

**LONG ISLAND POWER AUTHORITY  
MINUTES OF THE 136th MEETING  
HELD ON OCTOBER 17, 2001**

**Pursuant to notice dated October 10, 2001, the Long Island Power Authority (the "Authority") was convened for the one hundred and thirty-sixth time at 11:15 AM at Southampton Town Hall, Southampton, NY.**

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

**Richard M. Kessel, Chairman  
Nancy A. Akeson  
Harvey Auerbach  
Thomas Doherty  
Edna Gerrard  
Rupert Hopkins  
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, Diana Taylor, Chief Financial Officer, Edward Murphy, Jr., Chief Administrative Officer, Bert Cunningham, Vice President - Communications, Richard Bolbrock, Vice President**

**- Power Markets, Christopher Furlong, Director of Customer Relations, and Bruce Germano, Vice President - Retail Services.**

**Supervisor Cannuscio welcomed everyone to the Town of Southampton, and Chairman Kessel thanked him for his courtesy.**

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

**Chairman Kessel offered the condolences of the LIPA Staff and Board members to all of the families who lost loved ones as a result of the World Trade Center tragedy. He stated that six hundred families on Long Island were directly impacted by the tragedy. He indicated that to help those families in need, a resolution will be presented today that was developed by a group of Trustees and LIPA Staff. He thanked the Trustees and LIPA Staff for all their work on this item. He indicated that Governor Pataki will likely announce this program Statewide later in the day.**

**A moment of silence was observed in respect to all those people who lost their lives in the World Trade Center tragedy.**

**Chairman Kessel stated that the first item on the agenda is approval of the minutes of the September 20<sup>th</sup> Board Meeting.**

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

**563. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE SEPTEMBER 20, 2001 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 September 20, 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.

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Chairman Kessel stated that the next item on the agenda is his report providing some updates on LIPA activities. He reported that there were very strong summer sales, in particular as a result of the August heat wave. He indicated that LIPA is likely to at least meet if not slightly exceed its sales forecast for the year.

Chairman Kessel also reported that fuel costs are lower than forecast but higher than originally expected. He credited the Board for its cautious and prudent approach in this area. He further credited Ms. Taylor, Mr. Horowitz and Morgan Stanley for their work on hedging. He indicated that because of the moderation in fuel prices, he sees no need at this time for a change respecting LIPA's recovery of fuel costs, and he stated this area will be reviewed early next year.

Chairman Kessel stated that while LIPA continues to be in a very strong cash position, LIPA faces a tremendous demand on the electric system. He noted that LIPA came close (about 44 MW) to experiencing rolling blackouts during the August heat wave. Therefore, he continued, LIPA is aggressively increasing its conservation spending (from \$30 million to \$40 million a year); continuing to press forward on the Cross Sound Cable project, which has a better chance than ever of being approved but cannot be counted upon; and with the full support of the Governor and others, is embarking on an aggressive project to site a number of turbines on Long Island. The Chairman emphasized that additional on-Island generation is critical to meeting LIPA's resource needs next summer.

Chairman Kessel indicated that LIPA should undertake more long-term planning, and he noted that LIPA has engaged Stone & Webster to marshal LIPA's existing planning documents and other materials into a full-fledged energy master plan document. He stated that he hopes a draft report will be ready for public review and input by the end of the year. In advance of that process, he asked Mr. Grilli to work with Mr. Raacke to arrange a seminar in which a small group of reviewing parties, coordinated by Mr. Raacke and including CAP and STAR, would meet with Stone & Webster to provide ideas and input.

Trustee Nugent commended Chairman Kessel for his inclusive approach to developing the energy master plan document. She requested that the report consider competition and variables outside LIPA's control; the Chairman agreed

and further asked Mr. Grilli to set up a meeting for the Trustees to contribute their thoughts and suggestions to Stone & Webster.

Chairman Kessel reported that LIPA received an Energy Star award for excellence in consumer education in 2001, due to initiatives relating to lighting and various appliances including clothes washers. He also indicated that LIPA received the Energy Utilization Technology Champion award for implementing an electric vehicle conversion and other measures to make Blydenburgh Park in Suffolk County a “green park”. Finally, he commended LIPA Staff for their great work on clean energy and conservation programs.

As the next agenda item, Chairman Kessel asked Mr. Hulkower to deliver the Operating Report (through September 2001). With respect to sales and marketing load and revenue growth, Mr. Hulkower stated that it is projected LIPA will add 38 MW as compared to an annual goal of 32.5 MW. He reported that LIPA expects to slightly miss its goal for economic development, this being due to the slowing economy.

In regard to sales and marketing clean energy initiatives, Mr. Hulkower indicated that the LIPA Edge Program had a somewhat slow start but is expected to expand significantly next summer. Chairman Kessel noted that participation in the Solar Pioneer Program has been disappointing, due to financial incentives not being strong enough, but LIPA plans to expand dramatically that program.

Mr. Hulkower reported in regard to revenue collections that arrears levels have increased, due to LIPA suspending outgoing collection calls and suspending service disconnects after the World Trade Center tragedy, and also due to the slowing economy.

Mr. Hulkower indicated that for the twelve months through September, the average LIPA customer experienced one interruption every 15.4 months. He observed that while LIPA's performance in this regard is better than all other overhead utilities in the State, LIPA's performance declined slightly in September due to several storms and due to the fact that the very good month of September 2000 dropped from the twelve-month rolling average. Finally, Mr. Hulkower detailed the good progress being made in LIPA's tree trimming program.

Chairman Kessel stated that the next item on the agenda is the Finance report, to be presented by Ms. Taylor. Ms. Taylor reported that revenues were under expenses by about \$4.2 million for the period ended August 31, 2001, primarily due to fuel costs. She indicated that operations and maintenance expenses have increased, since KeySpan has been making less capital expenditures. She stated that general and administrative expenses have increased, primarily due to insurance expenditures.

Ms. Taylor reported that for the period ended August 31, 2001, the variance (excess of actual over budgeted amounts) for fuel and purchased power expenses relating to 2001 operations was about \$85 million. She explained that

the variation due to higher fuel prices was about \$183 million, with that figure projected to be about \$240 million by year-end. She explained that about \$72 million in fuel costs was written off in 2000 and budgeted for recovery in 2001, resulting in an overall variance of about \$12 million. She stated with regard to overall revenues versus expenses that LIPA expects to end the year slightly above the breakeven point.

Ms. Taylor indicated that LIPA has an unrestricted cash balance of about \$300 million, which is very positive. She noted that the total cash position is about \$600 million. She stated that LIPA plans to make public its proposed budget at the end of November, and to present the budget to the Board at the December meeting. She also reported that since short-term interest rates are very low now, LIPA is looking into utilizing a swap program to obtain greater benefit from those rates.

Trustee Sinnreich expressed a concern that KeySpan be held accountable if it appears that it has improperly deferred capital expenditures in view of the possibility of LIPA exercising its right to purchase the on-island power plants. He also requested that efforts be made to include more current data in the Financial Report; Ms. Taylor agreed, noting that KeySpan's reports were only recently received.

Trustee Doherty observed that while LIPA currently has an excellent cash position, that cash is needed for operations. Chairman Kessel highlighted that

LIPA's 5.8 percent fuel surcharge leaves about 60 percent of the fuel costs to be absorbed by LIPA. He stated that LIPA will closely examine the fuel cost recovery issue early next year.

Chairman Kessel indicated that the next item on the agenda is to approve a resolution continuing the Clean Energy Initiative for the two-year period running through September 2003 and approving the Clean Energy Initiative Draft Biennial Report dated June, 2001. He stated that it is important for the Trustees to approve the continuation of the Clear Energy Initiative in order to further promote and implement energy efficiency programs and renewable energy projects on Long Island and secure the resultant substantial benefits to the environment, economic growth, and reduction in customer bills. He noted that the Clean Energy Initiative has been very helpful to LIPA in meeting demand, particularly during the August heat wave.

Trustee Akeson emphasized that the Clean Energy Initiative encompasses substantial conservation programs, and she credited LIPA Staff for their tremendous job in this area. Trustee Doherty concurred. Chairman Kessel observed that LIPA is spending more money on energy efficiency, conservation and new technologies than any other utility in the State. He credited LIPA Staff and consultants for their great work in this regard.

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

**564. APPROVAL OF CONTINUATION OF CLEAN ENERGY INITIATIVE**

**WHEREAS, on May 3, 1999, the Long Island Power Authority's Board of Trustees approved the Clean Energy Initiative; and**

**WHEREAS, the Board in approving the Clean Energy Initiative also directed the Authority's staff to obtain the approval of the Board in September 2001 and September 2003 to continue the Clean Energy Initiative, with such modifications as may be appropriate; and**

**WHEREAS, the Board also directed the Authority's staff to provide the Trustees with reports in June 2001 and June 2003 detailing the performance of the Clean Energy Initiative; and**

**WHEREAS, the Authority's staff has provided the Trustees with a Clean Energy Initiative Draft Biennial Report dated June, 2001; and**

**WHEREAS, as detailed in that Biennial Report and other reports, results of the Clean Energy Initiative to date have been demonstrated to be very beneficial for the Authority, its customers and Long Island;**

**WHEREAS, the Clean Energy Initiative has been implemented substantially in line with the programs and objectives originally set forth in the Proposed Clean Energy Initiative dated April, 1999 that was approved by the Board on May 3, 1999; and**

**WHEREAS, the Clean Energy Initiative is also planned to be implemented over the next two-year authorization period running through September 2003 substantially in line with those programs and objectives; and**

**WHEREAS, staff recommends that the Clean Energy Initiative be approved so that it continues for the next two-year authorization period through September 2003 in order to promote and implement energy efficiency programs and renewable energy projects on Long Island and obtain the resultant substantial benefits to the environment, economic growth, and reduction of customers bills;**

**NOW, THEREFORE, BE IT RESOLVED, that continuation of the Clean Energy Initiative for the next two-year period through September 2003 is hereby approved; and be it further**

**RESOLVED, that the Clean Energy Initiative Draft Biennial Report dated June, 2001 is hereby approved.**

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Chairman Kessel stated that the next item on the agenda is to approve a resolution establishing a World Trade Center Relief Fund (“Fund”). He indicated that following the tragedy, LIPA has assisted Con Edison in service restoration and the Governor is looking for LIPA to possibly assist Con Edison next summer.

Chairman Kessel explained that right after the tragedy, he had a conversation with the Governor on efforts that the State, including LIPA, could undertake to help victim’s families. As a result, the Chairman stated, a group consisting of Deputy Chairman Foye, Trustee Akeson, Mr. Grilli, Mr. Furlong and Ms. Raso developed the present recommendation to establish the Fund, which will amount to \$100,000. Chairman Kessel explained that this would be a one-year program of financial support to families directly impacted by the tragedy who need help in paying their LIPA electric bill. He indicated that a number of families have already communicated to him that they need assistance. He stated that the Chairman would be authorized to donate up to 20 percent of the Fund to various organizations involved in offering relief to families affected by the tragedy. He stated that he is working with the Governor in this regard.

Trustee Akeson commended the Governor and Chairman Kessel for their prompt recognition of and actions to respond to the need for assistance, and she

expressed strong support for the resolution. She inquired whether this program will be publicized, and Chairman Kessel replied that it will be promoted not only by LIPA but also by the Governor and his staff.

Trustee Sinnreich requested that the resolution provide that if less than \$80,000 of the Fund is provided directly to families to help pay their LIPA electric bills, then the above 20 percent limitation on donations should be lifted to ensure that the entirety of the Fund is expended. Trustee Sinnreich requested that consideration be given to donating to organizations that pledge to flow every dollar to victims as opposed to overhead, and Chairman Kessel agreed. The Chairman also agreed to look into a suggestion by Trustee Hopkins that the donation portion of the program include some matching of individual donations.

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

**565. APPROVAL OF A WORLD TRADE CENTER RELIEF FUND**

WHEREAS, the Long Island Power Authority (“LIPA”) staff has proposed that a World Trade Center Relief Fund (“WTCRF”) be established to provide assistance to LIPA customers directly impacted by the World Trade Center tragedy; and

WHEREAS, the amount of the WTCRF is \$100,000 and said fund will be used to provide relief to households with regard to payment of LIPA electric bills, and at the Chairman’s discretion up to 20% of the WTCRF may be donated to organizations that play active roles in LIPA’s service area and are offering relief to families affected by the tragedy, and if at the end of the one-year period of the program amounts remain in the fund then at the Chairman’s discretion some or all of such remaining amounts may be donated to such organizations; and

WHEREAS, details of the program involving eligibility, applications, decisions on applications (to be made by a committee of senior LIPA employees appointed by

the Chairman), and related matters are set forth in the accompanying Memorandum (incorporated by reference herein); and

WHEREAS, LIPA's staff believes that establishment of the WTCRF is in the public interest; and

WHEREAS, in order for such assistance to be provided promptly, it is necessary for LIPA to act on this matter pursuant to the expedited procedures of Section 202 (6) of the State Administrative Procedure Act; and

WHEREAS, such action will preserve the general welfare by enabling eligible LIPA customers directly impacted by the World Trade Center tragedy to promptly receive needed assistance, and it would be contrary to the public interest to unnecessarily delay customers' receipt of such assistance;

NOW, THEREFORE, BE IT RESOLVED, that the above-described World Trade Center Relief Fund program is hereby approved; and be it further

RESOLVED, that the Chairman is hereby authorized to take such actions as the Chairman deems necessary or appropriate to provide for a prompt and reasonable implementation of the program.

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Chairman Kessel indicated that the next agenda item is to approve a resolution authorizing the acquisition in fee simple by eminent domain of all or part of the Shoreham Site, including any permanent or temporary easements on land or under water necessary for construction, operation, maintenance and interconnection of the Cross Sound Cable project and generation projects. The Chairman indicated that the Shoreham Site consists of approximately 50 acres, which is geographically described in paragraph 5 and Appendix A of Schedule F to the Agreement and Plan of Merger dated as of June 26, 1997.

**Chairman Kessel explained that there is a need for immediate action to facilitate the construction of new generation and transmission facilities, including the Cross Sound Cable, at the earliest possible time in 2002 and thereafter. He stated that immediate action is required to assure adequate electrical supply during the summers of 2002 and 2003, and to help protect and preserve human life, health, property, and natural resources in light of the potential shortfall next summer and beyond in generating capacity. He indicated that this need for immediate action results from the fact that growth of demand for electric power and energy is outstripping the available supply. In order to meet the on-Island and Statewide generation requirements established by the New York Independent System Operator and the New York State Reliability Council, the Chairman stated that a minimum of 400 to 500 MW of new capacity must be made available within the LIPA service area in 2002. He noted that both the Department of Public Service and the New York Independent System Operator have supported and urged the addition of new capacity on Long Island to meet reliability requirements during summer 2002 and thereafter.**

**Chairman Kessel further explained that the timely installation of new generation and transmission facilities, including the Cross Sound Cable, requires that all or part of the Shoreham Site be acquired by LIPA on an emergency basis to permit the timely completion of engineering and construction preparations and activities. He stated that equipment for the Cross Sound Cable is scheduled to be delivered soon and site preparation activities by the developer are imminent.**

**Chairman Kessel noted that LIPA Staff has not been successful as yet in negotiating on reasonable terms the property rights necessary for the generation and transmission projects at the Shoreham Site, although LIPA Staff has made considerable progress and is close to completing the negotiations.**

**Chairman Kessel indicated further that the installation schedules for the Cross Sound Cable, as well as new generation, requires immediate acquisition of all or part of the Shoreham Site on an emergency basis in accordance with Article 2 of the Eminent Domain Procedure Law.**

**Chairman Kessel also stated that LIPA has entered into a memorandum of understanding with NYPA for NYPA to assist LIPA as necessary in completing the projects which will provide additional capacity for 2002 and thereafter.**

**In sum, Chairman Kessel stated that it is recommended that the Trustees authorize the Chairman to acquire all or part of the Shoreham Site, including the landfall and interconnection site necessary for the Cross Sound Cable Project, and related easements on land or under water, by eminent domain and further delegate to the Chairman the authority to approve the payments to be made for the acquisition of the sites so selected and approved. The Chairman emphasized that while he is relatively confident that a negotiated solution with KeySpan will be arrived at, this resolution is a necessary tool to ensure that negotiations not delay the timely implementation of these critical projects.**

Trustee Auerbach inquired whether LIPA must acquire the real property before the Connecticut Siting Council has issued its approval respecting the Cross Sound Cable Project. Mr. Klimberg and Mr. Hulkower both indicated yes and emphasized the importance of avoiding delay. Mr. Klimberg and Mr. Hulkower noted that in the LIPA Transaction, LIPA and LILCO agreed that LIPA shall acquire the Shoreham Site for needed generation and transmission projects.

Trustee Maimoni requested that the resolution be amended to incorporate a geographical description of the site to be acquired, and Chairman Kessel and Trustee Doherty expressed support.

Trustee Sinnreich asked whether the resolution will afford LIPA the ability to acquire an easement with respect to underwater land at the Shoreham Site intake canal, and Mr. Klimberg responded in the affirmative.

In response to a suggestion by Trustee Doherty, Chairman Kessel indicated that the resolution would be amended so that the Chief of Staff, the Vice President of Power Markets and the Chief Operating Officer would each be empowered to execute the necessary documents for acquisition of real property respecting the Shoreham Site.

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

**566. RESOLUTION AUTHORIZING ACQUISITION OF PROPERTY AT SHOREHAM**

**RESOLVED**, that pursuant to the provisions of Article 5, Title 1-A of the Public Authorities Law, LIPA hereby finds it necessary to acquire in fee simple by eminent domain all or part of real property at the Shoreham Site (consisting of approximately 50 acres as geographically described in paragraph 5 and Appendix A of Schedule F to the Agreement and Plan of Merger dated as of June 26, 1997) on which to site, construct and operate new generation and transmission facilities, including the Cross Sound Cable Project, and any permanent or temporary easements on land or under water or other real estate interests which are essential for the development of such site; and hereby finds and determines that such real property is required for a public use; and hereby determines that such real property is necessary for the construction, maintenance, and operation of new generation and transmission facilities, including the Cross Sound Cable Project; and hereby further finds that the absence of adequate electric generating capacity on Long Island creates an emergency situation in which the public interest will be endangered by any delay caused by the public hearing requirement of Article 2 of the Eminent Domain Procedure Law; and be it further

**RESOLVED**, that the Chairman be, and hereby is, authorized to request the assistance of the Power Authority of the State of New York and the Commissioner of Transportation to acquire real property (including related easements) on which to site, construct and operate new generation and transmission facilities, including the Cross Sound Cable Project, by purchase or eminent domain in order to meet electric power needs of Long Island, and is hereby authorized to approve the payments to be made for the acquisition of the sites so selected and approved; and be it further

**RESOLVED**, that the Chief of Staff, the Vice President of Power Markets and the Chief Operating Officer be, and hereby are, each authorized and directed to execute on behalf of LIPA such certificates, requests, directions, instruments, agreements, leases, indentures, documents and 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 above-referenced acquisition of real property at Shoreham to meet LIPA's needs is carried out.

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Chairman Kessel stated that the Governor has been extraordinarily helpful in making available to LIPA certain NYPA employees and consultants to help

accomplish the turbine project. The Chairman indicated that Mr. Clemente, a NYPA employee, is being loaned to LIPA and will be of tremendous help in this regard. The Chairman stated that Mr. Clemente will work closely with and report to Mr. Grilli, who has been doing an extraordinary job. The Chairman emphasized that timely and effective completion of the turbine project is of the utmost importance to LIPA, and LIPA will take all prudent steps necessary to achieve that goal.

Chairman Kessel announced with much regret that Mr. Faltischek has resigned from the Board. The Chairman credited Mr. Faltischek for his extraordinary contributions and for being a leader and invaluable resource to LIPA. Trustees Nugent and Doherty enthusiastically concurred.

Chairman Kessel entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 1:45 PM.

Respectfully submitted,

Stanley B. Klimberg