underground alternative of 11 ½ miles in length which had been approved by the Riverhead Town Board (“Town’s Proposal”); and

WHEREAS, LIPA’s staff has prepared, with the assistance of environmental engineers, consultants and counsel, a Full EAF for the Underground Option, which is the same as the Town’s Proposal, in order to determine, under SEQRA, whether the Underground Option would or might have any significant adverse environmental impacts; and

WHEREAS, the Full EAF demonstrates that no significant adverse environmental impacts will result from the Underground Option and, accordingly, that no environmental impact statement was required under SEQRA;

NOW, THEREFORE, BE IT RESOLVED, that LIPA hereby (a) approves and adopts the Full EAF for the Underground Option, and (b) for the reasons set forth in and on the basis of such Full EAF, finds and determines that (1) the construction and operation of the Underground Option as described in the Full EAF will not have a significant adverse effect on the environment and (2) an environmental impact statement need not be prepared in connection with such proposed action; and be it further

RESOLVED, that the Chairman or his designee is directed to prepare and file a Negative Declaration, effective immediately, for such proposed action in accordance with the requirements of SEQRA, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chairman or his designee to ensure that the foregoing is carried out.

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Chairman Kessel asked Mr. Hulkower to make a presentation concerning overhead versus underground transmission.

Mr. Hulkower stated that LIPA is scheduled to construct 177 miles of transmission over a seven-year period, for an average of about 25 miles per year. He continued that actual cost may vary depending on the specifics of the project, but 138 kV underground lines are approximately six times as costly as overhead

lines, and 69 kV underground lines are approximately five times as costly as overhead lines.

Mr. Hulkower indicated that with respect to overhead line construction, LIPA is transitioning away from wooden poles to steel poles, due primarily to their longer life and lower maintenance costs. He continued that the steel poles do not have to be as tall as wooden poles, due to their greater strength. He added that LIPA is no longer using steel lattice towers for overhead line construction.

Mr. Hulkower indicated that there are challenges related to underground construction, including splicing, additional work at the terminal substation, and traffic complications during construction. He added that maintaining underground lines is about eighteen times costlier than overhead lines.

Deputy Chairman Steinberg asked whether the cost estimate factored in the frequency of repair. Mr. Hulkower responded affirmatively. Deputy Chairman Steinberg asked whether tree trimming is also factored into the cost. Mr. Hulkower replied yes.

Mr. Hulkower indicated that the five-year average for months between interruptions (SAIFI) is much greater for underground lines. He further indicated that over the five-year period customers have averaged 21 seconds per year for outages attributed to the transmission system, which is a negligible number. He stated that for underground transmission it has been zero.

Mr. Hulkower stated that LIPA projects will require an approximate \$5.3 billion in additional revenue over the next 25 years if all future transmission work is primarily underground, which would result in an 11.2 percent rate increase by 2008. He added that the gradual movement of the transmission system underground will not significantly change the viewscape, given the 47,000 miles of overhead distribution.

Trustee Sinnreich asked what are the 8 miles of underground line indicated in the report as additional to the 22 miles for the Riverhead to Southampton line. Mr. Hulkower indicated that the remaining miles relate primarily to replacement interconnection and reconductoring projects.

Chairman Kessel thanked Mr. Hulkower for the detailed analysis of the issue, and he entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 1:50 PM.

Respectfully submitted,

Stanley B. Klimberg