

**LONG ISLAND POWER AUTHORITY**

**MINUTES OF THE 124<sup>th</sup> MEETING**

**HELD ON MAY 25, 2000**

Pursuant to notice dated May 18, 2000, the Long Island Power Authority (the "Authority") was convened for the one hundred and twenty fourth time at 11:40 AM at the Suffolk County Community College, Shinnecock Building in Riverhead, NY.

The following Trustees of the Authority were present:

**Richard M. Kessel, Chairman  
Michael Affrunti  
Harvey Auerbach  
Thomas Doherty  
Michael Faltischek  
Harriet Gilliam  
Rupert Hopkins  
Robert Maimoni  
Nancy Nugent  
Jonathan Sinnreich**

Also representing the Authority were Seth Hulkower, Chief Operating Officer, Stanley Klimberg, General Counsel, Campbell Ayling, Associate General Counsel, David Warren, Chief Financial Officer, Edward Murphy, Vice President and Controller, Ken Kane, Director of Financial Reporting, Ellen Markowski, Special Assistant to the Chairman, William Davidson, Director of Government Relations, Corey Horowitz, Manager of Energy Management & Power Supply Administration,

**Bert Cunningham, Vice President – Communications, Michael Lowndes, Manager – Media Relations, Christopher Furlong, Director – Customer Relations, Bruce Germano, Vice President – Retail Services, and Laurie Leat, 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 April 27 Board Meeting.**

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

**491. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE APRIL 27, 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 April 27, 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.**

**\* \* \***

**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 stated that in reference to sales and marketing load and revenue growth projections, LIPA is still projecting to be ahead of its annual goals. He stated that LIPA is expecting to fall slightly short of its annual goal of 11 megawatts for economic development. He also stated that the arrears for revenue collections are down to \$65 million.

Mr. Hulkower reported that customer service, meter reading and call answer rates continue to be very good. He indicated that LIPA continues to have exceptionally good statistics for System Average Interruption Frequency Index (SAIFI) and Customer Average Interruption Duration Index (CAIDI).

Mr. Hulkower stated that from the time LIPA commenced its aggressive tree-trimming program this year, tree-related outages have decreased from twenty-five to thirteen percent. He indicated that LIPA has increased its tree-trimming budget by \$1.7 million this year.

Mr. Hulkower stated that LIPA is making extraordinary progress in the Riverhead-Southampton Transmission Project. He stated that LIPA expects the line will be completed in mid-June and then will undergo a series of acceptance tests. He

indicated that the project should be completed and the new line in service by the third week of June.

Trustee Nugent asked Mr. Hulkower to explain the “Cause of Forced Distribution Interruptions” category in the operating report. Mr. Hulkower replied that this category includes a range of LIPA equipment failures that are considered too small to be in separate categories.

Trustee Doherty inquired about a press account on a possible strike by some of the unions at KeySpan. Mr. Hulkower stated that this does not affect Local 1049 which serves LIPA.

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

Mr. Murphy stated that thus far this year sales are up .7 percent or about 29,000 megawatts. He indicated that sales for resale are down by about 3.5 percent.

Mr. Murphy reported that Operations and Maintenance expense is about \$2.7 million below budget. In regard to such expenses for the Clean Energy Program, he stated that LIPA is slightly behind for the year but expects to catch up.

**Mr. Murphy stated that Administrative and General costs are about \$800,000 below budget.**

**In reference to PILOTS, Mr. Murphy reported that LIPA had forecasted a higher amount based on anticipated property additions to the tax base. He indicated that such additions have not occurred in the time frame expected, and thus the PILOT payments are below budget by about 1.3 million.**

**Mr. Murphy reported that Other Income is about \$8.7 million above budget.**

**Mr. Murphy stated that Interest Expense is below budget. He explained that the variable rate debt that was forecasted to cost about 4.2 percent is actually costing about 3.2 percent, which results in a favorable variation of \$2.4 million so far this year.**

**Mr. Murphy stated that to date for this quarter, LIPA is about \$60 million under its original forecast of the excess of revenues over expenses. He indicated that of that amount, about \$34 million is due to a write-down of unamortized debt. He stated that he expects by year-end for LIPA to be well above budget in regard to excess of revenues over expenses.**

**Mr. Warren stated that there was nothing abnormal to point out on the balance sheet other than the negative position in “designated funds” resulting from**

**LIPA funding capital expenditures out of working capital. He stated that LIPA expects to reimburse this fund from the bond issue it plans to undertake in the fall as part of the implementation and funding of the 2000 capital budget.**

**Mr. Warren reported that cash and cash equivalents for the first quarter were just under \$300 million. He stated that as of May 24, cash and cash equivalents were about \$624 million. He stated that about \$220 million was preserved from LIPA's recent bond issue. He indicated that in terms of working capital, the Authority has about \$400 million available, which is \$150 million above the \$250 million cushion that LIPA maintains.**

**Mr. Warren stated that LIPA still has a large concentration of investment in commercial paper. He indicated that LIPA is trying to stay short recognizing that there would be some upward pressure on interest rates.**

**Trustee Sinnreich inquired about the Claims and Damages item of \$9 million listed on the balance sheet. Mr. Kane indicated that the amount for Claims and Damages reserved on the books is for storms and litigation cases and includes a small environmental reserve.**

**Trustee Sinnreich inquired whether LIPA maintains self-insurance for**

personal injury claims. Mr. Warren replied in the affirmative.

Trustee Maimoni asked Mr. Murphy to explain the “Other Income” item for the non-budgeted carrying charge on the Shoreham tax settlement. Mr. Murphy indicated that the item reflects a \$3.2 million reimbursement for the cost of money that LIPA had incurred in connection with the Shoreham credit.

Trustee Maimoni asked if there is a specific logic for LIPA to delay borrowing money when interest rates are rising. Mr. Warren explained that the timing under which LIPA will be selling bonds every year will result in a favorable averaging out of the overall cost of capital.

Trustee Faltischek asked why LIPA maintains substantial balances at KeyBank which ceased its operations on Long Island a year ago, while there is a nominal amount at European American Bank which is the only one of LIPA’s depositories that is headquartered on Long Island. Mr. Murphy explained that the referenced balances are with McDonald’s Investments, which is associated with KeyBank. He noted that all the depository banks are offered the opportunity to bid each day that LIPA has money to invest, and LIPA follows a process of selecting the highest bidder. He stated that LIPA is trying to keep as much money as possible at the banks that are located on Long Island.

Trustee Sinnreich asked if LIPA received any management letter in connection with the PricewaterhouseCoopers consolidated financial statements that were distributed. Mr. Warren replied that when LIPA receives the management letter, it will be distributed to the Trustees, and that the financial statements will be discussed with the Finance Committee and will be part of the financial report at the next Board meeting.

Chairman Kessel asked if the \$4.8 million amount of revenues exceeding projections is mostly from the Shoreham bill credits. Mr. Murphy replied that the amount is due to increased sales and the Shoreham bill credits.

Chairman Kessel stated that growth and demand are moving at an extraordinary pace on Long Island due to lowered electric rates and the economy being quite strong. He indicated that the capacity projection of over 5,100 megawatts for this summer is enough to meet the expected demand. He stated that LIPA has accomplished significant preparations for the summer in terms of upgrading the transmission system, building a new line on the South Fork and upgrading the substations.

Chairman Kessel stated that LIPA will make a special and direct appeal to all public officials on Long Island to assist LIPA if it is necessary during the summer. He

stated that LIPA will also appeal to the public to try to conserve energy on the very hot days this summer. He indicated that LIPA will be looking into the possibility of purchasing additional capacity in the futures market as a kind of insurance in case it is needed.

Chairman Kessel asked Mr. Hulkower to make the presentation on readiness for Summer 2000.

Mr. Hulkower stated that under the New York Independent System Operator (ISO) regime, the ISO examines LIPA's load forecast and makes adjustments to it. He stated that the ISO has set LIPA's load at 4,315 megawatts for the year.

Mr. Hulkower stated that the ISO-ICAP (Installed Capacity Requirements) adds 18 percent to the load forecast and 93 percent of that load has to be on Long Island. He stated that the supply will be met from various sources, including KeySpan generation plants, the Nine Mile Two plant, independent power producer plants on Long Island, the NYPA Holtsville plant and the NYPA Fitzpatrick and Gilboa plants upstate. He indicated this would give LIPA a total supply of 4,771 megawatts. He stated that after making adjustments for the Long Island Choice Program and the Power for Jobs Program, this brings LIPA up to meet the ICAP requirement of 5,140 megawatts.

**Mr. Hulkower identified the Northport Exit Upgrade as one of the major projects for this summer. He stated that the Northport Generating Site now has power plants totaling 1,440 megawatts, but additional work has given LIPA the ability to have transmitted an extra 200 megawatts through the site. Mr. Hulkower stated that LIPA has added 69 kV capacity banks throughout the system, which are mobile platforms. He indicated that LIPA has added dynamic ratings to the Y-49 cable in order to gauge the temperature of the cable to determine the load.**

**Mr. Hulkower stated that throughout its electric system, LIPA has performed substantial work at substations to add feeders, and has installed 121 distribution capacity banks.**

**Mr. Hulkower stated that the Northport to Norwalk Harbor cable (NUSCO) is under repair. He reported that LIPA is replacing a 33 kV cable in the Rockaways.**

**Mr. Hulkower stated that the Riverhead-Southampton cable represents a major change to LIPA's system. He reported that LIPA has performed extensive work on its distribution system.**

**Mr. Hulkower explained LIPA's plans under which, when the load climbs sharply, LIPA will activate the peak load reduction program which involves calling**

**metered customers to ask them to run their backup generators, and appealing to major customers and government agencies to reduce their load. He stated that LIPA will then make public appeals on the radio for voluntary reductions of consumption, and as necessary will then start to make voltage reductions. He indicated that under extreme conditions, LIPA would be able to dial up to shed 2,300 megawatts through the automatic operation of distribution feeders. He stated that the last step would be to use automatic relays to trip and shed 1,450 megawatts.**

**Mr. Hulkower stated that for the South Fork, in addition to developing the new transmission line, LIPA plans to target some demand side management programs to control central air conditioning units and turn them off when needed.**

**Mr. Hulkower asked Mr. Brennan, General Manager of Generation for KeySpan Energy, to make KeySpan's presentation in connection with summer readiness.**

**Mr. Brennan stated that all of the steam units have undergone either major overhauls or preventive maintenance. He stated that KeySpan has done a lot of work on the forty-two internal combustion units throughout the Island to make sure they are working properly.**

**Mr. Brennan stated that KeySpan is adding capacity to the Holtsville generation station and will have an additional 39 megawatts available July 1.**

**Trustee Faltischek complimented the LIPA and KeySpan staffs for their efforts in preparing for the summer.**

**Trustee Sinnreich asked Mr. Brennan how the LIPA/KeySpan team's efforts in terms of summer preparation compare to the job the former LILCO would have done. Mr. Brennan replied that the LIPA/KeySpan relationship in this regard has been excellent and the types of summer preparation efforts are largely similar to the past. Mr. Hulkower added that the fact that the generation group is not as cash constrained as the former LILCO has helped improve the reliability and availability of some of the generating plants.**

**Trustee Maimoni asked what areas the mobile capacitor banks are transported to if there is a severe power shortage. Mr. Hulkower replied that the capacitor banks go to the parts of Long Island where LIPA has trouble maintaining voltage due to the transmission system being relatively less strong in those areas.**

**Trustee Maimoni asked if there are other areas of Long Island in addition to the South Fork where LIPA has a program giving it the ability to turn off customers'**

air conditioners. Mr. Germano replied that currently that program is only on the South Fork. Mr. Hulkower added that LIPA may expand it to other areas in the future.

Chairman Kessel asked Mr. Germano to deliver a presentation on the Night Light Program, a subject addressed at the last Board meeting.

Mr. Germano stated that in the Night Light Program customers pay a monthly charge for the lighting system. He stated that LIPA continues to assure that it is meeting customer expectations and not providing excess lighting. He stated that LIPA is considering new product lines that include glare reduction units. He indicated that LIPA has sent the necessary staff to a four-day training course to better understand technology selection, proper sizing, and proper orientation of night lighting, to make sure the customer is given accurate information.

Mr. Germano stated that in 1999, LIPA sold around 1,330 night lighting units and has a goal of 1,400 for this year. He stated that annual total revenues for the current 16,000 night lighting units is \$7 million and the average length of time a customer stays in the program is seven years. He stated that the issues Mr. Schiralli raised at the last Board meeting concerning night lighting have been resolved.

Trustee Auerbach asked if putting night lighting units on a time clock

instead of running from dusk to dawn would enhance energy conservation. Mr. Germano replied that this approach will be considered in the future.

Chairman Kessel stated that the next item on the agenda is the approval of a resolution authorizing the issuance of rebate checks as part of the Shoreham Settlement that has already been approved.

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

**492. APPROVAL OF ISSUANCE OF CUSTOMER REBATE CHECKS**

---

WHEREAS, a Proposal Regarding Certain Customer Rebate Checks ("Proposal")(copy attached), involving the issuance of rebate checks of \$50 per customer metered account to LIPA's customers in Nassau County and in the Rockaway Peninsula in Queens County, was issued for public comment in March, 2000 and notice thereof was published in the State Register on March 29, 2000; and

WHEREAS, two public hearings were conducted regarding the Proposal on May 16, 2000, at which time no comments were received; and

WHEREAS, for the reasons set forth in the preceding Memorandum (and the Proposal), the Proposal is in the public interest;

NOW, THEREFORE, BE IT RESOLVED, that said Proposal is hereby adopted and approved in its entirety; and

BE IT FURTHER RESOLVED, that the Chairman is hereby authorized to take such

other actions as the Chairman deems necessary or appropriate to provide for a prompt and reasonable implementation of the Proposal.

\* \* \*

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:

**493. 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 litigation and personnel matters.

\* \* \*

At 1:30 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 2:10 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 2:11 p.m.**

**Respectfully submitted,**

**Stanley B. Klimberg**