

**LONG ISLAND POWER AUTHORITY  
MINUTES OF THE 144th MEETING  
HELD ON MAY 21, 2002**

**Pursuant to notice dated May 14, 2002, the Long Island Power Authority (the "Authority") was convened for the one hundred and forty-fourth time at 10:10 AM at Danfords Conference Center in Port Jefferson, NY.**

**The following Trustees of the Authority were present:**

**Richard M. Kessel, Chairman  
Patrick Foye, Deputy Chairman  
Howard Steinberg, Deputy Chairman  
Michael Affrunti  
Harvey Auerbach  
Edna Gerrard  
Harriet Gilliam  
Robert Maimoni  
Nancy Nugent  
Jonathan Sinnreich**

**Also representing the Authority were Stanley Klimberg, General Counsel, Edward Grilli, Chief of Staff, Seth Hulkower, Chief Operating Officer, Edward Murphy, Chief Administrative Officer, Richard Bolbrock, Vice President – Power Markets, Bert Cunningham, Vice President - Communications, Bruce Germano, Vice President – Retail Sales, William Davidson, Executive Director of**

**Government Relations, 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 stated that LIPA's Board was thrilled to hold its meeting in the Village of Port Jefferson, and he thanked Mayor Garant for her leadership in helping to site LIPA's new power plant. The Chairman noted that two generating units are being constructed by KeySpan at the Port Jefferson site, and are scheduled to go into first fire shortly. He further thanked Mayor Garant and the Village for their help in the licensing of the facility.**

**Mayor Garant stated that she appreciated the way LIPA handled the transaction with the small community. She thanked the Chairman for helping the community with the transition, including addressing environmental concerns, such as the removal of the coal chutes from the site. She indicated that the additional energy will be needed.**

**Chairman Kessel stated that the Port Jefferson units will be the third and fourth units added this summer. The Chairman thanked Mr. Davidson and Mr. Frigeria for their community outreach, which furthered the new power plant projects. He added that construction of the Port Jefferson project is progressing**

swiftly, and LIPA hopes to have it operational by June 14, 2002. He noted that the new plants are the cleanest ones on Long Island.

Chairman Kessel indicated that the first item on the agenda is approval of the minutes of the April 25 Board meeting.

Mr. Kane stated that there is a correction to be made to the minutes to reflect that the budget has been recast at \$37.6 million for year-end. Chairman Kessel noted the amendment to the minutes.

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

**591. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE  
APRIL 25, 2002 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 April 25, 2002, 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 the Financial Report, to be delivered by Mr. Kane.

Mr. Kane reported that, as compared to budget, LIPA's revenues versus expenses are up \$71 million for the year to date, and this has been driven by fuel expenses being less than budgeted by about \$37 million.

Mr. Kane reported that O & M expenses increased, primarily due to the timing of the payments pursuant to the MSA, which encompasses both capital and O & M spending. He stated that O & M amounts tend to rise when capital spending is less than budgeted.

Mr. Kane reported that "Other Income and Deductions" has increased by approximately \$2 million, driven primarily by an insurance dividend received by LIPA related to LIPA's interest in Nine Mile Point Two.

Mr. Kane reported that the balance sheet reflects an increase for Net Utility Plant of \$56 million, primarily driven by interconnection fees related to the fast-track units. He reported decreases in accounts receivable and revenue, due to the mild winter.

Mr. Kane reported a \$45 million change under current liabilities, related to the timing of the payments of invoices as they came due. He reported that LIPA's unrestricted cash balance as of May 6, 2002 is \$256 million, after the calculation of a continued balance of \$250 million in the Rate Stabilization Fund and the Shoreham credits.

Chairman Kessel stated that LIPA expects to exceed its ending balance this year of one-half million dollars, primarily due to the lower fuel costs. The Chairman continued that the figures represent only the first quarter of 2002, and

LIPA must continue to be very conservative in this area. He commended Mr. Kane, Mr. Feldman, Ms. Horigan, Mr. Conroy and LIPA's financial department for their conservative approach to the formulation of LIPA's budget. Mr. Kane credited Ms. Mongiardo for handling a backlog of work, helping LIPA to report current data.

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

Mr. Hulkower reported that LIPA projects that 38.95 MW will be added to the system by the end of 2002, against a goal of 38.06 MW, and LIPA projects to exceed its goal for added revenues by approximately \$400,000.

Mr. Hulkower reported that LIPA currently has 134 MW enrolled in the Peak Reduction Initiative against a goal of 177 MW. He continued that LIPA has made progress in both residential and commercial revenue collections. He added that he was pleased with LIPA's progress in collecting 30-day and 90-day arrears.

Mr. Hulkower reported that LIPA's reliability performance was less favorable for the month of April, with sustained customer interruptions that were 91% higher than in April 2001 and 27% higher than LIPA's five-year average. He indicated that the increase is primarily due to a sustained outage in Port Washington.

Deputy Chairman Foye asked what steps LIPA could take to avoid such a future outage in Port Washington. Mr. Hulkower responded that the substations were inspected, and LIPA is focusing on reliability centered maintenance whereby the equipment that operates most frequently and serves the most customers would receive the most frequent maintenance.

Chairman Kessel reported that the Repowering Long Island projects are proceeding well. The Chairman stated that the Glenwood project is in the system and is being tested. He added that the KeySpan units in Port Jefferson are scheduled for first fire in a week. He indicated that he hopes that the units will be operational by mid-June. He commended KeySpan for its timely work in making the units operational.

Chairman Kessel reported that the Florida Power & Light unit in Far Rockaway is progressing rapidly. The Chairman stated that he hopes that the unit will be fired by the first or second week of June.

Chairman Kessel reported that the Calpine unit would be operational before the end of June. The Chairman further reported that the four Pennsylvania Power & Light projects have lagged behind, but now are progressing more rapidly. He continued that LIPA hopes that all ten fast-track units will be operational by approximately July 4. Chairman Kessel thanked Mr. Grilli and all who have helped to make the projects operational.

**Chairman Kessel reported that the Cross-Sound cable has been laid, and a jet plow is currently in the process of burying it. The Chairman continued that labor issues have slowed the work to interconnect the cable in Connecticut. He stated that he hopes work will resume shortly so that the cable can be energized.**

**Chairman Kessel reported that the Y-50 cable experienced a significant fault and went out of service. The Chairman indicated that LIPA is working constantly with KeySpan and Con Edison to locate the fault, and determine the repair options. He noted that the Y-50 cable is the major link between Long Island and the Con Edison system.**

**Chairman Kessel reported that the Y-50 line can provide up to 600 MW of power, with up to 400 MW to LIPA. The Chairman noted that workers are attempting to locate the exact point of the fault, which is likely to be underwater. He added that repairs could take anywhere from several weeks to several months.**

**Chairman Kessel reported that Mr. Cahill, the Governor's Chief of Staff, Mr. McGrath, the Chairman of Con Edison, and Mr. Museler, the Chairman of the New York ISO, are all helping to work on solving this problem. Chairman Kessel noted that this malfunction demonstrates the importance of the new generation projects and the Cross-Sound cable.**

**Chairman Kessel warned that the Y-50 cable malfunction will make the power supply tighter this summer. The Chairman noted that LIPA could be in a**

worse situation this summer if there was another malfunction.

Chairman Kessel reported that immediate actions were being taken to address the problem. The Chairman stated that he has requested that Mr. Hulkower and Mr. Grilli meet with KeySpan and Con Edison to develop a series of options. The Chairman noted that LIPA is also having TransEnergie and ABB search for additional cable.

Chairman Kessel indicated that he has requested that Mr. Grilli and Mr. Hulkower work with KeySpan and Navigant to determine whether additional generation could be added at some of LIPA's substations. The Chairman stated that LIPA will explore whether 100 to 200 MW of additional generation could be added by connecting small generators to LIPA's substations.

Chairman Kessel reported that LIPA is spending \$37 million on conservation initiatives. The Chairman indicated that he has asked Mr. Cunningham to work with LIPA's financial personnel to budget an additional \$200,000 towards those initiatives. The Chairman added that it is necessary to notify the public in advance of the conditions that LIPA faces, so that the public can help LIPA get through a heat wave.

Chairman Kessel noted that it has been a wise policy for LIPA to pursue the additional power projects. The Chairman further noted that the Y-50 cable was a major loss to the system, and LIPA faces a tight summer. He added that LIPA will

devote its resources to resolve the problems.

Deputy Chairman Foye asked whether KeySpan's work on the Y-50 cable in Port Washington was completed. Chairman Kessel responded affirmatively. Deputy Chairman Foye asked whether the line had been reenergized. Mr. Hulkower answered yes.

Trustee Auerbach congratulated Mr. Haugland for the work of Hawkeye Construction in completing the Long Island interconnection to the Cross-Sound cable. Chairman Kessel also offered his thanks to Mr. Haugland .

Deputy Chairman Steinberg asked whether LIPA would incur any cost for the repair for the Y-50 cable if the fault occurred on the Con Edison portion. Mr. Hulkower responded that LIPA shares 42 percent of the cost of the repairs to the portion of the cable under water.

Deputy Chairman Steinberg inquired whether an estimate has been made of the cost to repair the Y-50 cable. Mr. Hulkower answered that LIPA has no estimate yet since the fault occurred at a low-level, and he stated that the fault was detected by a relaying system. Mr. Hulkower noted that a high-level fault would be more easily located, and the repair of the cable may consist of anything from replacing more than a mile of cable to repairing the pipe at the point of a leak.

Trustee Nugent asked whether LIPA might be put in an adversarial position with Con Edison due to the expenditure and inconvenience that the fault may cause. Mr. Hulkower responded that LIPA is working collaboratively with Con Edison to solve the problem. Chairman Kessel added that LIPA is focused on the repair of the cable at this point and Mr. McGrath assured him that Con Edison is pursuing the matter with 100% effort. The Chairman noted that Ms. Helmer, Chairperson of the PSC, and Mr. Cahill of the Governor's office have spoken with Mr. McGrath on the importance of the Y-50 cable to Long Island.

Trustee Gerrard asked whether more breakdowns of the thirty year old cable are expected. Mr. Hulkower answered that the life expectancy of the cable is approximately 50 to 60 years, and LIPA did not anticipate such immediate problems.

Deputy Chairman Steinberg inquired as to what agencies LIPA looks to for help in protecting the system, given the current world situation. Chairman Kessel responded that LIPA has worked with the State Emergency Management Organization (SEMO) and with federal, state and local law enforcement agencies and other agencies to ensure that LIPA's facilities are protected. The Chairman stated that LIPA has also worked with KeySpan to effectively protect the power plants; however, the bulk transmission system is more difficult to protect. He noted that there are numerous vulnerabilities.

Mr. Steinberg asked whether LIPA received sufficient support from the

local police without needing to supplement it with private security. Chairman Kessel responded that some private security has been used, but the law enforcement authorities have also worked well with LIPA. Mr. Hulkower added that LIPA is working with the Electric Power Research Institute to find ways to design the system to be more resilient against attack.

Chairman Kessel indicated that the next item on the agenda is the appointment of Ms. Anastasia Song as LIPA's Acting Chief Financial Officer (CFO). The Chairman stated that LIPA is actively conducting a search to fill the CFO position, which will take some time, and an interim CFO needs to be appointed. He requested that the Board approve a resolution authorizing the Chairman to execute a consulting agreement to hire Ms. Song as LIPA's Acting CFO.

Chairman Kessel noted that Ms. Song has an extraordinary background, having served as an Assistant Secretary of Energy for the Governor in 1995 and 1996, and having served as Acting Executive Director of LIPA. The Chairman continued that Ms. Song is currently a Commissioner of the Port Authority of New York and New Jersey, where she chairs the finance committee. The Chairman indicated that Ms. Song is a Director of Plug Power, Inc., which she agreed to resign prior to her appointment as Acting CFO, and the Chairman noted that she will recuse herself from any matter pertaining to Plug Power, Inc. or LIPA fuel cell activities. The Chairman stated that Ms. Song will continue to act as a consultant to a limited number of private clients, none of which currently present

or are expected to present conflicts with LIPA.

Trustee Steinberg stated that there are a number of issues concerning this appointment to be dealt with in Executive Session, which makes him somewhat uncomfortable with voting on this item today.

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

**592. APPOINTMENT OF ACTING CHIEF FINANCIAL OFFICER**

**RESOLVED**, that Anastasia Song be, and hereby is, appointed to the office of Chief Financial Officer, as Acting Chief Financial Officer, effective May 21, 2002, until the earlier of her resignation or removal; and be it further

**RESOLVED**, that the Chairman is hereby authorized to execute an agreement with Anastasia Song for her services as Acting Chief Financial Officer; 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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Chairman Kessel stated the next item on the agenda is the final approval of LIPA's partial recovery of the 2001 fuel and purchased power costs. The Chairman indicated that the Board approved on an emergency basis LIPA's recovery of approximately \$125 million out of a total of approximately \$200 million in unrecovered year 2001 fuel and purchased power costs, and it is now appropriate to approve the resolution on a final basis.

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

**593. FINAL APPROVAL OF A RESOLUTION AUTHORIZING PARTIAL RECOVERY OF YEAR 2001 FUEL AND PURCHASED POWER COSTS**

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WHEREAS, on February 28, 2002, the Trustees approved on an interim basis a resolution (“Resolution”)(incorporated by reference herein) authorizing LIPA’s partial recovery through a surcharge (the Fuel and Purchased Power Cost Adjustment) of its extraordinarily high year 2001 fuel and purchased power costs; and

WHEREAS, in said Resolution, the Trustees approved LIPA’s recovery of approximately \$125 million out of a total of approximately \$200 million in unrecovered year 2001 fuel and purchased power costs; and

WHEREAS, the Trustees took such action pursuant to the expedited procedures of Section 202(6) of the State Administrative Procedure Act (“SAPA”); and

WHEREAS, notice of the Authority’s action was published in the State Register on March 20, 2002; two public hearings were held on May 9, 2002; and no comments were received; and

WHEREAS, the public comment period under SAPA has expired and the Trustees desire to approve the action on a final basis;

NOW, THEREFORE, BE IT RESOLVED, that the February 28, 2002 Resolution is approved on a final basis.

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**Chairman Kessel entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 11:05 AM.**

**Respectfully submitted,**

**Stanley B. Klimberg**