

**LONG ISLAND POWER AUTHORITY**

**MINUTES OF THE 137th MEETING**

**HELD ON NOVEMBER 13, 2001**

Pursuant to notice dated November 6, 2001, the Long Island Power Authority (the "Authority") was convened for the one hundred and thirty-seventh time at 9:50 AM at the Omni Teleconference Center in Uniondale, NY.

The following Trustees of the Authority were present:

**Richard M. Kessel, Chairman**  
**Howard E. Steinberg, Deputy Chairman**  
**Harvey Auerbach**  
**Thomas Doherty**  
**Edna Gerrard**  
**Harriet Gilliam**  
**Rupert Hopkins**  
**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, Diana Taylor, Chief Financial Officer, Edward Murphy, Jr., Chief Administrative Officer, Bert Cunningham, Vice President - Communications, and Richard Bolbrock, Vice President - Power Markets.

Chairman Kessel welcomed everyone to this special meeting of the Board to consider issues relating to LIPA's Summer 2002 Powering Long Island Project.

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

Chairman Kessel stated that the first item on the agenda is approval of the minutes of the October 17<sup>th</sup> Board Meeting.

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

**567. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE OCTOBER 17, 2001 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY**

---

**RESOLVED**, that the Minutes of the meeting of the Authority held on October 17, 2001, 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 indicated that he will defer his report until after the Board votes on the action items scheduled for this meeting. He stated that the next item on the agenda is to adopt a Negative Declaration under SEQRA for the Summer 2002 Combustion Turbine Project. He explained that the Trustees are requested,

based upon a comprehensive Environmental Assessment dated November 2001, to approve a resolution approving and adopting, among other things, (1) the determination that the siting, construction and operation of nine combustion turbine generators referred to in the Environmental Assessment will not have a significant adverse impact on the environment and will not require the preparation of an environmental impact statement; and (2) the issuance of a Negative Declaration with respect to such action.

Chairman Kessel stated that there is an emergency need for immediate action to add at least 400 MW of new generating capacity on Long Island to be in operation beginning in the summer of 2002. He indicated that the Chairman of the Department of Public Service and the New York Independent System Operator have both urged the addition of at least 400 MW of new generating capacity on Long Island to meet reliability needs by the summer of 2002 and thereafter.

Chairman Kessel stated that LIPA staff has advised that the most feasible way to provide the required additional generating capacity during the summer of 2002 is through the installation, on sites to be owned by LIPA, of nine combustion turbines, with advanced emissions controls, to be constructed and operated by designated private developers, who will sell the electrical output from their respective turbines to LIPA for specified periods of time. He noted that in consultation with its outside engineering and environmental consultants, LIPA staff has carried out an extensive investigation of appropriate sites for placement of such turbines and has identified five sites, ranging in size from approximately

two to ten acres, in Nassau and Suffolk Counties that LIPA staff has determined are appropriate for siting of the turbines. He indicated that the sites are located at Bethpage and Glenwood Landing in Nassau County, and Port Jefferson, Brentwood and Shoreham in Suffolk County; and that the Bethpage site will have one turbine and the sites in Glenwood Landing, Port Jefferson, Brentwood and Shoreham will each contain two turbines. He noted that, in all cases, the actual output of each generating facility at each site will not exceed 79.9 MW.

Chairman Kessel stated that on October 11, 2001, LIPA declared itself “lead agency” to perform an assessment of the potential environmental impacts of the Summer 2002 Combustion Turbine Project and its individual components as required by SEQRA. He indicated that this assessment culminated in the production of the comprehensive Environmental Assessment that has been distributed to the Trustees. He further noted that the Environmental Assessment found that the proposed Project, while a “Type I” action under SEQRA, will not, either individually or cumulatively, have a significant adverse impact on the environment and thus will not require the preparation of an environmental impact statement under SEQRA.

Chairman Kessel indicated that the project sponsors have filed applications with the New York State Department of Environmental Conservation and the Department of Public Service to construct and operate the nine turbines; and that public hearings on the NYSDEC applications are expected to be held in December at several locations near each of the proposed facilities. The Chairman

reminded the Board that a tenth turbine will be installed at a site in Far Rockaway, as previously approved by the Board.

Chairman Kessel highlighted to the Board that (1) this Powering Long Island Project is absolutely essential for LIPA to keep the lights on next year; (2) LIPA's augmented Clean Energy budget for next year and the Cross-Sound Cable project cannot be depended upon to meet the shortfall expected in 2002; (3) in this turbine project LIPA will be fostering competition through the introduction of four different developers; and (4) the turbines will be highly efficient and the cleanest power plants in operation on Long Island.

Chairman Kessel requested that formal presentations be made on the proposed resolution. Mr. Klimberg indicated that presentations will be made by LIPA's environmental counsel (Mr. Leland of Rosenman & Colin and Mr. Kass of Carter, Ledyard & Milburn) and LIPA's environmental consultant (Mr. Rosen of Allee King Rosen & Fleming).

Mr. Leland explained the SEQRA process, and indicated that LIPA commissioned Allee King Rosen & Fleming to conduct the Environmental Assessment. He stated that the Environmental Assessment concluded that the turbines will not have any significant adverse impact in any of the following environmental areas examined: land use and zoning, community facilities and cultural resources, visual resources, socioeconomic and environmental justice, traffic, air quality, noise, infrastructure, contaminated materials, soils, natural

resources, storm water management, surface water resources, waterfront revitalization, and construction.

Mr. Kass commended LIPA staff for being extremely helpful and supportive in all aspects of the environmental review. He highlighted the exceptionally comprehensive nature of the Environmental Assessment, consisting of about 2,000 pages. He emphasized that the assessment not only found that each facility standing alone will have no significant adverse impact, but also found that cumulatively there will be no significant adverse impact. Mr. Rosen explained that these findings follow in part from the fact that each of the sites has existing energy facilities on adjacent or nearby properties. He noted that the new stacks will blend in with existing stacks. He explained that the air quality analysis shows that, individually, the emissions from the facilities will not have a significant effect on air quality concentration and, cumulatively, the emissions from all the facilities will not violate air quality standards and will not produce any adverse health effects.

Trustee Sinnreich indicated he is very impressed with the comprehensiveness of the Environmental Assessment and its separate and cumulative analyses of the proposed facilities. He inquired as to the coastal assessment for the Glenwood Landing site. Mr. Sears of Allee King Rosen & Fleming explained that given that Hempstead Harbor has been designated a significant coastal fish and wildlife habitat, the Glenwood Landing site was examined closely and there was a very minor modification of the state pollutant

discharge elimination system permit, actually involving a reduction, and the coastal assessment found no significant adverse impact. Trustee Sinnreich asked with regard to the Port Jefferson site whether cumulative noise levels will be within tolerable limits. Mr. Rosen and Mr. Leland indicated yes.

Chairman Kessel expressed thanks for the presentations. He also credited LIPA staff for their tremendous work, and observed that the Governor's office has been extremely cooperative and helpful in working with LIPA on this project. Chairman Kessel further expressed gratitude for the assistance from NYPA, particularly Mr. Clemente. Chairman Kessel noted that separate hearings will be held in the involved communities, and LIPA has already conducted a number of open houses. He observed that LIPA has received a very high level of support from the communities and public officials involved. He thanked the government affairs personnel on LIPA's staff for their excellent work.

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

**568. APPROVAL OF NEGATIVE DECLARATION UNDER SEQRA**

**WHEREAS, the growing Long Island economy and other factors have resulted in an increasing demand for electricity that is projected to continue into the foreseeable future; and**

**WHEREAS, the Long Island Power Authority ("LIPA") staff has concluded that LIPA has a need for at least an additional 400 megawatts ("MW") of new generating capacity on Long Island to be operational by the summer of 2002 in order to meet its capacity requirements; and**

**WHEREAS, the Chairman of the Department of Public Service and the New York Independent System Operator (“NYISO”) have both urged the addition of at least 400 MW of new generating capacity on Long Island to be operational by the summer of 2002 in order to meet reliability needs during the summer of 2002 and thereafter; and**

**WHEREAS, the maintenance of a continuous and reliable supply of dependable electric power and energy is an essential matter of urgent public concern and requires emergency action; and**

**WHEREAS, in order to help meet that need, LIPA has proposed to approve and carry out its Summer 2002 Combustion Turbine Project (the “Project”); and**

**WHEREAS, over the past several months, LIPA’s staff has engaged, with the assistance of project sponsors, environmental engineers, consultants and counsel, in a comprehensive assessment of the potential environmental impacts of the proposed Project in order to determine, in LIPA’s role as “lead agency” under the State Environmental Quality Review Act, whether that Project would or might have any significant adverse environmental impacts; and**

**WHEREAS, the Environmental Assessment finds that no significant adverse environmental impacts will result from the Project and, accordingly, that no environmental impact statement is required under SEQRA;**

**NOW, THEREFORE, BE IT RESOLVED, that LIPA hereby (a) confirms that it is the “lead agency” for the review of the Project under the State Environmental Quality Review Act (“SEQRA”), (b) approves and adopts the comprehensive Environmental Assessment, dated November 2001, for the Project, and (c) for the reasons set forth in and on the basis of such Environmental Assessment, finds and determines that (1) the siting, construction and operation of the nine turbines at the sites referred to in such Environmental Assessment and the carrying out of the Project will not, either individually or cumulatively, 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, file and publish 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 judgement of the Chairman or his designee, to ensure that the foregoing is carried out.**

**\* \* \***

**Chairman Kessel stated that the next item on the agenda is to approve a resolution authorizing the Chairman to execute and implement power purchase**

agreements (“PPA”) and other related agreements and to take such actions as are necessary to implement arrangements for LIPA to purchase power from planned generation at sites at Bethpage and Glenwood Landing in Nassau County and Port Jefferson, Brentwood and Shoreham in Suffolk County, in order to carry out the Summer 2002 Combustion Turbine Project. He indicated that the Trustees are also requested to authorize the acquisition by or on behalf of LIPA of real property at the five identified sites, including any permanent or temporary easements necessary for the construction, operation and maintenance of five generating facilities to meet LIPA’s need for additional generating capacity and improved system reliability by the summer of 2002. He stated that the Trustees are further requested to authorize the Chairman to ratify the Chairman’s execution of a Memorandum of Understanding with NYPA and to execute and carry out a Memorandum of Understanding with the Department of Public Service of the State of New York (“DPS”), in order for LIPA to secure necessary assistance to accomplish the project.

Chairman Kessel noted the importance of moving forward quickly on the PPAs. He highlighted that by bringing in other developers in addition to KeySpan, LIPA intends to enhance competition on Long Island.

Trustee Sinnreich asked how LIPA selected the developers, and Trustee Maimoni inquired as to the use of competitive bidding. Mr. Klimberg explained that LIPA conducted various competitive requests for proposals processes with respect to the Shoreham and Far Rockaway sites. He also indicated that, in

accordance with its statutory powers, LIPA conducted extensive discussions and negotiations with a wide range of developers having the capabilities, resources and interest to meet LIPA's urgent need for capacity next summer. He stated that through these processes and activities, LIPA has identified a set of developers that are well-positioned to meet that need on an economic and reliable basis. Chairman Kessel highlighted that the selection process was highly competitive, and that any further competitive process would probably prevent the units from being installed in time for the summer of 2002.

Trustee Sinnreich asked whether LIPA's selection of developers was impacted by whether those developers are pursuing other projects on Long Island. Mr. Klimberg observed that was not a significant consideration. He indicated that the developers are major companies that are pursuing projects on Long Island and elsewhere in the country.

Deputy Chairman Steinberg commented that the Environmental Assessment report presented to the Board today was outstanding. He asked about the useful life of these combustion turbines and their financial impact. Mr. Klimberg stated that the turbines should be able to operate on the order of 25 years. Regarding economics, he indicated that the projects should be built at a cost of less than roughly \$50 million per unit, to be incurred by the developer. He explained that LIPA will be paying for the power from the projects, including fixed and variable charges. Deputy Chairman Steinberg asked if these projects will impact LIPA's capital budget. Mr. Klimberg responded no, except to the limited

extent that LIPA undertakes transmission upgrades in connection with these projects. Chairman Kessel emphasized that these projects are being built for LIPA, not by LIPA, so that most of the risks in construction will be assumed by private developers. He noted that the construction costs are not expected to directly impact electric rates on Long Island. He also reminded everyone that LIPA is working with Stone & Webster to prepare an Energy Master Plan document addressing, among other things, LIPA's long term requirements for capacity and energy and related transmission upgrades.

Trustee Auerbach inquired whether LIPA will be paid by developers for ground leases. Mr. Klimberg explained that LIPA will lease the land to the developers for the term of the PPA and in some cases beyond. He stated that generally where LIPA is purchasing all of the capacity, LIPA's payments will be net of lease costs to the developer for that period of the PPA. He indicated that at least for lease periods extending beyond the PPA term, LIPA will receive the benefit of lease payments set at fair market value. In response to a further inquiry from Trustee Auerbach on the responsibility for real estate taxes and PILOTS, Mr. Klimberg explained that it is expected LIPA will make PILOT payments on the land and equipment during the PPA term, and that issues on tax responsibilities beyond that term are being looked into. The Chairman stated that there will be sufficient tax revenues for communities and school districts.

Trustee Polimeni asked whether the ground lease terms will differ, and what happens when the lease expires. Mr. Klimberg responded that those terms

and specific lease arrangements will differ in accord with the separate negotiations with each of the developers and those developers' varied needs and interests. He indicated that LIPA will assume continuing ownership of the Shoreham and Brentwood sites. He stated that it is expected LIPA will condemn the Port Jefferson, Glenwood Landing and Calpine sites. He indicated it is expected that at some point in the future those condemned properties would revert back to the original owners.

Trustee Gilliam inquired further about the reasoning behind different terms of the PPAs. Chairman Kessel explained that in the negotiation process, LIPA has sought a mix of long term PPAs assuring LIPA of capacity for that term, together with some shorter term PPAs such as with companies that may wish to do merchant business on Long Island and thereby enhance competition, and where LIPA does see a need or benefit from assuming long term power purchase obligations.

Trustee Doherty stated that the power plants that are to be located on Long Island have been installed all over the world including throughout the United States. He added that there are eleven similar kinds of plants in New York State. He noted that the plants seem to be a very good product.

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

**569. AUTHORIZATION TO ENTER INTO POWER PURCHASE AGREEMENTS, ACQUIRE AND LEASE SITES AND UNDERTAKE RELATED ACTIVITIES IN CONNECTION WITH SUMMER 2002 COMBUSTION TURBINE PROJECT**

---

**WHEREAS, the growing Long Island economy and other factors have resulted in an increasing demand for electricity that is projected to continue into the foreseeable future; and**

**WHEREAS, the Long Island Power Authority (“LIPA”) staff has concluded that LIPA has a need for at least an additional 400 megawatts (“MW”) of new generating capacity on Long Island to be operational by the summer of 2002 in order to meet its capacity requirements; and**

**WHEREAS, the Chairman of the Department of Public Service and the New York Independent System Operator (“NYISO”) have both urged the addition of at least 400 MW of new generating capacity on Long Island to be operational by the summer of 2002 in order to meet reliability needs during the summer of 2002 and thereafter; and**

**WHEREAS, the maintenance of a continuous and reliable supply of dependable electric power and energy is an essential matter of urgent public concern and requires emergency action; and**

**WHEREAS, LIPA had determined that to meet the immediate need for additional generating capacity by the summer of 2002, it needs to acquire real property interests with respect to five sites, whether by purchase, eminent domain or transfer of jurisdiction with the assistance of the New York State Power Authority (“NYPA”) and/or the New York State Department of Transportation (“NYSDOT”), and to lease those sites to private developers who will install five electric generating facilities that will be able to supply power to LIPA by the summer of 2002; and**

**WHEREAS, in order to help meet that need, LIPA has proposed to approve and carry out its Summer 2002 Combustion Turbine Project (the “Project”) and in order to carry out such Project to (1) enter into certain power purchase agreements (“PPA”) and other related agreements, (2) acquire the necessary sites for the nine turbines as identified in the comprehensive Environmental Assessment dated November 2001 by purchase, eminent domain or transfer of jurisdiction, (3) seek the assistance and services of certain employees and consultants from NYPA, and (4) seek the assistance and services of certain employees from the Department of Public Service of the State of New York (the “DPS”); and**

**WHEREAS, by separate Resolution, the Trustees have determined that the Project would not have any significant adverse environmental impact and authorized the Chairman to prepare and file a Negative Declaration with respect to the Project;**

**NOW, THEREFORE, BE IT RESOLVED**, that the Chairman be and hereby is authorized to execute and carry out the PPA's and other related agreements and arrangements, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chairman, to implement LIPA's purchase of power from new, gas-fired generation projects for operation in the summer of 2002, including but not limited to projects in Bethpage, Glenwood Landing, Port Jefferson, Brentwood and Shoreham, in order to ensure the availability of sufficient additional on-Island power supply resources to serve LIPA's customers; and be it further

**RESOLVED**, that the Chairman or his designee is authorized to take all steps necessary, to acquire real property interests in the sites identified above, including requesting the assistance of NYPA and/or the Commissioner of the NYSDOT, to acquire such sites, by purchase, eminent domain, or transfer of jurisdiction, to approve the payments to be made for the acquisition of the sites so selected, and to execute on behalf of LIPA such certificates, requests, directions or documents as are necessary for the acquisition of such real property interests; and be it further

**RESOLVED**, that the Chairman be, and hereby is, authorized to take all necessary actions, including execution of the Memorandum of Understanding with DPS (the "DPS MOU") and all other related agreements and arrangements to implement the DPS MOU; and be it further

**RESOLVED**, that the Chairman's execution of a Memorandum of Understanding with NYPA (the "NYPA MOU") be, and hereby is, ratified and approved in all respects and that the Chairman be, and hereby is, authorized to take all necessary actions and execute all other related agreements and arrangements to implement the NYPA MOU; and be it further

**RESOLVED**, that the authority of the Chairman, the Chief of Staff and the Vice President-Power Markets as set forth in the foregoing Resolved clauses shall include the authority for each to execute any and all other agreements, leases, indentures, papers or instruments and to perform such further acts and deeds which may be deemed necessary, convenient or appropriate, in the judgment of those respective officers, to ensure that the Project is carried out; and be it further

**RESOLVED**, that all actions taken by the Chairman, Chief of Staff and Vice President-Power Markets with respect to the Project referred to in the foregoing resolutions are hereby in all respects ratified and approved.

\* \* \*

Chairman Kessel then turned to his report. He expressed condolences for all the people lost in the Flight 587 tragedy in Far Rockaway, and a moment of silence was observed. He specifically thanked Mr. Ranghelli for the extraordinary job by the LIPA work force to restore service during the day of the jet crash to all but about 12 of the 2000 customers affected. The Chairman indicated that LIPA worked closely with law enforcement, the New York City Office of Emergency Management, and local fire and police departments in this effort. The Chairman stated that the Governor was very pleased with LIPA's response.

Chairman Kessel reported that unfortunately last week the Suffolk County Legislature enacted a budget that, if approved by the County Executive, would increase a tax on energy, including electricity, from 1% to 2½%. The Chairman stated he was stunned and highly disappointed that the Legislature, which has criticized LIPA for surcharges on electric bills, would raise electric bills for the average customer in Suffolk County by about \$16 a year, without the benefit of any public hearings or comment and apparently without the knowledge of the legislators as to what they were voting on. He indicated that up until the vote, LIPA and most legislators were being told that the tax was solely on heating fuels and would not apply to electricity. He indicated that about 66% of the new tax would be paid by LIPA electric customers in Suffolk County, and that this is an unfair hidden tax burdening an essential service. He stated that this tax represents an unfortunate precedent, in which LIPA is used to collect a tax for Suffolk County. He indicated that LIPA is formally requesting that the County Executive and Legislature either rescind the tax or at least not approve it before

**LIPA has the opportunity for review. The Chairman stated that he has asked LIPA counsel to review whether the tax would have proper authorization, and to identify LIPA's legal options.**

**Trustees Auerbach and Doherty also voiced great disappointment in the Suffolk County Legislature's action.**

**Chairman Kessel introduced Kathleen Stella, who has been on LIPA's staff for two years, and indicated she is replacing Rosemarie Fama as Secretary to the Board. He thanked Ms. Leat for all her help in filling the Secretary role.**

**Chairman Kessel announced that the next Board meeting is scheduled for 7 PM on November 29, 2001, at the Omni Teleconference Center.**

**Chairman Kessel entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 11:14 AM.**

**Respectfully submitted,**

**Stanley B. Klimberg**