

**LONG ISLAND POWER AUTHORITY**  
**MINUTES OF THE 122<sup>nd</sup> MEETING**  
**HELD ON MARCH 30, 2000**

Pursuant to notice dated March 22, 2000, the Long Island Power Authority (the "Authority") was convened for the one hundred and twenty second time at 10:25 AM at the Omni Teleconference Center in Uniondale, NY.

The following Trustees of the Authority were present:

Richard M. Kessel, Chairman  
Patrick Foye, Deputy Chairman  
Michael Affrunti  
NancyAnn Akeson  
Harvey Auerbach  
Thomas Doherty  
Joseph Janoski  
Rupert Hopkins  
Robert Maimoni  
Nancy Miklos  
Vincent Polimeni  
Jonathan Sinnreich

Also representing the Authority were Seth Hulkower, Chief Operating Officer, Stanley Klimberg, General Counsel, David Warren, Chief Financial Officer, David Feldman, Budget Director, Ken Kane, Director of Financial Reporting, Ellen Markowski, Special Assistant to the Chairman, William Davidson, Director – Government Affairs, Richard Bolbrock, Vice President – Power Markets, Bert Cunningham, Vice President – Communications, Christopher Furlong, Director – Customer Relations, Bruce Germano, Vice President – Retail Services, Laurie Leat, Secretary to the Board, and Alan Elberfeld, Manager – Retail Access & ISO Relations.

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

Chairman Kessel asked for a moment of silence in honor of Legislator Barbara Johnson who passed away recently. (A moment of silence was observed.)

Chairman Kessel stated that the first item on the agenda is approval of the minutes of the February 29 Board Meeting.

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

483. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE  
FEBRUARY 29, 2000 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 February 29, 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 stated that the next item on the agenda is his report providing updates on some LIPA activities. He indicated that LIPA had a very successful event yesterday in formally announcing and kicking off the Long Island Solar Initiative. He stated that this LIPA initiative is one of only fifty partnerships in the country to participate in a program that President Clinton launched three years ago with the goal of outfitting a million roofs in the United States with photovoltaics and solar panels. Chairman Kessel stated that LIPA's goal is to have 10,000 solar roofs on Long Island by the year 2010. The Chairman commended Mr. Raacke, Mr. Smeloff and KeySpan for partnering with LIPA in this project.

Chairman Kessel invited the Trustees to attend a press event on March 31 at Brookhaven National Laboratory with Energy Department Secretary Richardson, LIPA and

NYSERDA to launch a major fuel cell project.

Chairman Kessel reported that LIPA is currently working on several wind projects in Nassau County and the East End of Long Island.

Chairman Kessel stated that the next item on the agenda is the operating report. He asked Mr. Hulkower to present the report to the Board.

Mr. Hulkower presented a videotape on the construction in the Riverhead-Southampton transmission line project. He stated that this will be the longest underground transmission line of this voltage in the country. Chairman Kessel commended Mr. Hulkower on an outstanding job dealing with some very controversial community issues. Mr. Hulkower invited the Trustees to contact him to arrange a tour of the construction project.

Deputy Chairman Foye asked if the splicing work in that construction project could be observed. Mr. Hulkower stated that it is possible to see some of that work but observers need to maintain some distance.

Trustee Polimeni asked what will be the weakest point of the transmission line. Mr. Hulkower explained that the weakest point in this type of line is always the splices, and for that reason all the splices are in the very large manholes to facilitate necessary repairs.

Deputy Chairman Foye asked if LIPA has sold access to the trench to any other entities. Mr. Hulkower stated that LIPA has installed a conduit into which LIPA can subsequently pull fiber optic cable if it so chooses.

As the next agenda item, Chairman Kessel asked Mr. Warren to deliver the financial report.

Mr. Warren stated that the financial statements provided to the Trustees are the actual financial statements that have been released to the public. He stated that sales for 1999 were up 7.1 percent over the previous year. Deputy Chairman Foye asked what sales were for the first couple of months of 2000. Mr. Warren stated that actual sales through February were about two percent above forecast. He also stated that sales for February 2000 were about five percent over the level in February 1999 (weather normalized). He reported that LIPA is definitely selling more electricity.

Mr. Warren stated that as a result of the Shoreham Settlement Agreement, LIPA was able to enter a regulatory asset on the books as of December 31, 1999 reflecting entries that had been made in 1998 in the absence of a Shoreham Settlement Agreement. He stated that the effect of that Settlement on net income for 1999 was approximately \$63 million.

Mr. Warren reported that the Operations and Maintenance (O&M) expenses for last year included about \$169 million for the rebate checks that were distributed. He stated that those O&M expenses have now been adjusted for those checks minus expenses that LIPA will not recover through the Shoreham Settlement surcharge. He indicated that LIPA's revenues in 1999 exceeded expenses by about \$95.8 million. He stated that LIPA is projecting essentially a break-even budget for 2000 in that the excess of revenues over expenses is expected to be about \$1.5 million.

Chairman Kessel asked whether the estimate of \$1.5 million for the projected revenues over expenses for 2000 is conservative. Mr. Warren replied yes. Chairman Kessel asked what is

estimated regarding an increase in sales in 2000 over 1999. Mr. Warren responded that LIPA is projecting an increase of 1.8 percent (weather normalized).

Mr. Warren reported that capital expenditures in 1999 were about \$8.3 million under budget.

Mr. Warren stated that with respect to cash balances, LIPA maintained very strong liquidity throughout 1999 with average daily cash balances exceeding \$500 million throughout the year. He stated that LIPA ended the year with cash and cash equivalents of \$525 million.

Chairman Kessel indicated that the County of Nassau has executed the Shoreham Settlement Agreement, and that implementation of that Agreement can go forward.

Mr. Warren stated that LIPA is proceeding with the issuance of about \$330 million of tax-exempt bonds to finance the Shoreham Settlement Agreement. He indicated that LIPA will be sending out the Preliminary Official Statement and contacting investors, and that LIPA expects to price the bonds beginning April 10, market conditions permitting, and to complete the pricing of this issue on April 12.

Deputy Chairman Foye asked if LIPA will be selling any bonds on the Internet. Mr. Warren stated that LIPA will be looking into that possibility for future bond issues.

Trustee Sinnreich asked why LIPA had a significant overrun of \$7 million in legal and consulting costs for 1999. Mr. Warren indicated that LIPA has not been able to achieve a ramp-up of staff as quickly as hoped and therefore has had to rely significantly on consultants to ensure that operations function properly.

Trustee Sinnreich asked how much of the \$7 million overrun is related to Shoreham litigation and how much is for technical consultants. Mr. Warren stated that a very small percentage is related to Shoreham and most of the overrun is related to electric system operations including Long Island Choice, Clean Energy and Power Markets activities.

Trustee Affrunti asked Mr. Warren to address the fact that the financial report indicates that sales were up 7.1 percent in 1999 over 1998 but RMI's report had forecasted 1.3 percent growth. Mr. Warren stated that the pro forma financial documents that were prepared in 1997 and 1998 to support the bond offerings reflected an assumption of 1.3 percent sales growth annually (the RMI figure), but LIPA's performance has far exceeded that original assumption.

Regarding the \$2 billion in variable interest rate LIPA bonds, Trustee Doherty asked how much extra cost LIPA is incurring with the increase in interest rates. Mr. Warren stated that LIPA's costs in this area are under budget since the budget took into account expected upward pressure on interest rates.

Mr. Warren thanked the financial and accounting staff for their tremendous work.

Chairman Kessel stated that the next item on the agenda is a resolution adopting the Phase II Implementation Plan for Long Island Choice. He stated that notice of the proposal was published in the State Register on November 24, 1999 and public hearings were held on January 10, 2000.

Deputy Chairman Foye asked how LIPA will measure whether the program is succeeding. Mr. Bolbrock replied that the measure of success is whether customers have been

afforded a choice and whether there is a level playing field for all the ESCOs to participate.

Trustee Polimeni inquired as to LIPA's costs in implementing this program. Mr. Bolbrock explained that the program has been designed to be revenue neutral.

Deputy Chairman Foye suggested as a general matter that LIPA should revisit with KeySpan any areas in the Management Service Agreement where LIPA may be paying for services but not receiving appropriate value.

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

484.        ADOPTION OF A PHASE II IMPLEMENTATION PLAN FOR THE LONG  
ISLAND CHOICE PROGRAM

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WHEREAS, in November, 1999, staff's proposed Phase II Implementation Plan for the Long Island Choice Program was issued for public comment and notice thereof was published in the State Register on November 24, 1999; and

WHEREAS, two public hearings on the proposed plan were conducted on January 10, 2000, at which time no comments were received; and

WHEREAS, for the reasons set forth in the preceding Memorandum (and in the attachment hereto), certain modifications to the proposed plan are necessary and in the public interest; and

WHEREAS, such modifications have been incorporated into the Phase II Implementation Plan for the Long Island Choice Program, attached hereto;

NOW, THEREFORE, BE IT RESOLVED, that the said Phase II Implementation Plan is hereby adopted and approved, and said Plan (including the revised tariff leaves contained in Part 2 of the Plan) shall take effect on May 1, 2000.

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Chairman Kessel stated that the next item on the agenda is a resolution to authorize the Chairman to negotiate two power purchase agreements for the purchase of firm peaking capacity

and associated energy as a result of LIPA's mid-term RFP process. He stated that the two sites are a 60 megawatt barge-mounted, oil-fired combustion turbine to be located in Far Rockaway as proposed by Enron North American Corporation; and a 79 megawatt gas-fired combustion turbine to be located in Melville as proposed by KeySpan Generation. Chairman Kessel commended the Power Markets staff and LIPA's consultants for their work on this project. He stated that this project does not in any way detract from LIPA's primary commitment to promote energy efficiency and new technologies. He indicated that it is very prudent to move forward cautiously. He stated that this is a historic moment for Long Island, in that LIPA is proposing the construction of generating facilities that are not being built by the utility.

Deputy Chairman Foye thanked Mr. Bolbrock, Mr. Davidson, Mr. Klimberg, Ms. Markowski and Mr. Cunningham for the impressive presentation they gave the night before regarding this RFP. Chairman Kessel thanked Deputy Chairman Foye, Trustee Miklos and Trustee Auerbach for attending the presentation. Trustee Miklos congratulated the LIPA staff who went to great pains to protect the environment at these two sites. Chairman Kessel thanked Mr. Davidson and Ms. Burgess-Levy for all their work on this project.

Trustee Sinnreich asked what will be the term of LIPA's agreements to purchase the capacity. Mr. Bolbrock replied that LIPA's RFP proposed that such agreements include pricing for four-years with a three-year extension at LIPA's sole option.

Trustee Polimeni asked if KeySpan and Enron have all the necessary approvals to do these projects. Mr. Bolbrock stated that LIPA evaluated and confirmed their ability to secure the approvals and licenses required for these projects in the necessary time frames.

Trustee Polimeni asked whether the communities where these projects will be undertaken are aware of the plans and proposals. Mr. Hulkower explained that the communities are aware of the projects and have not indicated opposition.

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

485. **RESOLUTION AUTHORIZING THE NEGOTIATION OF TWO POWER PURCHASE AGREEMENTS FOR THE PURCHASE OF FIRM PEAKING CAPACITY AND ASSOCIATED ENERGY**

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WHEREAS, in July 1999, in response to Long Island's substantial and critical need to secure additional sources of electric capacity and energy beginning in the summer of 2001, LIPA issued a Request for Proposals ("RFP") for Long-Island-Based Firm Peaking Capacity and Associated Energy; and

WHEREAS, in response to the July 1999 RFP, LIPA received proposals for 26 different projects from 14 proposers; and

WHEREAS, LIPA has conducted a thorough evaluation of the proposals, and has concluded based on that evaluation that it will best be able to meet its near-term firm peaking capacity and associated energy needs by entering into separate, four year contracts (with an option for LIPA to extend the terms of the contracts for an additional three years), for the purchase of power from the following two proposed projects: 1) a 60 MW barge mounted, oil-fired combustion turbine facility proposed by Enron North America Corp. ("Enron") at a site in Far Rockaway, to be in operation by the summer of 2001, and 2) a 79 MW gas-fired combustion turbine facility proposed by KeySpan Generating ("KeySpan") at a site in Melville, to be in operation by the summer of 2002; and

WHEREAS, LIPA is obligated to comply with the requirements of the State Environmental Quality Review Act, ECL § 8-0101, et seq. ("SEQRA") prior to taking any action that may have a significant impact on the environment; and

WHEREAS, LIPA has determined that the selection of the Enron 60 MW proposal for operation by the summer of 2001 and the KeySpan 79 MW proposal for operation by the summer of 2002, and the negotiation of the terms for the purchase of power from each proposed project (the "Power Purchase Agreements) by the Chairman and his designees is not an "action" subject to SEQRA because the selection of proposals and the negotiation of the proposed Power Purchase Agreements do not commit LIPA to a definitive course of future decisions;

NOW, THEREFORE, BE IT RESOLVED, that the Chairman and his designees are hereby authorized to negotiate Power Purchase Agreements with Enron and KeySpan for the purchase of power from the above-referenced projects; and be it further

RESOLVED, that the Chairman and his designees shall not be authorized to enter into Power Purchase Agreements with Enron and KeySpan for the purchase of power from the above-referenced projects until after LIPA has fulfilled its SEQRA obligations with respect to such

agreements.

Chairman Kessel asked Mr. Hulkower to present the remainder of the operating report.

Mr. Hulkower stated that LIPA will be implementing a new program later this year, called Corridor Heating, to provide heating at remote locations where it does not necessarily pay for customers to extend their central heating system. With respect to this program, Mr. Hulkower stated that for major accounts, LIPA already has commitments of over twelve megawatts, exceeding the annual goal of eleven megawatts.

Mr. Hulkower stated that LIPA's revenue collections were steady from January to February, and that LIPA expects there will be a reduction in arrears when the rebate checks relating to Shoreham are issued in about May or June.

Mr. Hulkower stated that in regard to customer service, LIPA continues to have very good rates for both meter reading and customer call answering.

Mr. Hulkower reported that in reference to reliability measurements, LIPA's System Average Interruption Frequency Index (SAIFI) continues to meet targeted levels, with customers now going over fifteen months on average between outages. He stated that the Customer Average Interruption Duration Index (CAIDI) is meeting acceptable performance levels and is now down to sixty-five minutes.

Mr. Hulkower stated that LIPA's reliability performance continues to excel as compared to other utilities in the State.

Chairman Kessel entertained a motion to go into executive session to discuss litigation and personnel issues.

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

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

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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 litigation and personnel matters.

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At 12:02 p.m. the open session of the Board of Trustees was temporarily adjourned and an executive session of the Board of Trustees was convened.

At 12:45 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 12:46 p.m.

Respectfully submitted,

Stanley B. Klimberg