

**LONG ISLAND POWER AUTHORITY  
MINUTES OF THE 157th MEETING  
HELD ON SEPTEMBER 25, 2003**

Pursuant to notice dated September 18, 2003, the Long Island Power Authority (the "Authority") was convened for the one hundred and fifty-seventh time at 10:00 AM at KeySpan Energy's offices at 175 East Old Country Road, Hicksville, 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  
Robert Maimoni  
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, Elizabeth McCarthy, Chief Financial Officer, Edward P. Murphy, Jr., Chief Administrative

**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 welcomed all in attendance to the first joint meeting of LIPA's Board of Trustees and KeySpan's Board of Directors. He welcomed Chairman Robert Catell of KeySpan. Chairman Kessel thanked Mr. Ralph Ranghelli, business manager of Local 489 and Ms. Mussacchio, business manager of Local 1381, for the extraordinary performance of the workers during the recent blackout.**

**Chairman Kessel stated that he recalls an unpleasant experience while attending a former LILCO shareholders meeting at this same location several years ago. The Chairman continued that the Board is thrilled to hold its meeting at KeySpan's offices. He indicated that there have been bumps in the road in the LIPA relationship with KeySpan, but this is one of the most unique partnerships anywhere in the world, and it has worked well.**

**Chairman Kessel stated that the cost of electricity is less now than under LILCO, and service reliability has never been better, which is extraordinary. The Chairman indicated that this success is due to a great extent to the extraordinary**

performance of the talented LIPA and KeySpan personnel. He further indicated that KeySpan's operations with regard to generation and recovery from emergencies are extraordinary.

Chairman Kessel stated that the summer has been busy and historic, in that LIPA faced the nation's largest blackout. The Chairman continued that fifty million people, including all of Long Island, went black on August 14. He added that LIPA recently prepared for Hurricane Isabel, which barely skirted Long Island, but caused more than 55,000 outages of LIPA customers.

Chairman Kessel indicated that the preparation for that Hurricane was unique. The Chairman continued that the public appreciates the tremendous work done by LIPA, KeySpan and all of the workers to restore power. He indicated that LIPA also effectively communicated directly to the public, which was critical.

Chairman Kessel stated that the trust that has been built with the public during some difficult times cannot be ignored. He further stated that LIPA and KeySpan showed they can deal with an emergency safely and prudently, while keeping the public informed. He indicated that this could not be accomplished without cooperation between LIPA and KeySpan.

Chairman Kessel proceeded to report some statistics concerning the storm and the blackout. He stated that the storm began at 2:00 PM on September 18 and ended at 4:00 PM on September 20. He continued that the total number of

outages was 58,179, with a peak number at one time of 20,694. He indicated that the average restoration time was two hours and forty-five minutes, with 71.5 percent back within three hours or less and 91.9 percent within eight hours or less.

Chairman Kessel indicated that LIPA lost service to 1,084,000 customers during the blackout, and these outages were restored quickly. He indicated that the job done by LIPA, KeySpan and the workers was exemplary. He thanked Mr. Catell and the KeySpan personnel for their wonderful job.

Chairman Catell stated that a joint presentation will be made regarding the recent blackout. He indicated that the presentation will be introduced by Mr. Fani, the President of KeySpan overseeing the electric unit supporting LIPA.

Mr. Fani stated that the level of communications during the blackout was incredible, and the LIPA, KeySpan and worker team acted as one. He indicated that the presentation will cover four primary issues: why the outage occurred; what was done to restore service; the technical issues; and the actions needed going forward to prevent another outage of this magnitude. He stated that the presentation will begin with Mr. Nozzolillo, the KeySpan Executive Vice President in charge of electric operations.

Mr. Nozzolillo indicated that August 14 was a normal day for LIPA before the blackout. He further indicated that LIPA had a load of approximately 4,700

MW, and LIPA was importing 700 MW. He added that LIPA anticipated a peak load of approximately 4,900 MW, with a margin of approximately 500 MW.

Mr. Nozzolillo stated that operations were going well until a fast moving incident occurred at approximately 4:10 PM. He continued that at 4:11 PM, an under-frequency load shed occurred, which automatically dropped 30 percent of LIPA's load. He indicated that some generation and transmission lines began to trip off-line, which isolated LIPA; and in less than three minutes, Long Island lost all power.

Mr. Nozzolillo indicated that all of the system's protections operated as intended, which isolated the system components to prevent damage. He explained that the integrated electric system operates at a frequency of 60 cycles per second. He further noted that the system is very sensitive to frequency, and it can tolerate only up to a one-percent deviation from the 60 cycles per second frequency.

Mr. Nozzolillo stated that the mechanical components of the electric system will disconnect themselves for protection. He continued that the system was not able to achieve a balance between the load and the generation, and there was automatic disconnection of approximately 30 percent of the load. He indicated that this was related to a diversion of approximately 700 MW of power that Long Island was importing, which the local generation could not replace quickly enough.

Mr. Nozzolillo further explained that the load was larger than the generation, and the machines slowed down as a result. He continued that with the automatic disconnection of approximately 30 percent of the load, the frequency still could not be synchronized. He added that the system could not recover, given the magnitude of the occurrence and the short time frame.

Mr. Nozzolillo indicated that the larger generating units remained on-line longer than the smaller units. He further indicated that once the blackout occurred, LIPA isolated the system, and then LIPA used black start generators to initiate the process of getting the system on-line. He explained that black start generators are self-contained, and they have the ability to start independently and synchronize to the grid.

Mr. Nozzolillo indicated that the larger power plants cannot start on their own, but require electricity to run the pumps, motors and other devices at the station. He further stated that the service area was divided into four regions, and the restart process was undertaken in each region. He added that load was added as generation became available, while balancing both.

Mr. Nozzolillo stated that the four individual systems created could not be interconnected until they were synchronized. He continued that the Island was operating as four individual regions until the beginning of Friday morning (approximately 12:00 AM). He added that LIPA began to interconnect itself to the system at approximately 11:00 AM that morning when the Y-49 link was reestablished.

Mr. Nozzolillo stated that LIPA did experience some problems. He indicated that the Northport black start unit did not work, and LIPA had to struggle to indirectly get electricity to Northport to get the unit started. He added that there was no major equipment damage.

Mr. Nozzolillo stated that the last event of this magnitude took place in 1965. He continued that LIPA is in the process of determining the cause and ensuring that going forward, it does not occur again.

Mr. Grilli stated that a tremendous amount of planning and practice is conducted by LIPA and KeySpan for such events, including a series of joint and individual drills. He continued that the purpose is to ensure that everyone recognizes and understands their role in the event of such emergencies. He added that everyone at LIPA and KeySpan knew what their job was and where they needed to be, although getting to those places become problematic.

Mr. Grilli indicated that the decision to call a “code red” occurred as pre-planned, where the outages exceeded the capability to manage them with a reasonable restoration time. He further indicated that the emergency condition led to the opening of the communications and logistics command centers. He added that LIPA and KeySpan increased staff at the customer service centers to cover the high volume of calls.

**Mr. Grilli stated that LIPA and KeySpan did extremely well in keeping the public informed. He continued that before each news cycle, Chairman Kessel and Chairman Catell were updating the world about the blackout. He added that the briefings were small at first, until it became clear that there were no leaders of any other utility saying much about the event.**

**Mr. Grilli stated that the national and international media descended on Hicksville for the only two utility chairmen who thought enough of their customers to come out and keep them informed on an almost hourly basis, and to seek their customers' assistance in helping to restore power. He noted that the LIPA website became a tremendous resource, and the customer service centers made calls to 3,343 customers to keep them apprised.**

**Mr. Grilli stated that in the late hours of August 14 and the early hours of the 15<sup>th</sup>, it appeared to the system operators that despite their best efforts, they were not going to meet the load predicted for the 15<sup>th</sup>. He continued that LIPA was less than optimistic about its ability to use the Y-49 and Y-50 cables, and LIPA was concerned as to what damage occurred to the on-Island generation.**

**Mr. Grilli stated that LIPA and KeySpan informed the public of the status and asked for their assistance in helping to meet the load. He continued that in addition to the peak reduction, LIPA Edge, Watts Going Down and various other load shedding programs, the customers responded and saved a total of approximately 600 MW.**

**Mr. Grilli stated that with the assistance of Governor Pataki's office, a decision was made to request an emergency order to energize the Cross-Sound Cable. He continued that a conference call was held with representatives from LIPA, New England ISO, New York ISO, U.S. Department of Energy (DOE) and the White House. He indicated that the insanity of keeping the cable sitting idle in the Sound became clear to DOE, and it issued an order within an hour allowing LIPA to energize the cable.**

**Mr. Grilli stated that the decision turned out to be critical, and LIPA went from importing 100 MW to as much as 300 MW. He continued that with the help of the Governor's office, LIPA was able to obtain variances from the Department of Environmental Conservation (DEC) and the Public Service Commission (PSC) to allow LIPA to exceed emissions permits at four fast track sites having additional capacity. He added that Chairman Kessel spearheaded calls to numerous governmental entities asking them to send their work forces home early, which helped to shed load. Mr. Grilli stated that between the customer cooperation, the intervention of the Governor's office, and the assistance of DOE, DEC and PSC, LIPA was able to provide enough energy to keep the lights on.**

**Mr. Grilli indicated that LIPA has established a technical task force to develop a time line to determine if the system operated as designed. He stated that the task force is developing a list of recommendations. He added that the major storm review panel will also report to LIPA and KeySpan concerning improvements that can be made.**

**Mr. Grilli stated that Governor Pataki and LIPA requested the DOE to issue a permanent order allowing operation of the Cross-Sound Cable. He continued that the DOE issued an order in early September allowing LIPA to utilize the cable for an indefinite period, but the State of Connecticut has filed a lawsuit to prevent it.**

**Mr. Grilli stated that Chairman Kessel made the Cross-Sound Cable the poster child for what is wrong with the national grid system in his testimony before the U.S. Congressional Energy Committee. He continued that the company that built the cable is losing a small fortune, which will not encourage investments in the grid. He noted that this point has resonated in Washington.**

**Mr. Grilli stated that LIPA will conduct an Island-wide blackout drill, in addition to a hurricane drill and other heat emergency drills. He reiterated that LIPA will investigate the cause of the blackout, and prepare for another incident.**

**Chairman Catell thanked the LIPA and KeySpan workers for their great work during the blackout. He further thanked the KeySpan Board for their support. He requested Mr. Youngling, Vice President of KeySpan Electric Operations, to give a report concerning Hurricane Isabel.**

**Mr. Youngling stated that unlike the blackout, there was time to prepare for Hurricane Isabel. He continued that Hurricane Isabel's winds reached 160 miles per hour as it made its way through the Caribbean towards the United States. He indicated that KeySpan tracks these storms as they come off the coast of Africa.**

Mr. Youngling stated that he was notified of the storm approximately a week and a half before it hit Long Island. He continued that the storm developed into category five, and there was uncertainty as to where it would go. He added that KeySpan followed five models to track the storm, one of which projected its path across Long Island.

Mr. Youngling indicated that KeySpan went into full storm anticipation on September 15. He further indicated that the full storm hit on September 18, and the National Weather Service issued tropical storm warnings for all of Long Island. He stated the storm degraded to a tropical storm over Virginia, and then moved north into Canada.

Mr. Youngling stated that Long Island saw winds in excess of 50 miles per hour, which is not hurricane force, but is still a challenge to the system. He further indicated that approximately 58,000 customers lost service. He added that the system was back to normal within a day and the improvements to the system over the last five years clearly made a difference.

Mr. Youngling stated that LIPA and KeySpan anticipated that the storm would hit in the middle of the night on September 18, and crews prepared to repair the damage the following morning. He indicated that the storm came through exactly as projected, and the crews went out very quickly. He further indicated that crews were loaned to other utilities that lost many more customers

during the storm. He added that the plan was well executed, thanks to the LIPA and KeySpan work force.

Chairman Kessel thanked Mr. Youngling for his tremendous leadership.

Chairman Kessel stated that during the blackout, the Governor asked him for a briefing within two hours after it occurred. The Chairman continued that they began to discuss the Cross-Sound Cable that evening. He added that the DOE's order to energize the cable was issued due to the Governor's intervention.

Chairman Kessel stated that it was extraordinary for the Governor to come to Long Island to work with LIPA the next morning after the blackout. The Chairman continued that the Governor also came to Long Island to be briefed following Hurricane Isabel. He indicated that Governor Pataki deserves praise for his extraordinary work to help Long Island.

Chairman Kessel thanked the public for their cooperation to conserve energy during the blackout, which saved 500 to 600 MWs. The Chairman indicated that without public support, there would have been rolling blackouts. The Chairman also thanked Mr. Spatz, Mr. Wilkes, Mr. Hulkower, Mr. Hervey, Mr. Cunningham, Mr. Davidson, Ms. DeMaio, Mr. Fernandez, Mr. Germano, Mr. Grilli and the LIPA and KeySpan staffs who did an extraordinary job.

Chairman Kessel stated that LIPA will be working with the State Emergency Management office to hold the first Island-wide blackout drill. The Chairman

indicated that LIPA will ask the public to help prepare for a massive storm. He further indicated that Long Island needs to be prepared, and LIPA will continue to work on that preparation.

Chairman Kessel stated that a briefing on the blackout will be given by Mr. Edward Schwerdt, Executive Director of the Northeast Power Coordinating Council (NPCC).

Mr. Schwerdt stated that the NPCC is one of ten regional councils in North America, and its area of operations includes New York, New England and areas in Eastern Canada. He continued that NPCC was formed after the 1965 northeast blackout, and a major lesson learned from the blackout is that region wide coordination is required for reliability.

Mr. Schwerdt stated that reliability requires the system to be operated consistent with its design, but this apparently was not followed on August 14. He continued that starting at about noon, generation in Ohio and Detroit tripped off line, and power voltages in Cleveland began to decline. He added that between 3:05 and 3:41 PM the loss of major transmission accelerated the problem.

Mr. Schwerdt stated that at approximately 3:41 PM, the loss of additional lines in Ohio severed eastern and northern Ohio and blacked out Akron and neighboring areas. He continued that the remaining power that had been flowing to Cleveland now split between the paths coming out of Ohio, and the cross-state high voltage lines in Michigan tripped at approximately 4:10 PM. He added that

**the power surged through the northeast and rapidly overloaded the lines on the Pennsylvania and New York border, which opened to and separated the northeast from the rest of the grid.**

**Mr. Schwerdt indicated that a cascading effect resulted from the power surges, and protective circuit breakers operated and split the region into several islands. He further indicated that all of the protective systems within NPCC's area operated as expected, resulting in little damage. He added that this contributed to a speedy restoration.**

**Mr. Schwerdt stated that as a result of interdependency, blackouts have been avoided, but interdependency carries risks and responsibilities. He indicated that local actions were not taken to keep local problems from spreading. He added that by the time the systems in New York and Ontario showed signs of problems, it was too late.**

**Mr. Schwerdt indicated that investigations are not yet complete, and it is too early to identify the actions that can be taken to avoid future blackouts. He stated that the NPCC has taken the lead role in the interregional investigations.**

**Chairman Kessel indicated that the lack of communication from the utilities in the Midwest is disturbing. The Chairman further indicated that PJM seemed to know about certain problems but never bothered to call the New York ISO.**

Chairman Kessel asked whether the investigations are looking at improving communications. Mr. Schwerdt stated that neither the Ontario nor New York systems operators were notified, and communication should have occurred.

Chairman Kessel indicated that LIPA has retained outside counsel and engineering consultants to review its options to recoup the losses. He further indicated that the failure of communications represents imprudence, which may be a basis for LIPA to recover some damages for itself and its customers. Mr. Schwerdt stated that communications is a fundamental issue and the system needs to operate in an informed state.

Trustee Fabio asked whether Mr. Schwerdt would expand the discussion of how to isolate and contain local problems so they do not impact on the regional grid network. Mr. Schwerdt responded that actions need to be taken, including making necessary communications, and the expansion of computer monitoring should be considered.

Trustee Fabio asked if the changes would be primarily procedural, rather than technical. Mr. Schwerdt responded affirmatively.

Chairman Kessel stated that LIPA, KeySpan, their employees and the customers of Long Island were neglected by a failure of communications, which could have avoided the blackout. The Chairman indicated that it is necessary to pinpoint who was responsible for the lack of communication and to hold them

liable. He further indicated that LIPA's staff, outside counsel and engineering consultants should meet to discuss the possible recoupment of the losses suffered by LIPA and its customers.

Chairman Kessel indicated that the next item on the agenda is the adoption of the minutes of the June 26, 2003 Board meeting.

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

**654. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JUNE 26, 2003 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 June 26, 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.

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Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution to revise LIPA's tariff regarding outdoor area lighting. The Chairman continued that the Trustees are being requested to adopt a change in order to add new types of environmentally friendly fixtures and to add certain language clarifying the obligations of LIPA's customers. He indicated that the new fixtures will direct light downward and improve light efficiency, safety and performance while minimizing glare and external effects.

Chairman Kessel indicated that the pricing of these lighting offerings has been set to recover the associated capital costs. The Chairman continued that there is additional tariff language to clarify the customer's obligation to inform LIPA when a fixture needs to be repaired or when any type of changes are made to outdoor facilities. He added that the revision will aid in the tracking of outdoor area lighting inventory and improve customer satisfaction.

Chairman Kessel stated that notice of LIPA's proposed action on the matter was published in the State Register on October 9, 2002, and LIPA conducted two public hearings. The Chairman continued that LIPA received written comments from Ms. Susan Harder, who expressed appreciation for introducing new fixtures to achieve the goal of better lighting.

Chairman Kessel stated that he recommends the proposal be approved with certain revisions. The Chairman indicated that the revisions include the addition of lower wattage, full cut-off lights as customer options. He further indicated that LIPA's outdoor flood and area light offerings should be phased out in favor of full cut-off and environmentally friendly fixtures.

Chairman Kessel indicated that the revisions are balanced and in the public interest, and they will expand customer options. The Chairman further indicated that the revisions avoid disruptions of in-place customer installations and increasing rates. He stated that he recommends an additional revision so as to reasonably afford LIPA two business days to repair fixtures before a bill adjustment may be applied.

Chairman Kessel indicated that this is one of LIPA's most significant environmental accomplishments in regard to outdoor lighting. The Chairman further indicated that the people of Long Island want sufficient lighting, but they also want to be able to enjoy the environment around them. He added that this proposal is revenue neutral to LIPA.

Chairman Kessel thanked Ms. Harder and the Dark Skies organization. The Chairman stated that this is a good example of how LIPA can work with the community to provide a benefit. He indicated that he is pleased with this forward looking proposal.

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

**655. ADOPTION OF REVISIONS TO LIPA's TARIFF REGARDING OUTDOOR AREA LIGHTING**

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WHEREAS, in October 2002, the Long Island Power Authority ("Authority") issued a Notice of Proposal Rulemaking inviting public comment on the Authority staff's proposal ("Proposal") to revise LIPA Tariff provisions relating to additional area lighting so as to add two new full cut-off High Pressure Sodium ("HPS") offerings, i.e., a 250 watt light for a monthly charge of \$30.00, and a 400 watt light for a monthly charge of \$39.99; add two new full cut-off Metal Halide ("MH") offerings, i.e., a 250 watt light for a monthly charge of \$30.00, and a 400 watt light for a monthly charge of \$39.99; and discontinue the further installation and replacement of 1,000 watt MH fixtures; and

WHEREAS, notice of the proposed action was published in the State Register on October 9, 2002, two public hearings were held on November 26, 2002, and the public comment period has now expired, with the Authority having received comments from one party, which party has supported lower-wattage full cut-off fixtures priced to encourage "better lighting;" and

**WHEREAS, upon further review of the Proposal and consideration of the comments received, it is in the public interest to adopt modifications to the Proposal in order to introduce several more environmentally friendly, lower-wattage full cut-off fixtures and discontinue the further installation and replacement of flood light and area light fixtures, while providing for coverage of LIPA's costs, and avoiding customer disruption and increased charges for existing service;**

**NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the preceding Memorandum, the Proposal with the specified modifications is hereby adopted and approved; and be it further**

**RESOLVED, that the attached Tariff Leaves reflecting our action herein are approved.**

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**Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution approving (i) a determination that Option F for the Riverhead to Jamesport Transmission System Upgrade Project will not have a significant impact on the environment and does not require the preparation of an environmental impact statement, and (ii) the issuance of a negative declaration with respect to such action. The Chairman stated that in order to meet the electricity needs of LIPA's customers, it is necessary to increase the capacity of the overhead double circuit 23 KV Riverhead transmission line to a single circuit 69 KV line. He indicated that the Full Environmental Assessment Form (EAF) demonstrates that the proposed Option F will not have a significant impact on the environment.**

Chairman Kessel stated that Option F proposes to place the facilities underground in the vicinity of two National Register of Historic Places sites, avoiding visual or contextual impacts. The Chairman indicated that to ensure adequate and reliable service to LIPA's customers, it is necessary to complete the project by May 2004. He stated that he recommends the Trustees approve the resolution.

Mr. Hulkower stated that the route for Option F is approximately fifty percent overhead and fifty percent underground. He indicated that Mr. Frank Murphy, in-house counsel for KeySpan, and Mr. Steve Dalton, manager of Environmental Compliance at KeySpan, will make a presentation for LIPA regarding the SEQRA report.

Mr. Murphy stated that LIPA has prepared a full environmental assessment form to review potential environmental impacts. He indicated that Option F is not a new route, but a combination of previous options. He further indicated that LIPA built upon earlier EAFs to produce the current, more expansive EAF, and the EAF reaffirms that there will be no significant environmental impacts from the project.

Mr. Dalton stated that LIPA's team of environmental consultants performed a full environmental assessment in accordance with SEQRA regulations. He reaffirmed that there will be no significant environmental impacts from the project's construction or operation, and any potentially minor impacts will be

minimized or avoided through detailed design considerations and proper construction techniques. He stated that a negative declaration is appropriate.

Upon motion duly made and seconded, the following motion was approved, with Trustees Maimoni and Sinnreich abstaining:

**656. APPROVAL AND ADOPTION OF THE FULL ENVIRONMENTAL ASSESSMENT FORM FOR OPTION F FOR THE RIVERHEAD TO JAMESPORT TRANSMISSION SYSTEM UPGRADE PROJECT, AND OF ISSUANCE OF A NEGATIVE DECLARATION UNDER SEQRA**

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**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 to Jamesport Transmission System Upgrade Project (the "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, LIPA's staff has prepared, with the assistance of environmental engineers, consultants and counsel, a Full EAF for Option F in order to determine, under SEQRA, whether Option F would or might have any significant adverse environmental impacts; and**

**WHEREAS, the Full EAF for Option F (a) identifies the relevant areas of environmental concern; (b) thoroughly analyzes them; and (c) presents a reasoned analysis of the basis of LIPA staff's determination; and**

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

**NOW, THEREFORE, BE IT RESOLVED, that LIPA hereby (a) approves and adopts the Full EAF for Option F, 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 Option F for the Project 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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**Trustee Sinnreich stated that he abstained because he represents the Town of Riverhead in unrelated legal proceedings. He indicated that he would vote against it if he could, since he believes that the EAF drastically understates the adverse visual impacts.**

**Chairman Kessel stated that the next item on the agenda is Board consideration of a proposal to approve the Riverhead to Jamesport Transmission System Upgrade Project. The Chairman indicated that the upgrade is needed to increase the capacity of the existing overhead transmission line to a single circuit 69 KV line. He further indicated that LIPA staff recommends approval of Option F's 10.1-mile route for the project with 5.2 miles overhead and approximately 4.9 miles underground.**

**Chairman Kessel indicated that Option F achieves a prudent balancing of aesthetic impacts with the need to remain within reasonable cost constraints. The Chairman continued that the new underground portion will be located in public spaces in the Town of Riverhead and no new land purchases or easement agreements are necessary. He added that Option F imposes a manageable cost burden, reduces aesthetic impacts and provides easy access to the overhead portion of the line.**

Mr. Hulkower stated that LIPA has discussed this project with the Town of Riverhead for three years, and time has run out. He indicated that load growth in the area has been substantial, and the system is at serious risk in this area. He further indicated that peak load in the area is up more than 60 MW.

Mr. Hulkower indicated that LIPA has done everything possible with respect to other modifications, but time has run out. He further indicated that the proposed route is a fair balance of the Board's concerns for cost and aesthetics with the desire in the community to have an underground route.

Trustee Polimeni asked what the cost of a completely overhead route would be. Mr. Hulkower answered that an overhead project would be \$10 million, as opposed to \$20 million for the hybrid proposal and \$32 million for an all-underground route. He added that maintenance costs are approximately \$250 per mile per year for overhead and approximately \$2,000 per mile per year for underground.

Trustee Sinnreich asked what was the total cost of the South Fork (Southampton to Riverhead) transmission line. Mr. Hulkower responded that the South Fork project was an entirely new route without any ability to use an existing right-of-way and the cost was approximately \$70 million. He indicated that if the project had been entirely overhead, it would have cost between \$25 to 30 million.

Trustee Sinnreich asked what are the total lengths of the lines in the two projects. Mr. Hulkower answered that the South Fork line was 21.5 miles and this North Fork line is 10 miles.

Chairman Kessel stated that LIPA's record in terms of environmental conservation is better than any other utility in the country. The Chairman continued that the route is a fair balance and compromise between the needs and desires of the Riverhead community and the ultimate needs and costs for all of LIPA's ratepayers. He indicated that this project has nothing to do with the South Fork line, which was an emergency project that could not be accomplished without doing it underground.

Chairman Kessel stated that this project must be done now in some form or another, or LIPA will not be able to sustain electricity on the North Fork next summer. The Chairman indicated that LIPA tried to bring everyone together in a way that makes the most sense for the public. He further indicated that the proposed route addresses all of the concerns and allows for the provision of a sufficient supply of electricity in the area in an environmentally sound way.

Chairman Kessel observed that the most difficult part of restoring the electric system after the blackout related to the underground facilities, although such facilities are less likely to experience an outage. The Chairman indicated that Option F is a reasonable compromise, although it will not please everyone.

**Trustee Fabio stated that there is a need for the project. He indicated that there is a potential for lawsuits that would delay the project, and the proposed option is the best possible option for the Board.**

**Deputy Chairman Foye stated that LIPA is required to balance considerations of cost and aesthetics. He indicated that the proposed Option F is a reasonable balance, although there is increasing pressure upon rates.**

**Deputy Chairman Steinberg stated that as a general matter, undergrounding is uneconomic and ineffective. He indicated that he would like to be able to reconsider the compromise plan if the implementation is blocked or attempted to be blocked. He further indicated that approval of the compromise route should not be construed as the adoption of a policy of agreeing to underground in the future.**

**Trustee Maimoni stated that LIPA has buried lines in other areas, but the economic impact is an important consideration. He indicated that the compromise is probably the best of all worlds, and although he is not happy, he will reluctantly vote in favor of the project.**

**Trustee Polimeni stated that Governor Pataki has gone out of his way to lower Long Island's electric rates, which were extraordinarily high. He further stated that incurring unnecessary costs and increasing rates is against all that the Board stands for. He indicated that a precedent will be set for future projects by this Board action.**

Trustee Polimeni stated that there is a point at which LIPA has to stop spending money unnecessarily. He indicated that improving the poles and reducing the amount of overhead transmission lines by half will enhance the aesthetic beauty of the area. He further indicated that he does not want to approve something that would increase rates.

Trustee Sinnreich stated that he believes the Board is making a historic mistake, and the proposed option is the wrong compromise. He further stated that the visual aesthetics of the farmland on the North Fork represent a precious, disappearing resource that is worth preserving.

Trustee Sinnreich stated that he shared with the Board a brief that he wrote 25 years ago to the PSC. He indicated that the brief contained testimony from many parties, including LILCO, that addressed the visual beauty of the North Fork. He further indicated that it is worth \$12 million in a budget of \$1.5 billion to preserve and enhance this incredibly rare and special area of open farmland, and the PSC determined 25 years ago that it was worth \$38 million to underground lines in the same area for a proposed power plant. He also stated that it would not set a precedent to underground this line, since this particular area of Long Island is special and unique.

Trustee Sinnreich stated that the South Fork line was undergrounded due to powerful political opposition, which would have made it impossible to get through the regulatory process and build the line in time. He further stated that

LIPA spent \$40 million extra to underground the South Fork line, which was twice as long as the North Fork line, to avoid the political opposition. He indicated that Riverhead does not have the same clout as Southampton, since it is a small town of farmers and blue collar people.

Chairman Kessel stated that he commends Trustee Sinnreich for his passion on this issue, but he disagrees that powerful influences on the South Fork somehow convinced LIPA to underground the line. The Chairman further stated that Riverhead is just as influential as other areas. He indicated that LIPA could not have dealt with the easement issue in time to get the South Fork line built for that summer, and it had nothing to do with who was powerful.

Upon motion duly made and seconded, the following resolution was approved, with Trustee Polimeni opposing and Trustee Sinnreich abstaining (following this vote, Trustee Auerbach left the meeting):

**657. AUTHORIZATION TO EFFECTUATE OPTION F FOR THE RIVERHEAD TO JAMESPORT TRANSMISSION SYSTEM UPGRADE PROJECT**

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**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 ensure timely, adequate and reliable electric service to LIPA's customers on the North Fork and meet reliability criteria, it is necessary to promptly undertake and complete by May 2004 the "Riverhead to Jamesport Transmission System Upgrade Project" (the "Project"), which involves increasing the capacity of the existing double circuit 23 KV steel lattice tower transmission line to a single circuit 69 KV steel monopole transmission line that runs from LIPA's Riverhead Substation to its new Jamesport Substation; and**

**WHEREAS, LIPA's staff recommends selection of the route described in Option F which will involve reconstruction of approximately 5.2 miles of the 23 KV steel lattice tower transmission line with a modern 69 KV steel monopole transmission line on the existing public right-of-way; construction of approximately 4.9 miles of underground 69 KV transmission line in the existing public right-of-way; and minor, associated equipment upgrades at the Riverhead and Tuthill Substations; and**

**WHEREAS, for the reasons given in the preceding Memorandum, Option F for this Project is reasonable and within cost restraints, and is the superior option to serve the public interest; and**

**WHEREAS, by separate Resolution, the Trustees have determined that Option F will not have any significant adverse environmental impacts and, accordingly, have approved issuance of a Negative Declaration for such Project pursuant to the State Environmental Quality Review Act;**

**NOW, THEREFORE, BE IT RESOLVED, that Option F is approved for LIPA's Riverhead Transmission Line Project and the Chairman or his designee are authorized to effectuate the Project and to perform any and all acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chairman or his designee, to ensure that the project is fully implemented.**

**\* \* \***

**Chairman Kessel indicated that the next item on the agenda is Board consideration of the acquisition of the M-GBC electric distribution system at its Calverton site for nominal consideration. The Chairman continued that the Calverton site, located in the Town of Riverhead, is a 400-acre core industrial area containing buildings totaling approximately one million square feet. He indicated that a subdivision site plan is under consideration by the Town of Riverhead.**

**Chairman Kessel stated that M-GBC owns the existing electric substation and electric distribution system, and it provides electric service to customers at the site. The Chairman continued that M-GBC seeks to exit the electric business at the site, and LIPA has considered the opportunity for its electric business. He recommended that LIPA enter into an asset transfer agreement under which M-**

**GBC will transfer, grant or assign to LIPA, for nominal consideration, the electric facilities, specified real property and other assets and rights.**

**Chairman Kessel stated that LIPA will need to make an initial investment of \$3.8 million in the Calverton electric distribution system to integrate it into LIPA's electric system. The Chairman continued that LIPA will be in a position to increase its revenues, which will benefit its ratepayers. He indicated that financial analysis shows that the acquisition and related investments will yield a positive return. He also stated that the Calverton site is designated as a certified Economic Development Zone, with financial incentives provided for qualifying businesses to locate or expand in the region.**

**Chairman Kessel stated that LIPA has concluded from its due diligence efforts that the electric distribution system to be acquired is adequate to serve existing customers. The Chairman continued that the five-acre parcel LIPA will acquire, and the existing substation property for which LIPA will acquire a permanent easement, present no concerns to health or the environment. He added that LIPA will have a right to terminate the ATA if environmental conditions are unacceptable, and he recommended that the Trustees adopt the resolution.**

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

**658. RESOLUTION AUTHORIZING APPROVAL FOR ACQUISITION OF M-GBC'S ELECTRIC DISTRIBUTION SYSTEM AND RELATED ASSETS AT CALVERTON SITE**

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**WHEREAS, LIPA proposes to acquire M-GBC LLC's ("M-GBC") electric distribution system at Calverton, New York, and related assets, including leasing, obtaining an easement for, or acquiring in fee approximately 5 acres of real property at that site, in order to expand its revenue base for its ratepayers' benefit and support regional economic development of benefit to the community in its service area; and**

**WHEREAS, the above-described acquisition would be for nominal consideration from LIPA; and**

**WHEREAS, LIPA has undertaken legal, financial/economic and operational analyses of the proposed acquisition, which indicate that the acquisition, subject to environmental analyses to be conducted by LIPA pursuant to an asset transfer agreement, will benefit LIPA and its ratepayers;**

**NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum to the Trustees, the Trustees hereby approve LIPA's acquisition, for nominal consideration from LIPA, of M-GBC's electric distribution system and related assets (including leasing, obtaining an easement for, or acquiring in fee approximately 5 acres of land) located at M-GBC's 490-acre Calverton site; and be it further**

**RESOLVED that the Chairman and his designees are authorized to enter into and execute the necessary agreements and instruments, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chairman, to effect the approved acquisition.**

**\* \* \***

**Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution to adopt a formula rate for yearly calculation of LIPA's components of the Wholesale Transmission Service Charge (TSC) under the New York ISO Open Access Transmission Tariff. The Chairman indicated that tariff language will specify the New York ISO-approved formula and the data inputs from LIPA to be used in deriving the LIPA-calculated components of the TSC.**

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

**659. APPROVAL OF THE ADOPTION OF A FORMULA RATE FOR THE CALCULATION OF LIPA'S COMPONENTS OF THE NYISO WHOLESALE TRANSMISSION SERVICE CHARGE**

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**WHEREAS**, as a member of the New York Independent System Operator ("NYISO"), LIPA coordinates with the NYISO for the provision of wholesale transmission service over certain LIPA bulk transmission facilities identified in Appendix A-2 of the New York Independent System Operator/Transmission Owners Agreement dated November, 1999; and

**WHEREAS**, the Authority has considered staff's Proposal Concerning Establishment of Formula for the Calculation of LIPA's Annual Components of the Transmission Service Charge and Adjustment of Certain Charges Under the New York Independent System Operator's Open Access Transmission Tariff (copy attached); and

**WHEREAS**, the Proposal recommends the adoption of a NYISO-approved formula rate to calculate LIPA's components of the wholesale transmission service charge ("TSC") imposed by the NYISO relating to wholesale transmission service offered over LIPA's bulk transmission facilities under the NYISO OATT; and

**WHEREAS**, the formula rate now being proposed is the same as was used to calculate the specific values for LIPA's wholesale TSC components approved by the Trustees in 1998 and 2002; and

**WHEREAS**, the approval by the Trustees of the specific formula rate for the TSC will make clear the rate development process by specifying in tariff language the specific, NYISO-approved formula and the data inputs from LIPA to be used in deriving the LIPA-calculated components of the TSC under that formula; and with such approval, the Trustees would not be required to yearly approve the specific values calculated under the formula, but would afford the staff specific direction on how to update LIPA's wholesale components to be reflected in the NYISO Tariff on a yearly basis; and

**WHEREAS**, notice of the Proposal was published in the State Register on May 21, 2003; public hearings were held on July 10, 2003 and no public comments have been received;

**NOW, THEREFORE, BE IT RESOLVED**, for the reasons given herein and in the accompanying Memorandum, the Proposal is hereby approved and the Chairman or his designee are hereby authorized and directed to undertake such actions as are necessary to implement the use of the formula rate to calculate LIPA's components of the wholesale TSC under the NYISO OATT and to take all necessary actions to include such yearly updates in the NYISO Tariff.

Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution authorizing the Chairman to engage two firms to provide records management consulting services to LIPA. The Chairman continued that the firms of ImageWork Technologies Corp. and Iron Mountain Inc. are best suited to fulfill LIPA's needs.

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

**660. ENGAGEMENT OF FIRMS TO PROVIDE RECORDS MANAGEMENT CONSULTING SERVICES**

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**RESOLVED**, that the Chairman be, and hereby is, authorized to engage the following firms to provide Records Management consulting services as needed by the Authority and LIPA, with the contract terms to be four years:

ImageWork Technologies Corporation  
Iron Mountain Incorporated

\* \* \*

Chairman Kessel stated that the next item on the agenda is the Operations Report, to be delivered by Mr. Hulkower.

Mr. Hulkower reported that the year-end projection of load growth and retention is 44.2 MW, against a target of 39.6 MW. He indicated that 30-day arrears have increased, and this is a normal seasonal pattern. He added that the total dollar amount is less than last year.

**Mr. Hulkower reported that the CAIDI reflects approximately 64 minutes per outage, as opposed to LIPA's average of 71 minutes in February and March. He further indicated that the SAIFI is expected to be between 13 and 14 months at the end of the year.**

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

**Ms. McCarthy reported that LIPA had income of \$7.5 million through August, which is \$900,000 less than budget. She indicated that revenues are approximately \$7.2 million ahead of plan, due primarily to strong residential customer growth partially offset by the softer commercial and industrial market.**

**Ms. McCarthy reported that fuel and purchased power continues to be an issue, and prices have remained high, but this is being addressed through the fuel and purchased power clause in LIPA's tariff. She indicated that Operations and Maintenance expenses are above budget, due to the temporary generation put into effect this summer.**

**Deputy Chairman Steinberg asked whether LIPA was hedging on fuel. Ms. McCarthy responded affirmatively.**

**Chairman Kessel entertained a motion to adjourn.**

**Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 1:10 p.m.**

**Respectfully submitted,**

**Stanley B. Klimberg**