

LONG ISLAND POWER AUTHORITY
LEGISLATIVE OVERSIGHT COMMITTEE

VERBATIM MINUTES

A regular meeting of the LIPA Oversight Committee was held in the Rose Y. Caracappa Auditorium of the William H. Rogers Legislature Building, 725 Veterans Memorial Highway, Smithtown, New York on March 2, 2011 at 4:00 P.M.

MEMBERS PRESENT:

Matthew C. Cordaro, Co-Chair/Electric Utility Expert
Sheldon R. Sackstein, Co-Chair/Energy Expert
Peter G. Schlussler, Secretary, Electric Utility Expert
Irving Like, Esq./Energy Expert
Fred Gorman, Nesconset Sachem Civic Organization
Joe Schroeder, Energy Specialist, Suffolk County Legislature

ALSO IN ATTENDANCE:

Legislator Edward P. Romaine, First Legislative District
Legislator Wayne R. Horsley, Fourteenth Legislative District
Bill Faulk, Aide to Leg. Romaine
JP DiMartino, Aide to Leg. Horsley
Rose Van Guilder
Pete Quinn
Don Seubert
Thomas Bermel
And all other interested parties

MINUTES TAKEN BY:

Diana Flesher, Court Stenographer

THE MEETING WAS CALLED TO ORDER AT 4:13 PM

CO-CHAIR SACKSTEIN:

I would like to call this meeting to order. I'd like to call this first meeting of the Suffolk County LIPA Oversight Committee to order. I would like to recognize Legislator Wayne Horsley.

LEG. HORSLEY:

Thank you very much, Mr. Sackstein. And I wanted to, on behalf of the Economic Development, Energy and Higher Education Committee to welcome this historic august group. And frankly LIPA Oversight committee members, I have to personally thank you for becoming this oversight group because it is certainly needed.

You as a collective group have been the citizen oversight of LIPA for so many years. And I am so pleased to have you here to question, to lead us as a county and to put together a report on where we should go with questions involving LIPA. And, frankly, we need oversight. We need -- whether it's the Public Service Commission, whether it's elected trustees, whether it is a management audit and the list could go on and on and on, I am hopeful that you will take that as your quest and as your guidance that we have to move this into the public realm.

Let's talk just quickly about why we need oversight and why you're here today. Let's look at the last year. The last year -- we had the March 13th storm when 253,000 customers were out for weeks on end, where they even had one disgruntled customer kick down their doors. That is something that still sticks in the craw. And there were decisions made and decisions that I'm hopeful that you will question.

And then there was the Hurricane Earl experience in September when we had a D-day like invasion of trucks from all over the country over a storm that never came; and the \$30 million, the \$40 million that were spent and Long Island LIPA customers received nothing for it. The fact that they had a budget of \$27 million for storm-related damages. And what did they spend? Over \$200 million. There are questions in their books. And then we, of course, the last couple of weeks noticed that they have overcharged their customers \$231 million. Certainly has to be addressed. So these are not bad people in LIPA. But what they do need is they need oversight. And that is why we are here today.

And lastly I want you to take a look at one thing. And I need an answer. I need an answer as Chair of this Committee, that I have been hearing the reason why we don't have oversight -- more oversight, whether it is any of PSC or whatever, is that they have provided us with a rationale that rating agencies -- that rating agencies will downgrade LIPA if they have oversight. I don't get it. I think it's counterintuitive. I think that it is maybe not true. And I would hope -- be hopeful that you would look at this issue and give us guidance. You are truly the wind under our wings. And there's much -- the \$2.3 billion operation that we need to have a second look at so somebody can look over their shoulders. And I thank you very much for your work that you'll be doing over the next several months. And I applaud the fact that this historic group is on the job in Suffolk County representing our people. Thank you.

CO-CHAIR SACKSTEIN:

Thank you, Mr. Horsley. Legislator Romaine.

LEG. ROMAINE:

Thank you. I'm going to join with my colleague in welcoming you and thanking you for your service in advance.

I sponsored this resolution well over a year-and-a-half ago. But at the time my colleagues did not have the desire to move forward. But this past December, a year after it failed, my colleagues joined unanimously in passing it because they saw the wisdom of having a citizens group with the expertise such as you gentlemen possess to exercise oversight.

When I was elected to this Legislature in 1985, we were in the middle of a battle with LILCO at the time over a nuclear power plant that was under construction, that was estimated to cost less than \$300 million when it was proposed in 1965 and wound up being the most expensive nuclear power plant ever built in the United States. And, of course, it never really operated at full power. It participated at about 10% power before it was closed.

Those were turbulent times. LILCO had lost the faith of many of the consumers on Long Island. And the promise was LIPA, a public utility; which in the beginning there was talk of even an elected board. The people's utility. Somewhere along the way that promise began to fade away. Somewhere along the way practices of this utility raised great questions. And there was nowhere to go with those questions. Somewhere along the way the State Legislature said we've got to have some oversight. 2 and-a-half percent, if you raise your rates more than that, has to go in front of the Public Service Commission.

Somewhere along the way their billing practices bifurcated, trifurcated all types of expenses so they would never exceed the 2 and-a-half percent. But if you looked at the overall total bill, certainly was going up. And people began to lose the faith in the promise of what LIPA could be.

You're here today as an arm of this Legislature in large part to restore that faith, to ensure that LIPA lives up to the promise that it originally was meant to live up to. And in a large part, as you look at its operations, you will have a large say about the economy of this Island that is so dependent on LIPA today. So into your hands I entrust this important task. And knowing your qualifications and commitment, I know that you will do a superb job.

Myself, member of the minority, my colleague Wayne Horsley, a member of the majority, pledge bipartisan support for your efforts and for your recommendations and the full weight and authority of this Legislature to ensure that your purpose and your recommendations get the weight that they deserve. Thank you again for your service.

CO-CHAIR SACKSTEIN:

Thank you very much. We'd like to start the meeting by having an election of officers, if we could. The chair is open to -- the microphone is open to nominations.

MR. GORMAN:

Can you hear me? Because of their combined talents and lengthy experience with energy, LIPA and LILCO, I'm recommending that Dr. Matthew Cordaro and Shelly Sackstein be co-chairs. The both of them have incredible experience. Shelly here has -- was originally appointed by Governor Mario Cuomo to the board. And I don't think that there's another person on Long Island that has as much expertise and organization that isn't working for LIPA than Dr. Cardaro. That's my recommendation. Anyone want to second?

MR. SCHLUSSLER:

I'll second.

CO-CHAIR SACKSTEIN:

It was seconded by Peter. Closing nominations? All those opposed? Hearing no opposition, motion is carried.

How about a secretary? We open the nominations for a secretary. Any recommendation?

MR. SCHROEDER:

I'll nominate Pete as secretary.

CO-CHAIR SACKSTEIN:

Any other nominations?

MR. GORMAN:

I'll second that nomination.

CO-CHAIR SACKSTEIN:

Nominations are closed for secretary. All those opposed? Hearing no opposition, Peter, congratulations.

Shall we start with the order of business of the day? First of all, thank you two Legislators Romaine and Horsley for their entrusting us with this responsibility and to the Suffolk County Legislature. We will fulfill this responsibility to the best of our abilities. And I'm sure that you will be comfortable and pleased with the results as they turn out in our report.

First of all, I'd like to say that I do have a history with the lighting company. It goes back to the days of Hurricane Gloria. And it had to do with LILCO's then response to Hurricane Gloria. So that was a concern. The concern was that they might not have been prepared. So that would be the Jones Commission. And then as Fred had said, I was appointed to the Board of the Long Island Power Authority by then Governor Mario Cuomo.

And I think what we need to pay attention to, as we go through this process, is that we cannot change what has taken place, but we must learn from it and not allow those mistakes to repeat themselves. And there have been many. But clearly I think it needs to be said, because there would be those who would perhaps misunderstand, that this is not an adversarial situation between any of us or the people at LIPA. This is a program that we undertake in a very responsible fashion to be used in the best interest of the ratepayers of Long Island.

But we've seen mistakes made. And we've seen them made over and over again. And one of the most important mistakes that we will not allow to happen again was the no-bid Management Services Agreement. Now this was brought to the attention of the prior CEO and President of LIPA at the time he was in office as well as the current Chairman of LIPA. They were admonished in writing by the State Comptroller back in 2007 that this process needed to be done in an open fashion. And under the law it had to be bid. The Management Services Agreement had to go out to bid. And it's troubling that as recently as 2010 the then President and CEO of LIPA was still trying to consider whether or not he was going to extend once again the illegal contract or modify the illegal contract. We are allowing mistakes to happen over and over again. We will not allow it to happen this time.

Another example would be in relation to the Management Services Agreement, there was a Proposers's Conference that was held back in June of 2010. And I as the Chairman of Action Long Island applied on behalf of Action Long Island to go to this open Proposer's Conference. And we were denied access. We were refused at the door. And we think that's another example of transparency in terms of the Long Island Power Authority.

So there are many issues that we need to cover. And I think something that happened very recently was a very disingenuous reply that was offered at a Trustees' meeting when the question was raised as to whether or not LIPA had kept its eye on the two and-a-half percent rate increase as it related to whether or not they were going to raise rates and be concerned about the PSC. And,

again, another disingenuous reply was offered by a LIPA employee.

So the need for this LIPA Oversight Committee is essential. The time that it took to get to here was unfortunate. The fact that we're here now and going to try and get our fingers around the throat of this, I think, is important. We're here and we're going to try and do something about it.

Some of the things that we're looking at, again, is a lack of transparency in the MSA process. We're looking at the renewal term and pricing and capacity estimates in connection with the power purchase agreement. We're going to look at the continued ownership of the T&D system. We're looking also at the fact that the State of New York is currently -- I think Assemblyman Sweeney and Assemblyman Thiele are looking at putting together some legislation for oversight. And we had conversations with them just as recently as yesterday and today. And they're going to look at whether or not we can make this collaborative effort rather than duplicative.

We're going to look at the future of the existing generating capacity, evaluate the restructuring of LIPA to take control of the workforce, the skilled workforce that too often has been put in jeopardy. And we're going to look at whether or not we can restructure LIPA to protect those jobs.

I personally would like to look at the Emergency Preparedness Manual that currently exists as far as LIPA is concerned, especially what type of procedures they have in place dealing with their own computer system and what impact it would have if some part of that system was to go down.

We heard our two Legislators speak about the economic impact on Long Island and certainly the State of New York consequently. We will invite Kenneth Adams, who is the newly appointed President and CEO of the New York State Empire Development Corp to help us to re-evaluate the impact that LIPA makes on the ratepayers and operations and the economy of Long Island.

We will more than likely also extend an invitation to Governor Cuomo. There's every reason for the Governor to meet with us, and through his office, to assist and develop any course of action to bring LIPA under control.

And we did have some conversations earlier on with the Legislators in terms of extending the life of this committee so that we will not be stonewalled by foot dragging. As we have regularly said at our Action Long Island meetings, we're here today writing the history of Long Island, being called upon by the future to take action now. And that we will do. So I'd like to leave the microphone open now to my colleagues.

CO-CHAIR CORDARO:

Thank you. I want to first of all thank the Suffolk County Legislature, and particularly Legislator Romaine and Legislator Horsley for giving me the opportunity to serve on this committee. I want to thank the committee for electing me co-chair of the committee. We'll have to work out some bugs as we go along because I think we've got the agenda screwed up and I was supposed to lead off. But, you know, we'll square that away in advance.

I first of all want to say that I wholeheartedly support, and I assume the committee supports the state legislators' efforts to subject LIPA to oversight by the Public Service Commission. I think that's long overdue. And it's -- unlike the situation as it exists right now is unlike the situation that exists throughout the United States relative to private and public utilities. There are many public utilities, large public utilities, who do have oversight throughout the United States. And, in fact, a number of them have higher bond ratings than LIPA does.

So the excuse or the concern about financial ratings or the financial status of LIPA I don't think is valid. And we don't have to look too far other than the public utilities on Long Island; the other public utilities on Long Island such as -- at Freeport and Rockville Centre who are subject to the PSC

and do apparently function quite well about the absurdity of being left out of oversight by the Public Service Commission or having some sort of oversight.

In fact, as Chief Executive Officer of one of the largest public utilities in the country, I ran a utility which very similar to LIPA, which indeed had oversight and has to this day a higher bond rating than LIPA has. In fact, the Los Angeles Department of Water and Power, which is a larger public utility than LIPA, has oversight of their operations and their authority to pass rate increases.

And parallel with this and something I think that's very, very important and parallel with the pursuit of PSC oversight is the need to have a full and comprehensive management audit of all of LIPA's books, financial statements and operations and policy. Now this is not unlike what the Public Service Commission has done for the private utilities in New York State. And usually the practice is for those utilities to fund this management audit and to oversee the conduct of the audit. And I think LIPA in the spirit of cooperation should open itself to the conduct of a full and comprehensive management audit, which they, in fact, should pay for.

I think the results of such an audit would be extremely helpful to LIPA itself to make sure that all the problems that may lie in the labyrinth of this accounting system can be flushed out and dealt with, such as the \$231 million overcharge that was recently disclosed. LIPA should welcome that kind of view. And it would be a vehicle to instill public confidence in LIPA; the actual conduct of a management audit.

I think one of the most important things besides being called for with this overcharge, this significant overcharge of customers, which hadn't been detected for many years at LIPA, as well as the recent adoption of a rate increase for the delivery charge at LIPA that wasn't subjected to PSC review scream out for the need for such a management audit. Not only for these latest revelations, but to assure us that there aren't any other secrets hiding in the detail operations and policies and procedures of LIPA. And I think that's a very important element of this. We're not just talking about the financial statements. We're talking about all the policies and procedures that LIPA functions under. And I think it's a very important element.

As an example, I think such an audit would answer a number of questions that we're very interested in pursuing as an oversight committee. For one, it might shed light on the outage statistics that LIPA relies on and frequently publishes. In my forty years of experience in the utility business and the daily observation of the statistics, there are many anomalies which take place during normal operations as well as abnormal operations, which need to be explained. And perhaps an audit would do that.

I think we need to know how much of the Shoreham debt has actually been retired in the ten years LIPA has been in operation. I fear very little of it, if any; but there's never been accounting for that outside of the normal refunding that takes place for debt. How much of the original Shoreham debt has been retired or paid off?

I think we need to look at the years of customer satisfaction data, which LIPA has collected and kept hidden under lock and key for the last ten years. And in fact one thing that cries out for this even more that suddenly within the last year LIPA has changed their internal methodology for conducting customer satisfaction surveys and adopted a methodology which I feel is flawed and carries with it a large error factor. And this is near and dear to my heart. Because I used to teach research methods in the university. And so I've used these kinds of survey instruments. And I definitely have a problem with how LIPA is generating its latest customer satisfaction numbers.

I think what's very important about a management audit is that it might explain the large variations in the financial records of regulatory assets and regulatory liabilities, and how they influence the large amounts of cash and internal funds that LIPA maintains and uses to pay bills sometimes

outside of the need to review them with ratepayers or use them or justify not raising rates because of the existence of these funds.

Beyond that, I am very interested, as this committee should be, on what the future structure of LIPA should be going forward. I know they're studying it right now and paying quite a bit of money in the millions of dollars to a consultant to look at it. Should LIPA be a small -- much smaller entity than it is today with more responsibility to be custodian of tax exempt debt, or should it actually be a real live utility and take control and responsibility for the personnel who actually go out and maintain the wires and read the meters.

Coming from a public utility environment as well as a private utility environment, I'm more comfortable with the latter alternative. And I think that's the direction if LIPA continues to exist, it should move into. And I think this committee -- this oversight committee has a responsibility to monitor the conduct of this study on what the future structure of LIPA should be to ensure that it takes into account all the necessary factors and doesn't leave any stone unturned in ultimately coming up with a structure that's much more acceptable than the one that exists today.

And finally, I'll pass the microphone onto someone else, I am also very concerned about the recent LIPA solicitation of 2500 megawatts of new power. And I think that that's something that needs very close scrutiny and something that this committee should be involved in. And we should help or participate in ensuring that all the appropriate evaluations are conducted on the different kinds of variations of power supply portfolios which may emerge from the review of this solicitation; and also that adequate consideration be given to the re-powering of the aging existing {steam and light} co-generating stations on Long Island. In the past this has been summarily dismissed by LIPA. And I think that was a grave error.

My list goes on and on but I'm going to stop there and pass the microphone on. Again, I'm thankful for this opportunity and look forward to helping this committee achieve its objectives. Thank you.

MR. SCHLUSSLER:

Good afternoon. My name is Peter Schlusser. I have 19 years experience with the utility business, in particular LILCO and National Grid and KeySpan. I'd like to thank Legislator Romaine and Horsley for this opportunity. I appreciate it and I hope I can offer my experience as a tool to help out with what we're trying to achieve today as a collective board.

My particular expertise, as I see it, and I hope that other people see it as, is the restoration process, a storm restoration process. I speak of that occasionally and I use that term loosely -- occurs within electric generation business. In particular over the course of the last four years, LIPA has expended approximately \$370 million in expenses associated to restoration costs.

Now what's interesting about that \$370 million, the previous four years we had spent -- LIPA, that is -- spent approximately 57 million or one seventh less in money. The question is why is that the case? In 2007 LIPA had put forth a program that -- they call it storm hardening. And what does that mean exactly? That could mean anything from trimming the trees, checking the poles, doing some preventive maintenance; so in theory to reduce the cost associated to restoration. Now, this occurred in 2007 after they noticed -- LIPA, in theory, noticed the trend upward with restoration costs.

Now this storm hardening process that I speak of, the program was to commit \$20 million -- \$25 million a year -- excuse me -- for the next 20 years, which is a significant investment. And this significant investment commenced in 2007. And up until the last year \$38 million was approximately spent. My question -- my very basic question is what did we spend \$38 million on if our restoration costs last year alone were over \$200 million? Thank you.

MR. SCHROEDER:

Good afternoon everyone. My name is Joe Schroeder. I'm the Energy Specialist here at the Suffolk County Legislature. I've served in that capacity for eight and-a-half years. And prior to that was a utility. I served in various aspects in the utility. And prior to that I was involved heavily in the construction industry where we specialized in in energy efficient homes.

I'd like to read the following comments into the record. Forgive me if I wax a little poetic here but "we live in times that are volatile at home and abroad. Our national local economies are vulnerable to influences on many fronts, especially because we are competing against other regions during our nation's economic recovery. Affordable and reliable energy supplies is an underlying fundamental necessity for our homes, our businesses and it's essential if we are to attract high-tech industry to Long Island. How we resolve the local energy issues we face during the next few years will determine the long term viability of our region.

As noted in the legislation creating this committee, we are asked to look at and beyond specific areas of LIPA's operation. Driving this effort is a concern that LIPA's practices have generally lacked transparency. A simple example of this is the bill modification several years ago that eliminated the line item reflecting recovery of fuel and purchase power costs and LIPA'S practice of 'absorbing' those costs. Whether LIPA had sufficient cash on hand to pay for fuel and purchase powers costs that soared with commodity spikes or whether they deferred those costs with interest, LIPA did a disservice to its ratepayers by not sending the proper price signals to consumers who might then have made self-directed adjustments and and saved money.

LIPA is nearing the end of its Management Service and Power Supply agreements with National Grid. In 2013 we will be either continuing on with National Grid or dealing with new players. In addition, LIPA has issued the Request for Proposals that you just heard of for 2500 megawatts of new electric generation and/or supply resources. Together these arrangements and the debt service associated with new resources represent a significant influence on the cost of electricity that Long Island ratepayers will pay for years to come. As such, these issues warrant the attention of this committee.

A year ago LIPA adopted an electric resource plan that included very aggressive goals for ratepayer funded energy efficiency and renewable energy programs. In theory LIPA plans to invest approximately one billion dollars over a ten-year period to offset demand growth by up to 500 megawatts. And that would eliminate the need for a 500 megawatt investment in new electric supply (infrastructure). In my opinion LIPA has a lot to prove with this effort as it follows the marginally effective Clean Energy Initiative programs that LIPA previously implemented with approximately \$360 million.

Promoting energy efficiency is more than a laudable goal. It is a practical necessity because we simply cannot afford to build power plants and transmission cables indefinitely. Unfortunately only a year after adopting the new plan, I understand that LIPA has changed its focus from reduced energy consumption in kilowatt hours, which is what we're all billed on, to reduce demand growth in kilowatts, which is an instantaneous measurement of electric load that is only actually measured for certain commercial and industrial customers. I am concerned that what might have been an aggressive plan to reduce energy consumption by ratepayers has become a very expensive peak-shaving program. I would like to better understand LIPA's thinking on this and other issues.

I believe that it is in the best interest of ratepayers to clarify the many issues in question that we'll be covering. And I hope that we will have LIPA's cooperation for our mutual benefit. Since we have no jurisdictional authority over LIPA, I am concerned that the depth of our analysis will be limited to the degree of cooperation we receive from LIPA and National Grid where necessary on LIPA's behalf, but I hope for the best."

MR. LIKE:

After that glowing introduction by Legislators Romaine and Horsley, I can hardly wait to hear what I have to say. I'm going to make three points which bear upon the pocketbook, the health, the property values and the natural resources of Suffolk County.

The first point is that LIPA request -- I'm sorry -- that the County government requests the State Comptroller to audit the books and records of LIPA and to ask the County government, the Legislature and the Executive, to join in that request. And we will offer a resolution of this committee calling upon the State Comptroller to conduct such an audit.

The reason we think an audit is necessary is not only for the -- those given to you by Dr. Cordaro, but because specifically I believe based upon the evidence that I have obtained representing the County in a litigation against LIPA having to do with the breach of Shoreham settlement agreement, that the County has a credible claim of \$6.7 million against LIPA. And that claim, and my opinion that it has a credible claim, is also the opinion of the County Comptroller, who has had an opportunity to review a number of the internal documents of LIPA.

Now, the jurist Oliver Wendell Holmes said famously that a page of history is worth a volume of logic. And let me give you a little history as background to how we got to this \$6.7 million claim. In January of the year 2000, LIPA signed an agreement with the County of Suffolk, the County of Nassau and a number of other taxing jurisdictions. Under that agreement it was agreed that the Shoreham judgement arising from the nuclear plant would be settled by the payment of rebates and credits to Suffolk County ratepayers and Nassau County ratepayers.

LIPA sold bonds, the proceeds of which were to be used to fund the rebates and credits. Our Budget Director at the time Fred Pollert and the County Legislature's Counsel Paul Sabatino, were of the opinion that something seemed fishy about the sale of those bonds; that the bond proceeds didn't seem to be sufficient to pay all of the debts that were to be funded.

We found out in the course of the litigation that Chairman Kessel agreed to pay Nassau County an additional \$25 million in rebates presumably as a sweetener to get them to sign the agreement; even though under the Shoreham settlement agreement, the County of Nassau would get a much greater total of rebates and credits than were given to Suffolk County.

We also found out that Kessel agreed to give Nassau County an additional 25 million, which was supposed to be used for clean air programs, but instead were knowingly used to reduce the Nassau County budget deficit. So what we saw from the evidence was that there was a total of \$50 million of illegal and discriminatory gifts that were given. And the proceeds of the bonds that were sold were insufficient to pay the legitimate rebates and credits and in addition the \$25 million additional to Nassau County.

AUDIENCE:

Can you state your name and title for us?

MR. LIKE:

Irving Like. I've been serving as special counsel to the County Legislature in its suit against LIPA for breach of the Shoreham settlement agreement.

Now continuing with the history, in the lawsuit LIPA admitted these facts. However, it asserted as a defense that the Suffolk County ratepayers were not injured because LIPA used the investment earnings that it derived from investing the principal of the bond proceeds with an investment with Bank of America under what was called a repurchase agreement. And under that repurchase agreement, they would get interest. And they claimed that the interest would enable them to pay the illegal \$25 million rebate to Nassau County.

Now, we started off by claiming that as a result of these two illegal gifts, Suffolk County ratepayers, who pay 52 percent of the revenues of LIPA, were injured to the extent of \$26 million. 52 percent of 50 million is 26 million. In the lawsuit we asked the court to grant judgement, damages 26 million to Suffolk County. The court refused to do so. It sided with LIPA saying that LIPA was entitled to use the investment earnings to pay the illegal rebate.

We found out further, however, that the rebates were made by LIPA in the year 2000 starting one month after it made the investment. And it did not earn enough during the Year 2000 to pay the 25 million. Instead what LIPA did was they accumulated the future earnings, which eventually reached the sum of 18.3 million. Those future earnings were earned over a three-year period following the signing of the agreement. They were still short because they had paid Nassau County 25 million and they only had 18.3 million in earnings. They then did something which was described by the County's consultant as quote cooking the books. They created an accounting entry in the year 2003 and then back-credited that to the year 2000. Okay? Since they didn't have the full 25 million in earnings, they gave 6.7 million out of their cash reserves to pay Nassau County.

Now, to give you an example using an attorney, if an attorney establishes an escrow account with a client and the client gives him \$10,000 and he takes that money out which he is not permitted to do and he bets on the horses; and let's say he earns more than \$10,000, he comes back to his client and he says, "look, I took the money out of the escrow account, which professionally I was not entitled to do. But I got it back to you and here's the 10,000 back with a couple of bucks in profit." That's not going to work. That attorney is going to face serious charges perhaps not only ethical charges but possibly criminal charges.

To me that's analogous to what was done here. LIPA made an illegal payment of 25 million in the year 2000, did not account for it until the year 2003 and then back-credited 18.3 million and wrote off six million in cash. I presented these documents to the County Comptroller. And he agreed with me that the County has a credible claim of \$6.7 million representing its share of the cash, even though it may not be able to get recognition of the fact that LIPA used 18.3 million to pay an illegal rebate.

Now, we have asked for the Comptroller to come into the picture and audit the audit, the books and records, the journal entries, the general ledgers and to reach a determination whether or not he agrees that the County is entitled to \$6.7 million. So that's issue number one.

Under the agreements which LIPA signed, it had to sign what was called an Arbitrage Certificate. The Arbitrage Certificate was the permission it had to give, it had to execute, in order to be able to use the investment earnings. For example, the County sells bonds, let's say, with a 4% coupon interest. It reinvests that in investment product which pay at 6%. That difference between the 4% and the 6% is called arbitrage earnings.

Under the agreement LIPA agreed that it would take the arbitrage earnings and use that to reduce the debt of the Suffolk County ratepayers arising from the Shoreham settlement. Instead it used the investment earnings to give the illegal rebate to Nassau County. So we're asking the Comptroller to determine whether or not LIPA was obligated to use the \$18.3 million of earnings to reduce the Shoreham debt of the Suffolk ratepayers. If they had done so, that would have reduced what is called the surcharge of 2% that we as Suffolk County ratepayers have to pay on top of our rate bills from LIPA. That 2% surcharge is the penalty that Suffolk County ratepayers have had imposed upon them because of the Shoreham settlement agreement. And that's something we think the Comptroller should look at.

The next issue is whether the surcharge equation itself was excessive. Now, a little arithmetic. The numerator of the equation was the Shoreham debt. The denominator of the equation was the total electric ratepayers -- a revenue that Suffolk County pays to Nassau County. If you divide the

Shoreham debt by the total electric revenue, that gives you a percentage charge and that's what's levied on your rates every year. However, we believe that the equation itself was faulty because the numerator, which is the Shoreham debt, the Suffolk debt, was overstated and the denominator was understated. If you make those changes, you come out with a smaller surcharge factor. We want the Comptroller to look at the revenue, electric revenue. We want him to look at the debt and we want him to make a determination was the equation excessive.

The last issue with regard to the audit is whether LIPA violated the investment guidelines which are applicable to public authorities. Now, the type of investment that they made where they bought a re-purchase agreement that would give them a certain interest over a period of time, they were betting that the money that they would get over that three-year period would be enough to pay for an illegal payment to Nassau County. That's what became the economic recession of 2008. The investment banks over-leveraged their assets. They entered into all of these fancy agreements, found out that they couldn't deliver.

Now it so happens that the Bank of America, which was the counterparty to the agreement that LIPA signed, did come through with their return on the investment and they did earn \$18.3 million over that three-year period. However, if this had happened, if they had bought a similar agreement investment in the last couple of years, they would not have been able to pay and LIPA would have been in deep trouble because it would have made an illegal payment and didn't have the earnings to cover it.

The second major point that I want to make is that we as a committee should seek to enforce National Grid's obligation to expeditiously clean up the waste and contaminants that continue to be released into the environment by the abandoned former manufactured gas plant. LIPA signed an agreement with KeySpan when KeySpan came into the picture. And that agreement obligated KeySpan to clean up the manufactured gas plant facilities, of which there are like 18 or 15 in Nassau and Suffolk County. The worst one is in Bay Shore. The second worst one is in Hempstead.

Those contaminants are a risk to health because they're cancer-causing. And they can cause problems if they're inhaled through an air pathway or if they come in contact with a building through intrusion from contaminated soil or if they are in the groundwater and the groundwater somehow comes in contact with people.

LIPA owns several of the sites on which these manufactured gas plants are located. KeySpan National Grid operates the facility. LIPA's ratepayers in many instances, probably in the hundreds of thousands, are also ratepayers of National Grid. So they are not only having a health risk, their property depreciates because if you are located on property that is contaminated, people will not buy it, a bank won't lend you the money; or if they do, it'll be at very unfavorable terms. So the existence of these plants depreciates market values of property. It puts health at risk and it contaminates natural resources. We know that the contaminants, for example, from the Bay Shore MGP flow into the Great South Bay and that the sediments in the creeks are grossly contaminated. And the Suffolk County Department of Health Services will vouch for what I just told you in that regard.

So we think it would be very important to put pressure on National Grid through this committee, if it can be done, asking them to expedite the cleanup; which, by the way, and this may shock you, but it shouldn't, the ratepayers have been forced by the PSC to pay the cost of the cleanup. The stockholders of National Grid do not have any obligation in that regard. The ratepayers pay. So they put your health at risk, they depreciated the value of your property and you pay the bill.

The last point I want to make, and this goes to oversight, I have long been of the opinion that only a ratepayer-elected LIPA board will give you the attention, the accountability and the transparency to ride herd on LIPA if it is not acting in the interest of the ratepayers.

I don't know if you know David Wilmott, who's passed away. He was the outspoken publisher and editor of Suffolk Life, a very conservative individual. He was the most passionate advocate of making LIPA an elected board elected by the ratepayers from 21 ratepayer districts. Now people might say, well, it's pretty messy to have an elected board, but this would be a volunteer board. And as messy as election can be, I would sooner trust an elected board of ratepayers than a bunch of appointees who are appointed by politicians in Albany.

And we know from our own experience, people volunteer to be on school boards, in fire districts and other districts, and somehow they do a good job because they have a stake in it. And I want the directors of the LIPA board to have a stake in its operations. I think that that would be the kind of oversight that would be the most effective that we could ask for.

MR. GORMAN:

Hi. My name is Fred Gorman. I'm a ratepayer. I don't have the degrees over here and I'm not a lawyer. And I'm not happy with the Board of Trustees that LIPA has. Now, I know everybody said let's be friends and I have no problem with the employees because employees follow direction. A Chief Operating Officer follows the direction of his Trustees. So therein lies the problem. Those Trustees do not look at us as their main focal point. They look at us as food. They have taken the happiness out of Long Island. So when someone says let's be fair, let's be reasonable, these are the culprits. And Irving Like is right. We have to get a board in here that's going to protect us. And we have to start looking at these numbers the way they really affect us. \$270 million of overcharges where they're holding them in a reserved fund, that's \$270 per taxpayer -- or I should say per ratepayer because there's only a million of us. It's not two dollars a month. That's an insult to most of us. You're going to give us back 250 because you charged us 270 bucks more than you're supposed to get?

And let's really look at all the reserve accounts that are there. How much of our money are they sitting on? And how much of that money can be reduced? These are the things, I think, from a ratepayer that we should be looking at and we should be taking care of. If we had our own elected board that was responsible, as Irving Like said, to 23 people, you know, responsible to their communities, you better believe they're going to do the right thing and they're going to instruct the same employees that are giving you this kind of stuff, you know, they're going to instruct them *don't do that, because if you do that I won't get elected.*

Now you also have to understand why these guys are looking towards the bankers. Why are they looking towards Wall Street? Well, look where they come from and look who they socialize with. These guys are not normal Long Islanders. These guys are up in the upper stratosphere drinking blue scotch with these other guys. They're never going to look at us this way. We have to get our own particular -- just as an example, I mean when we start talking about fuel charges and, you know, parts lease transactions and everything else, is that they have literally taken everything out of that to avoid everything that they can because they really do look upon us as food.

CO-CHAIR CORDARO:

I think as a routine part of these meetings, we're going to allow the public to speak, which is the custom for most of the Suffolk County Legislative committee meetings. And so with that I will make that a regular part of the meetings that we have. So continuing with that practice, I'm going to ask -- and I also got to say we're going to limit you to three minutes because of the need to leave enough time for speakers to say what they need to say.

And the first speaker, someone who's going to kick off our meeting, would be the first speaker ever before the Suffolk Legislative LIPA Oversight Board is Rose Van Guilder.

MS. VAN GUILDER:

Good afternoon everyone. Hi, Dr. Cordaro, Shelly, Mr. Like and Fred Gorman, Joe. This is a pleasure. My name is Rose Van Guilder. And Legislator Wayne Horsley and Edward Romaine. Good afternoon. I want to congratulate the Suffolk County Legislature for establishing the LIPA Oversight Committee. This is a wonderful time for Long Island. We have long awaited for you to come and do this wonderful job for the ratepayers of Long Island. I have been trying to do this job on my own and it has been a massive job. And I am grateful that you are here to do this.

LIPA has been a big giant with high political allies. They answer to no one. Consequently Long Island and the Rockaways have the highest electric rates in the nation. We must stop this runaway train by taking many different actions.

On April 7th at Farmingdale College, there's going to be a senatorial hearing on the \$213 million that LIPA overcharged the ratepayers. I would like to make certain that everyone in this room is going to be present at that meeting. Senator LaValle, Senator Fushchillo, Senator Marcellino, and Senator Maziarz, who is the Chairman of the Energy Committee, is going to be heading this committee. I have sent an e-mail to all the Senators. And I have asked that if they do not want Long Island to be Madison, Wisconsin, I am asking that they lower our electric rates, that they provide a LIPA audit. And I mean a comprehensive audit.

And I also am asking for an audit of KeySpan National Grid because it is KeySpan National Grid who collects all of the ratepayers' bills and they then credit LIPA for all the money that they receive. National Grid LIPA KeySpan has never, since the inception of LIPA, had one audit. Common sense tells you that if you have a subcontractor who's collecting the money for LIPA, that you would have periodic audits to make certain that all the monies has been credited to LIPA. This does not make sense to me. And I'm certain all of you who are businessmen, Legislators and lawyers would tell you that business has not been run as usual. And we the ratepayers have been suffering as a result of the co-mingling of funds.

I would also like to point to your attention that LIPA, Kevin Law instituted a program for the senior citizen. He -- when he increased our rates, gave the senior citizens \$10 million for the low income, 62 years and older. That program, I had submitted a bid as the Alliance for Independent Long Island, I gave him a bid to do the program for \$250,000. National Grid offered \$750,000. That program was granted to National Grid for \$750,000. That program was carried out by the Long Island Power Authority. I have all the documents to prove to it.

I contacted Comptroller DiNapoli and asked him to audit the books for LIPA because \$750,000 was taken away from the senior citizens. That money was never given out to the senior citizens. That program was cut short within one year and the funds are still in LIPA's account. This is the reason why we've received a reduction in our rates for two months. And I was at a meeting in December at the Legislative building across the street and Michael Harvey admitted that he was using that money and giving it to all the ratepayers because he had excess money.

CO-CHAIR CORDARO:

Rose, you're beyond the three minutes, so if you could just summarize.

MS. VAN GUILDER:

Sorry. I apologize. Anyway I have -- I am going to Albany on Monday. I am meeting with Attorney General Eric Holder and with Senator LaValle, Senator Flanagan, Senator Fuschillo and Assemblyman Bob Sweeney. If any of you gentlemen would like to accompany me to Albany, you're more than welcome. I see that you have this lawsuit that you are instituting. And I would welcome you to bring this information with me to Albany. I would be proud to accompany any one of you or have you come with me. I have a lot more information available. If you would like to learn about it, I would be most welcome to tell you about it. I had a lot more notes and

information. I can be reached. I will leave my information and number. Legislator Romaine and Wayne Horsley know my phone and all my information.

Thank you for the opportunity to speak. I appreciate it. By the way, there two articles in today's newspaper. I think it's very important that you be aware of them. Thank you so much. Bye bye.

CO-CHAIR CORDARO:

And you're welcome to come back at other meetings that we'll hold. Your information and insight is very valuable. Thank you.

MS. VAN GUILDER:

I will be reporting to the senators.

CO-CHAIR CORDARO:

Okay. Good. Peter Quinn. And while Peter's coming up, I just want to mention for Rose's information that the Public Service Commission has announced a management audit of National Grid, that will take place to explore some of the issues you covered in your statement about their proper accounting for their cost among the different subsidiaries.

MS. VAN GUILDER:

I'm getting all the audits from Comptroller DiNapoli. He mailed them to me so this way I will review them.

CO-CHAIR CORDARO:

Peter?

MR. QUINN:

Good afternoon, members of the committee. Let me point out initially as a point of personal privilege that -- my name is Peter Quinn, a long time energy critic of both LILCO and LIPA. And I wanted to comment about the three-minute time limit as I look around the room and see the thousands of people who've signed cards to speak, I look at the utter banality of limiting each speaker to three minutes.

CO-CHAIR SACKSTEIN:

May I say, Peter, I'm delighted I didn't invite you to the podium. He did.

CO-CHAIR CORDARO:

Peter, you might have noted that I allowed Rose to go much further than three minutes. And that's an appreciation of the number of people, but we need to establish a regular procedure when hopefully this room is packed full of people who want to make a statement.

MR. QUINN:

And since many of the speakers at the podium have indulged themselves for several more minutes than three, I'd like to be given the same personal privilege.

Let me begin by saying that the scope of this group's analysis should be expanded. The focus should not be just on LILCO, but it should be on LILCO doing business as LIPA, which is a subsidiary of LIPA and yet does no reporting to the public and had Kessel as CEO of both LIPA and LILCO d/b/a and followed by Kevin Law being the CEO and LIPA d/b/a, meaning that they both had a responsibility to do public reporting and neither one of them did it.

So under the radar screen, LIPA d/b/a, even though it was accredited by a state agency, hasn't reported. And my question is since now they do not have a CEO yet, is Kevin Law, who's being paid by the LIA, is he still receiving a stipend from LIPA d/b/a? If he is, that's an illegal process.

MR. GORMAN:

He is not. And I know that for a fact.

MR. QUINN:

Well, I would like --

MR. GORMAN:

I've had conversations -- I've had conversations with him.

MR. QUINN:

Well, I don't accept any member here commenting about that until you've reviewed it, all of you, and make that determination.

Second, the third group that needs to be under the radar -- open up to examination is National Grid. National Grid and LIPA are joined at the hip on all of their money expenditures. And so you need to specifically examine their Management Service Agreement, their Power Service Agreement and their Energy Service Agreement; although the latter two are less costly, the Management Service Agreement probably comes close to a billion dollars in their agreement. And I'd like to see some analysis of that brought before the public.

And why you're at it, you might know that over the past eleven months National Grid had filed a request for \$361 million in an evidentiary proceeding on two cases. And the Administrative Law Judges on those two cases said National Grid is not entitled to more than 99 million. And as recently as January 24th, they rendered a decision saying \$111 million should be granted with a \$40 million supplementary money for competition transmission rates. So at least the Public Service Commission, which voted unanimously as I understand it, is in there seemingly to work on our behalf. So -- and, of course, you didn't see that in Newsday because they didn't bother printing it.

Then you need to look carefully at the oil and fuel surcharges. I might add National Grid runs the generating plants. And what we don't know is we haven't seen a list of all of the generating plants, their sites, that is there location, their megawatt capacity for each, what we're paying for oil and natural gas on an annual basis for the last three years, and their thermal heat percentages. Thermal heat percentages, if you don't know, are the rate by which you judge whether a plant is efficient or inefficient. And you've got -- any plant that is rated less than 20 percent, it means that it's inefficient. And the result is that you pay more for oil and gas, fuel costs at those generating plants. And we need to have them explain, also, base load, intermediate load and peakers or peak load plants. And if some of you want to raise points about what they've disclosed and what they haven't -- but the peak load plants that are under the radar screen are 79.9 megawatts. And yet the PSC said before review a plant is only under review if it's over 80 megawatts. So all these peakers need to be checked. And we need to abolish the enabling by a utility to create a plant that is under 80 megawatts just to escape scrutiny financially.

CO-CHAIR CORDARO:

Peter, we may not have a lot of speakers, but there is a limit to the amount of time we can use this room and the stenographer. So, I'd ask you to try to summarize your remaining remarks if you could.

MR. QUINN:

All right. I want to examine LIPA. I have other issues, but I'll limit them to one more. LIPA's debt: If you look at the pie chart in the LIPA budget, you'll see 16 percent. But if you read the wording, you'll see that debt service is in one place, amortization in another place and interest still in a third place. If you combine the three of them, you discover that LIPA by that 16 -- (PAUSE)

LEG. ROMAINE:

You can continue.

MR. QUINN:

He's talking to one of the gentlemen at the dais so I would prefer to wait until he's finished talking so --

LEG. ROMAINE:

What he's saying is that there are going to be multiple meetings so --

MR. QUINN:

I'm aware of that. I planned on coming to only one. I hope.

LEG. ROMAINE:

Okay.

MR. QUINN:

So that 16 percent, if you're looking at our \$4 billion budget as they had a couple of years ago, means that we were paying \$640 million. Who did that go to? It didn't go to any ratepayers. It went to the rating agencies who get paid by the bonding firms, the bonding firms, and pay off to bondholders who get tax free arrangements. That seems to me so imprudent that it demands that you seek refinancing of LIPA's debt as a major issue in dealing with LIPA. We can't have Wall Street make these arrangements, which they have over the years. I mean we had \$7.2 billion in principal debt. And when I asked Pat {Foy}, who's a deputy, at a meeting several years ago, what is the total cost when you add debt service, amortization and interest? He said it's usually two-and-a-half to three times the principal. Well, at 7.2 billion calculating another 18 billion, it means that just for those costs, we're paying over \$25 billion -- ah, billion dollars. And so we've allowed that to continue because even though we pay down the principal by a few billion, every year Wall Street has found LIPA to be a cash cow where it seeks more bonding every year. And I want to see that come to an end.

And I'll stop here thinking that -- maybe I'll come back and be able to address some of my additional concerns at another time. Thank you.

MR. GORMAN:

Mr. Quinn, before you leave, I have a question to ask you about a statement you made. I don't know whether or not you actually made the statement or you made an inquiry. Are you implying that you have knowledge that Kevin Law is double dipping or maybe receiving more than one salary or still receiving money from LIPA or LILCO? Do you have such information?

MR. QUINN:

I do not have calculated information, but it disturbs me that there is no current CEO. And somebody must be continuing in that official capacity for LIPA. And since there is no CEO there right now, I'm wondering since Kevin Law left who is in charge of LIPA d/b/a.

CO-CHAIR SACKSTEIN:

Well, let me say this, Peter, if you go to the New York State, Department of State website, you will find listed as of February 28th of 2011, Kevin S. Law as the CEO and Chief Executive Officer of LIPA.

MR. QUINN:

As of what date?

CO-CHAIR SACKSTEIN:

February 28th. Long Island Lighting Company -- the company -- the d/b/a currently shows Chairman/Chief Executive Officer Kevin Law.

MR. GORMAN:

Is that a typo?

MR. QUINN:

So Mr. Gorman may be incorrect and you may be --

MR. GORMAN:

I also have information on this, which I will present to the board, which will clearly prove the Kevin Law has not received any kind of remuneration since he has left LIPA; and that when he was working as a County employee, he never took any funds when he was also the Chairman of LIPA. I will have all that information clear, concise with a sworn statement from the individual.

CO-CHAIR CORDARO:

We have two more speakers. So, Peter, thank you very much.

CO-CHAIR SACKSTEIN:

Peter, if I could -- Peter, you didn't finish. So if there's any of those things that you want us us to follow up on, could you just drop us a note also; even some of the things that you talked about now so that we can follow up on it? I think that's important. You also talked about the MSA. I wouldn't be --

MR. QUINN:

The only thing I would urge is that you don't wait until you're ready for a final report to be published before you go on the public record with, you know, perhaps press conferences and other items that you want aired so that the public, if they read Newsday, can get that information.

CO-CHAIR SACKSTEIN:

Yeah. Well, you talk about the MSA also. And I wouldn't be surprised that if it does go through as an open process, and it's a big "if", we're going to try and make sure it does, that that MSA doesn't come in at a much lower price than we're currently being charged. All right? Because Steve Holiday years ago -- and that's the President, or was the President of Grid -- said that one of the most attractive things, if not the most attractive part of this whole process, was the very lucrative Management Services Agreement. So I'm very hopeful that things will change. But please give us your comments so that we can follow up on your questions.

CO-CHAIR CORDARO:

All right. The next speaker is Don Seubert.

MR. SEUBERT:

Good afternoon. My name is Don Seubert. I'm from Medford. And I just want to -- I know Mr. Sackstein said earlier that we are writing history on Long Island. And a lot of the people up there seem to be very conscientious in what they carve out to do. But I think it's the trust of the people that, number one, that people can come to you and maybe like Peter said when there's an obvious thing like that of a couple extra minutes. Okay? But maybe complete this horseshoe, complete the circle so the people appear more comfortable speaking to. And we're going to look to you to be our representatives to LIPA and to National Grid.

And with that I would just say a couple of things. Long Island is the environment. And I want everybody up there to know that. That's the number one thing. There's no sense even having power or anything if we don't have an environment that's satisfactory to live here. And I didn't hear

enough. Mr. Schroeder did get some points in, but I think that's a critical part of what the people that wish to stay and find Long Island still positive place to be. So I hope that you would be strong on that.

Suggestions? Just little suggestions, okay, on your bill -- I have a bill here -- National Grid has the bills here. They have bills Upstate. My daughter's in Niagara; in the middle of Niagara, living on Grand Island. The bills should be pretty much the same so you can pretty much make equal judgements. It's a pretty simple thing. We should know where the power's coming -- we should have a power pie on the bill that tells which comes from nuclear energy, which comes from coal, where does it come from and how much is, as Peter said before, how much it costs per unit. So we really have a good comparison.

I would also think of the permitting process. The number one thing I didn't hear about either was conservation. Okay? Mr. Schroeder did approach that. But that's the least expensive of things we can do and probably the most effective in our pocket. We can't have people cutting back on their kilowatts and then finding out that they cut back too much so now they have to hire the higher rate in that category to pay the money. I know that's a big gorilla in the room. The more we save, the more it becomes a little impossible a pot, you know, we have to make some choices here. And I think the environment should win out on that.

The bidding process, when they did the Caithness bidding process, if you looked in there, they weren't just a power plant -- they want other alternatives, believe it or not, which I don't believe. Caithness said if you would have a solar field, we would have put in a bid for that. Okay? But that doesn't make quick money and it doesn't generate huge amount of power. So I think that's something else that needs to be considered now and in the future. There really has to be truth to what you're doing up there; because I'm sure everyone here would like to see energy and renewable energy being in the community right now. And you hear things like this little power box, that you can put up in your, you know, your attic almost or outside next to the air conditioner that can generate electricity for a house, okay, or for a shopping center or for huge amounts.

So I think we need the transparency. You know, transparency starts by getting people here, you know, people that are really knowledgeable that know what they're talking about, you know, having -- I just read it in the paper and tracked down Mr. Romaine's office to find out where it was because the newspaper didn't even say where it was. Okay? So I think there's -- you know, the environmental justice, we got other power plant -- where Caithness is right now, you know, you got a landfill. You talk about safety and you talk about our national security, there's 20,000 liquid gallons of nitrogen right near the power plant plus Grucci and the whole deal. And how much more can the community take with a huge landfill like we have there? You know, they originally weren't going to put lights on it but now it looks like -- now they put Christmas tree lights on it. Okay?

So the process was flawed. They just selected one group of people. They didn't go out actively. That's what you got -- you got to energize the LIPA and National Grid to get bids from all over the country, to get really positive futuristic ones; not the ones we'll be closing down in a few years.

And the air quality, we're doing work on the Carmans River. Okay? Forty percent of the pollution comes from the air, which you say you can't do much about. But we can do something about it locally. We can. We can -- I don't think any of us want our head in a smoke stack or the back of a car exhaust. We know it's stronger there. Look at the Holtsville plant. Inversions right there. Metrology should be the first part of any siting process so you know the wind speed, what the air quality is. Both Holtsville and Yaphank are probably the two worst metrological sites on Long Island. They're both in a valley where inversion takes place and just heads over. Holtsville's the only one in Suffolk County that has an added cost fog zone. Okay? And it's the only one that had a fog problem before they even put a power plant there. And you put one logistically in the same spot in Yaphank.

So if you can think of that first and think of the people that live here and the air we breathe, the health consequences and the cost of health and cancer and everything else, I'm sure every one of you up there know a wife or a daughter or a husband who goes home and has headaches at the end of the day. You know, they just need a break from it. And what's it called? We just found out today that New York City is the fourth dirtiest city in air pollution in the country. And, of course, Suffolk County and Cattaraugus County bounce back and forth as being number one and two in New York State. How that works out that they're not first, I don't know. But that's just what -- so we bounce back.

So if you -- and the bills, there's no reason why they can't be coordinated. Use things like PELCO. I don't know if you remember PELCO. Patchogue Electric Light Company. PELCO used to pay a ten percent if you paid your bill on time. How many people pay -- are late on their bill to LIPA? And school districts, especially big districts, they don't pay, because they know they're not going to shut them off. So it's a large amount of money right there if you give incentives. If you want people to do paperless bill, give them a few bucks on their bill, you know, and then, you know, you still got to work out the gorilla. But I think if we clean our air, we'll have more money for our workers that work hard.

I could go back to the '50's and '60's when Long Island had lots of -- had a lot of hurricanes. Okay? People then, you know sometimes the power's out for ten days, five days at a time. You had a hand-pumped well, you know, and you had to pump to a neighbor who still had a pump.

So I think that, you know, maybe we have to take into consideration, too, about their -- you know, their cell phones can't be charged so quickly or their -- whatever. But I think there's a lot to be done simply -- and I think that we hopefully can look to you people to represent us to really pull out and make sense out of LIPA and for Long Island. Because it is -- it's going to be Long Island's future. If you don't do it and preserve the environment, you know, what's left? You know, there's no reason to be here.

And if you can get power -- right now the Indians up in Canada are going on line with more hydropower up in Canada. I don't know -- maybe Mr. Cordaro's probably aware of that. But there are a lot of others, maybe aren't. See what you can -- we're consistently told we can't get hydropower, we don't have the transmission infrastructure. Then all of a sudden you see an article in the paper where some little Hamlet or Village on Long Island has it and some other place Upstate or out of state has the hydro power. There's penny power Upstate in Buffalo. My daughter's right on the river. They don't get it, but the next County over gets the penny power. And they, of course, had a 17 percent interest a long time -- a while ago. It went from about nine cents a kilowatt to 1.2 kilowatt.

CO-CHAIR CORDARO:

Don, we have one more speaker so if you can finish up.

MR. SEUBERT:

Thank you very much.

CO-CHAIR SACKSTEIN:

Don, I'd like to point out that earlier on I had said that we were going to watch very closely the renewal term, the pricing and the capacity estimates in connection with the upcoming power purchase agreement. And our reason for looking at that was to ensure that they didn't set the number so high that the focus would be coming away from renewables and conservation. We don't want them to put the level so high. We want them to be more realistic in that estimate.

CO-CHAIR CORDARO:

The next speaker and the last speaker is Thomas Bermel.

MR. BERMEL:

Good afternoon. My name is Thomas Bermel. I live in East Patchogue. I'm a disabled veteran, resident and a ratepayer obviously. Thank you, Mr. Romaine, Mr. Horsley for bringing this committee together. And I'm sure all of you gentlemen, even though I don't know any of you, will do a terrific job. My only consideration there would be that, like Mr. Schroeder said, that this committee does not have any jurisdiction. Only the PSC has jurisdiction over LIPA. And maybe, if possible, one of the members of the PSC could sit on this committee, like Ms. Acompora, who's a local member of the PSC.

In response to a couple of things that I've heard here today, particularly Mr. Irving Like talking about lawsuits and things like that, why isn't or wasn't Richard Kessel held accountable for all these things that he did? If we're pursuing lawsuits trying to recoup money, what about the people that were responsible for incurring these actions?

Number two: Elected trustees for LIPA was in the original LIPA agreement back in the late '90's when LIPA took over LILCO. So that's never been followed from day one. Why not?

Next, I need to clarify a couple of things Peter Quinn was talking about. LIPA d/b/a, that's actually LILCO d/b/a. And as the gentleman mentioned, as of February 28th Kevin Law is still the Chairman and President of LILCO, which is a private corporation still in business. So I think that's something that a lot of the general public don't know about. They think that LILCO went out of business years ago. And I think anything involved with LILCO because it's probably all done under executive session, I think that should be brought to the floor, brought to the attention or to the knowledge of the residents of Nassau and Suffolk County and all ratepayers for that matter. Just from a general informational standpoint.

MR. GORMAN:

Sir, I spoke with Kevin Law today on that exact subject. Whatever you've seen on the website is incorrect. I will be providing information to this board and anybody in the audience who wants it, which will absolutely demonstrate where Kevin Law gets paid and who pays him.

MR. BERMEL:

I'm just trying to make a distinction; that there is LILCO d/b/a LIPA and LIPA the Power Authority. That's all. I'm not saying anybody's double dipping or anything --

MR. GORMAN:

And I agree with you a hundred percent; however, I think anybody's name who is going to get mentioned here in this particular procedure --

MR. BERMEL:

I didn't mention anybody's name.

MR. GORMAN:

Well, Kevin Law came up. I'm simply saying is we should know what we're talking about before we drag someone through the mud. We should know exactly what he's done and what he's not done.

MR. BERMEL:

I didn't mention anybody's name.

MR. GORMAN:

You mentioned the web. Fine, then I'm out of line.

MR. BERMEL:

Don't pick on me. I'm just the messenger here. Anyway, if I can continue, regarding this \$231 million and these are a couple of things that I think maybe this committee might take a look at, instead of the authority giving us store credit over three years, so to speak, well, you know, they collected that money in cash, why can't they pay it all back at one time in cash? Even though it may -- there may be an administrative cost in sending out rebate checks for a lousy \$230 per ratepayer. Just my own opinion here.

Hopefully that's a little better. I know I'm pretty vocal. Mr. Like, I did read the testimony of you in front of Judge Lynch a few years ago in Riverhead. I'm sure you probably forgot about that.

Also, I would wish or hope that this committee would maybe consider discussing illegal pilots, which I got quite involved with as an opponent of the Caithness Power Plant. And also I'd like to see that maybe we could get into a bigger solution rather than a Band-Aid approach that LIPA's had over the years. I would like to continue to attend the rest of these meetings, whether they're here or on the east end. And have the scheduled meetings been arranged yet? And I'll certainly be looking for them. Thank you for your time.

CO-CHAIR CORDARO:

Thank you. Thank you very much.

And that brings up, I guess, our last bit of business is maybe to schedule a future meeting. And I look for some feedback from the Legislators on that. It seems that the most appropriate times to have these meetings, at least the initial ones, is following the meetings of Legislator's Horsley's Committee. And so with that, at the same time at four o'clock.

LEG. ROMAINE:

There is a meeting within the next two weeks of your committee. But that's something that you can work out.

I would say to everyone that the meetings of this committee, if you go to the legislative web page, then you can find the meetings of this committee. And we will make a diligent effort to notify the press. And I would ask the committee members maybe amongst yourselves by e-mail or by phone to establish at least a schedule of meetings for the next three to six months so that people can have some advanced notice. And then eventually after the committee has gathered information, there will be four public hearings: Two in the west end and two on the east end. And I think the west end might include, for example, the Brentwood Campus, Suffolk Community College and Suffolk County Legislative Building. East end might include, for example, Riverhead County Center and possibly Southampton Town Hall. And I can certainly help you with making arrangements for all of those.

So if you ask myself, Legislator Horsley, if you give us dates that you want to have these hearings, we'll make them. And hopefully by next week you guys have agreed on a set meeting of scheduled -- how often you'd like to meet, be it once a month or whatever. And we will make sure that that is published on our web page and a press release sent to the press. Thank you very much again.

CO-CHAIR CORDARO:

Thank you. And on behalf of the committee, I would like to thank all of those who showed up today to participate and welcome you to future meetings of the committee. Thank you.

CO-CHAIR SACKSTEIN:

Irv, are we going to require a motion for that --

MR. LIKE:

In answer to Mr. Sackstein's question, I believe it would be appropriate for this committee today to adopt a resolution asking the County government to request the State Comptroller to audit the books and records of LIPA with respect to the investment earnings issue that I described in my presentation.

MR. GORMAN:

I make the motion.

CO-CHAIR SACKSTEIN:

I'll second. All those in favor? Motion is carried.

Is there any other business coming before the committee today? I want to thank everyone for being here and for your patience. It will take us a little bit of time to get up to speed but trust, we will. We will get the job done. Thank you.

**THE MEETING CONCLUDED AT 5:53 PM
{ } DENOTES SPELLED PHONETICALLY**