

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 130th MEETING

HELD ON JANUARY 23, 2001

Pursuant to notice dated January 18, 2001, the Long Island Power Authority (the "Authority") was convened for the one hundred and thirtieth time at 10:10 AM at the Omni Teleconference Center in Uniondale, NY.

The following Trustees of the Authority were present:

**Richard M. Kessel, Chairman
Howard Steinberg, Deputy Chairman
Michael Affrunti
NancyAnn Akeson
Harvey Auerbach
Thomas Doherty
Michael Faltischek
Joseph Janoski
Vincent Polimeni
Jonathan Sinnreich**

Also representing the Authority were Stanley Klimberg, General Counsel, Seth Hulkower, Chief Operating Officer, Edward Grilli, Chief of Staff, Edward Murphy, Chief Administrative Officer and Vice President and Controller, Bert Cunningham, Vice President - Communications, Richard Bolbrock, Vice President – Power Markets,

William Davidson, Director of Government Relations, Christopher Furlong, Director of Customer Relations, Bruce Germano, Vice President – Retail Services, Lianne Altmann, Clean Energy Project Manager, and Rosemarie Fama, Secretary to the Board.

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

Chairman Kessel stated that the first item on the agenda is approval of the minutes of the December 12 Board Meeting.

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

516. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE DECEMBER 12, 2000 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on December 12, 2000, 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 discussed the power crisis in California and the resource situation affecting LIPA and its customers. He indicated that fortunately LIPA is not faced with the same situation as in California. He observed that there has been a supply problem as well as a financial problem in California, with no significant new generation built in California for over a decade. He stated that it is critical for LIPA to secure additional sources of power on Long Island for this summer or we could face a California-type situation.

Chairman Kessel discussed some of LIPA's strategies relative to addressing the growing need for power on Long Island. He indicated that one approach is to emphasize energy efficiency and new technologies to benefit customers. He indicated that the proposed resolution (on today's Board agenda) for approval of a revised Supplemental Service Tariff would encourage increased utilization of customer-supplied generation on Long Island during the peak summer months. Chairman Kessel also remarked on how the TransEnergie project for a new under-Sound cable is moving forward. He commended Mr. Bolbrock and his staff for keeping this project on track.

Chairman Kessel mentioned that Trustee Faltischek has suggested that

LIPA conduct workshops for the Trustees on the California power crisis and the resource situation LIPA will face in the upcoming summer months. Chairman Kessel indicated that he has asked Mr. Hulkower to organize such workshops.

Chairman Kessel stated the next item on the agenda is the Operations Report, to be delivered by Mr. Hulkower. Mr. Hulkower began his report with an update on the Y50 transmission cable issue. He indicated that service is due back on February 5 and that LIPA's next step will be to test the facility. He commended the clean-up crew and indicated there is no evidence of the problem at the site. Mr. Hulkower then turned to the year-end sales and marketing results for 2000. He indicated that LIPA exceeded its goals for both load and revenue growth. He praised Mr. Germano for the terrific job of his sales and marketing group. Chairman Kessel reported that the System Average Interruption Frequency Index (SAIFI) results for December 2000 reflected an unusually high number of outages due to storms. He further reported that the Customer Average Interruption Duration Index (CAIDI) remained level and met LIPA's goals. He remarked that LIPA's maintenance efforts on the system, including the tree-trimming program, has allowed LIPA to restore customers very quickly.

Chairman Kessel then commended the staff of LIPA for all their work during

the New Year's weekend to deal with the storm. He explained the various types of storms affecting the system and how LIPA deals with such storms. He also commended the Trustees for their previous decision that LIPA be more aggressive with its tree-trimming program, and he explained that this decision has resulted in the system being less affected by storms. He also praised Ms. Altmann for her great job on LIPA's Clean Energy Initiative, which has produced extraordinary results. He indicated that LIPA's goal was to have 136,000 participants in that program, but this goal has been far exceeded by having 452,000 participants. He also indicated that in the program, rebates were provided for 382,000 light bulbs and 50,000 fixtures, and LIPA saved 32,000 megawatt hours. He credited Home Depot for its participation in the program.

Chairman Kessel stated that the next item on the agenda is the Finance Report, to be given by Mr. Murphy. Mr. Murphy explained that the income statement shows that, as was forecasted, LIPA's net revenue goals are about \$66 million ahead of budget. He cautioned that while LIPA has forecasted year-end net revenues to be in the range of \$60 to \$70 million ahead of budget, the final numbers will be subject to the outcome of the fuel cost recovery issue.

Deputy Chairman Steinberg asked Mr. Murphy whether LIPA has put into

effect the issuance of commercial paper, as approved at the last Board meeting. Mr. Murphy responded that LIPA is in the process of resolving the fuel cost recovery issue so that it can then proceed with the commercial paper program. Trustee Sinnreich asked why the financial reports are not for more recent periods. Mr. Murphy explained how the finance reports are prepared and how the Finance Department is working on presenting the Trustees with more up to date information in the future.

Chairman Kessel indicated that the next item on the agenda is approval of the revised Supplemental Service Tariff. He explained that the revisions are intended to attract additional on-site generation to help meet the need for additional capacity; to encourage customers with on-site generation to choose LIPA's electric supply in the non-summer months; and to encourage customers with on-site generation to use non-LIPA electric supply during the summer business hours. He thanked Mr. Germano, Mr. Furlong and the Association for a Better Long Island for their work on this item.

In response to an inquiry from Trustee Sinnreich, Mr. Germano explained that the tariff revisions will provide Supplemental Service customers with the option of grandfathering the rates specified for their chosen service classification. Mr. Germano explained that this option will prevent undue hardship to customers, and

has no sunset provision. Chairman Kessel asked Mr. Germano to monitor the program and provide a status report this summer.

Trustee Polimeni inquired as to what assurance LIPA can provide to commercial customers that this program will be in place long enough to permit such customers to recover significant costs they incur, such as investment in on-site generation, in reliance upon the program. He suggested that LIPA should indicate a period of time, absent an emergency, during which it will not change the fundamental concept or structure of the revised Tariff, but may adjust the rates. Mr. Germano explained that the proposed Tariff revisions have no sunshine provision, and that this proposal is an integral part of LIPA's overall strategy to meet summer resource requirements. He further explained that LIPA's intent under this proposal is to develop a partnership with the customer, and that there is a cap on the financial exposure to the customer.

Trustee Sinnreich indicated that from a legal perspective LIPA cannot agree not to change the Tariff in the future. Trustees Janoski and Faltischek indicated their agreement with this point. Chairman Kessel indicated that the proposed resolution will be amended to incorporate the intent of the Trustees to essentially maintain the revised Supplemental Service Tariff for the next fifteen years in a way that reasonably

accommodates concerns articulated by Trustee Polimeni as to customers' costs incurred in reliance upon expected continuation of that revised Tariff. Trustee Faltischek expressed his support for this approach and stated that if LIPA were to change the Supplemental Service rates, he expects that such changes would apply only to future customers such that previous customers would be grandfathered under their earlier chosen rate structure.

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

517. ADOPTION OF REVISIONS TO LIPA'S TARIFF REGARDING SUPPLEMENTAL SERVICE

WHEREAS, in November 2000, the Long Island Power Authority ("Authority") issued a Notice of Proposed Rulemaking inviting public comment on the Authority staff's proposal ("Proposal") to revise LIPA Tariff provisions on Supplemental Service so as to establish a relatively low energy charge applicable throughout the year, a demand charge in the summer period only, a fixed monthly service charge, and a replacement energy charge; and

WHEREAS, the pricing structure in the Proposal is designed to attract additional on-site generation to help meet the need for additional capacity on Long Island; encourage customers with on-site generation to choose LIPA's electric supply in the non-summer months; and encourage customers with on-site generation to consider the use of non-LIPA electric supply during summer business hours (12 noon to 8 p.m., Monday through Friday, June through September); and

WHEREAS, notice of the proposed action was published in the State Register on November 15, 2000, two public hearings were held on January 8, 2001, and the public comment period has expired, with no comments received from the public beyond

certain input received during two informal workshops conducted by the Authority's staff during the public comment period;

WHEREAS, upon further review of the Proposal and consideration of the input received during the workshops, it is in the public interest to adopt modifications to the Proposal in order to ensure that the benefits of Supplemental Service are available to a wider range of customers with different load factors and to reasonably limit the financial risks to customers from their on-site generation;

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 Authority does not intend to modify within the next fifteen years the revisions adopted herein to LIPA's Tariff regarding Supplemental Service ("revised Tariff") in a way that would remove the applicability of Supplemental Service from those customers that are receiving Supplemental Service under the revised Tariff and that have incurred significant costs in reliance on the continued availability of Supplemental Service under the revised Tariff; and be it further

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

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Chairman Kessel indicated that the next item on the agenda is the appointment of certain officers. He stated that the Trustees are being asked to create two new officer positions, i.e., Chief Administrative Officer and Chief of Staff. Chairman Kessel explained the responsibilities of these new positions. He indicated he recommends that Mr. Murphy be appointed Chief Administrative Officer and Mr. Grilli be appointed Chief of Staff. He stated that the Trustees are also being asked to

fill two existing officer positions. He indicated he recommends that Ms. Diana Taylor be appointed Chief Financial Officer and Ms. Rosemarie Fama be appointed Secretary to the Authority Board of Trustees.

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

**518. CREATION OF AND APPOINTMENT TO OFFICE OF CHIEF
ADMINISTRATIVE OFFICER**

RESOLVED, that the Long Island Power Authority (“Authority”) Board of Trustees hereby authorizes the creation of the Office of Chief Administrative Officer; and be it further

RESOLVED, that the responsibilities of the Chief Administrative Officer shall include managing the administrative affairs of the Authority and performing such other duties as may be assigned to him by the Chairman or the Trustees, subject, however, at all times to the supervision and control of the Chairman and the Trustees, and subject further to any limitations which the Chairman or the Trustees may from time to time prescribe; and be it further

RESOLVED, that Edward P. Murphy, Jr. be, and hereby is, appointed to the Office of Chief Administrative Officer, effective January 23, 2001, until the earlier of his resignation or removal; and be it further

RESOLVED, that the incumbent of the Office of Chief Administrative Officer shall be an officer of the Authority within the meaning of the Authority’s enabling legislation (Chapter 517 of the Laws of 1986), as amended, including Section 1020-bb of the Public Authorities Law, and all other applicable laws.

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519. CREATION OF AND APPOINTMENT TO OFFICE OF CHIEF OF STAFF

RESOLVED, that the Long Island Power Authority (“Authority”) Board of Trustees hereby authorizes the creation of the Office of Chief of Staff; and be it further

RESOLVED, that the responsibilities of the Chief of Staff shall include managing the Office of the Chairman, including its budget, representing that Office both internally and externally, functioning as a key advisor to the Chairman, and performing such other duties as may be assigned to him by the Chairman or the Trustees, subject, however, at all times to the supervision and control of the Chairman and the Trustees, and subject further to any limitations which the Chairman or the Trustees may from time to time prescribe; and be it further

RESOLVED, that Edward J. Grilli be, and hereby is, appointed to the Office of Chief of Staff, effective November 27, 2000, until the earlier of his resignation or removal; and be it further

RESOLVED, that the incumbent of the Office of Chief of Staff shall be an officer of the Authority within the meaning of the Authority’s enabling legislation (Chapter 517 of the Laws of 1986), as amended, including Section 1020-bb of the Public Authorities Law, and all other applicable laws.

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520. APPOINTMENT TO OFFICE OF CHIEF FINANCIAL OFFICER

RESOLVED, that Diana L. Taylor be, and hereby is, appointed to the Office of Chief Financial Officer, effective February 5, 2001, until the earlier of her resignation or removal; and be it further

RESOLVED, that the incumbent of the Office of Chief Financial Officer shall be an

officer of the Long Island Power Authority (“Authority”) within the meaning of the Authority’s enabling legislation (Chapter 517 of the Laws of 1986), as amended, including Section 1020-bb of the Public Authorities Law, and all other applicable laws.

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521. APPOINTMENT TO OFFICE OF SECRETARY

RESOLVED, that Rosemarie D. Fama be, and hereby is, appointed to the Office of Secretary to the Long Island Power Authority (“Authority”) Board of Trustees, effective January 2, 2001, until the earlier of her resignation or removal; and be it further

RESOLVED, that the incumbent of the Office of Secretary to the Authority Board of Trustees shall be an officer of the Authority within the meaning of the Authority’s enabling legislation (Chapter 517 of the Laws of 1986), as amended, including Section 1020-bb of the Public Authorities Law, and all other applicable laws.

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Chairman Kessel stated that the next item of business is to authorize the Chairman to negotiate a lease for additional office space in LIPA’s current headquarters, the Omni building in Uniondale. He asked Mr. Grilli to briefly inform the Board as to the current status of this matter. Mr. Grilli indicated that the goal is to secure additional space on the second floor of the Omni building in order to accommodate LIPA’s staffing needs.

Deputy Chairman Steinberg inquired about LIPA’s current and projected

staffing needs. Mr. Grilli stated that LIPA currently has approximately sixty employees, and Mr. Feldman confirmed that LIPA's budget reflects the need to have seventy-seven employees by the end of 2001. Chairman Kessel highlighted that LIPA is understaffed and needs to add additional personnel in coming years. He explained that the additional space must be secured to fill current needs and that other options are being explored for the future. Trustee Auerbach asked what the term of the lease would be and Mr. Grilli responded ten years.

Deputy Chairman Steinberg requested that the Trustees be provided with detailed information on LIPA's staffing needs, including how they relate to KeySpan's activities. Trustee Sinnreich mentioned that a very useful and informative LIPA status chart on this subject was previously distributed, and Chairman Kessel asked that the chart be furnished to all the Trustees.

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

523. AUTHORIZATION FOR CHAIRMAN TO ENTER INTO LEASE AGREEMENT FOR ADDITIONAL SPACE TO MEET LIPA STAFFING NEEDS

RESOLVED, that the Chairman be, and hereby is, authorized to enter into a lease agreement for additional space at the Long Island Power Authority ("Authority") headquarters building (the Omni building in Uniondale, New York) to meet the Authority's staffing needs; and be it further

RESOLVED, that the authority granted to the Chairman under the preceding resolved clause shall be deemed to include the authority for the Chairman and his designees to perform such acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chairman, to provide for negotiation, execution and implementation of a lease agreement as referred to in that resolved clause.

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

524. REQUEST THAT CITIZENS ADVISORY PANEL BOARD CONVEY TO LIPA ITS POSITION CONCERNING FUEL COST RECOVERY ISSUE

WHEREAS, LIPA's unrecovered fuel and purchased power costs for the year 2000 are approximately \$296 million;

NOW, THEREFORE, BE IT RESOLVED, that the Long Island Power Authority ("Authority") Board of Trustees hereby requests that the Citizens Advisory Panel ("CAP") Board formally convey to the Authority the CAP Board's position on what action the Authority should take to deal with LIPA's unrecovered fuel and purchase power costs for the year 2000, including to what extent, how and when such costs should be passed along to LIPA's customers.

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Chairman Kessel entertained a motion to go into executive session to discuss personnel and litigation matters. Upon motion duly made and seconded, the following resolution was approved unanimously:

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

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

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At 11:20 a.m. the open session of the Board of Trustees was temporarily adjourned and an executive session of the Board of Trustees was convened. At 12:10 p.m. the executive session was adjourned and the open session was reconvened.

Chairman Kessel entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 12:15 p.m.

Respectfully submitted,

Stanley B. Klimberg