

CONSUMER PROTECTION COMMITTEE

and the

ECONOMIC DEVELOPMENT

HIGHER EDUCATION

and

ENERGY COMMITTEE

of the

SUFFOLK COUNTY LEGISLATURE

Minutes

A Joint Committee Meeting of the Consumer Protection Committee and the Economic Development, Higher Education & Energy Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, Veterans Memorial Highway, Smithtown, New York, on March 29, 2006.

MEMBERS PRESENT:

Legislator Cameron Alden • Chairman • Consumer Protection
Legislator Wayne Horsley • Chairman • Economic Development
Legislator Jon Cooper • Vice•Chairman • Consumer Protection
Legislator Ricardo Montano • Vice Chairman • Economic Development
Legislator Thomas F. Barraga
Legislator Lynne Nowick
Legislator Kate Browning
Legislator Jack Eddington

ALSO IN ATTENDANCE:

Legislator William Lindsay • Presiding Officer
Legislator John M. Kennedy
George Nolan • Counsel to the Legislature
Joseph Schroeder • Budget Review Office
Renee Ortiz • Chief Deputy Clerk of the Legislature
Ed Hogan • Aide to Legislator Nowick
Warren Green • Aide to Chairman Alden
Linda Bay • Aide to Minority Caucus
Fran Siems • Aide to P.O. Lindsay
Bob Martinez • Aide to Legislator Montano
Ben Zwirn • Assistant Deputy County Executive
Richard Kessell • Chairman of LIPA
Dan Zaweski • LIPA
Mark Dougherty • CEI • Long Island Power Authority

James Morgo • Commissioner of Economic Development
Carolyn Fahey • Economic Development
Joseph Sanseverino • Director of Community Development
Charles Gardner • Director of Consumer Affairs
Charles Stein • Suffolk County Community College
Alexandra B. Sullivan • AME Legislative Director
Elaine Cobis
Lester Davis
Ralph Ranghelli
Don Daley Jr.
Dr. Carmine Vasile
Charles Lucchetti
Peter Quinn
Elaine Cobis
Pat Edwards
Stanley Klimber
Edward Grilli
Elizabeth McCarthy

MINUTES TAKEN BY:

Lucia Braaten • Court Stenographer

[THE MEETING WAS CALLED TO ORDER AT 9:30 A.M.]

CHAIRMAN ALDEN:

Good morning and welcome to the Consumer Protection Committee meeting. We're going to start with the Pledge, and we'll have that led by Legislator Barraga.

(SALUTATION)

And as tradition, I'd like to have one moment of silence for those that have given their life to this country, and just in remembrance, and we should keep them in our prayers and our thoughts, those that are serving right at this moment to keep us free. Thank you.

(MOMENT OF SILENCE)

We have a very quick agenda for Consumer Protection. We have one tabled resolution, that's ***(1247) A Local Law to facilitate implementation of reciprocal municipal livery business registration.*** I've been told by the County Executive's Office that they would like that tabled for one more cycle at least. So I'm going to make a motion to table, second by Legislator Barraga. All those in favor? Opposed? That stands **tabled. (Vote: 5•0•0 •2 Not Present: Legs. Cooper and Browning).**

Introductory Resolution 1391, and that's a Local Law to ensure proper storage of toxic pesticides in retail stores. That has to be tabled for a public hearing, so I'm going to make a motion to table that for the public hearing, second by Legislator Barraga. All those in favor? Opposed? We have four. We have four Legislators present.

MR. NOLAN:

Yes, so you're good.

CHAIRMAN HORSLEY:

We're talking about mine.

CHAIRMAN ALDEN:

Oh, okay. So.

D.P.O. VILORIA • FISHER:

No, I'm not on the committee.

CHAIRMAN ALDEN:

All in favor? Opposed? That's unanimous. That stands **tabled. (Vote: 5 • 0 • 0 • 2 Not Present: Legs. Cooper and Browning).**

That's the end of our agenda. We're going to have a discussion and a presentation in a few minutes. I'll turn it over to Chairman Horsley for that one resolution. Is that what we're ••

CHAIRMAN HORSLEY:

Yeah, I just want to do one. Good morning. May I just •• may I just open the Economic Development, Energy and Education Committee meeting, and before •• and the first issue on our agenda that I wanted to handle, I wanted to handle this out of order, is to introduce an appointment to the Industrial Development Agency Board, Lutricia Pat Edwards. Pat, would you •• welcome.

MS. EDWARDS:

Thank you very much.

CHAIRMAN HORSLEY:

Okay? Great. All right. I've got a quorum, just in time, too. I just wanted to introduce •• give an opportunity for the committee to meet Lutricia Pat Edwards. For those that haven't, Pat is, again, a longtime friend of many of us in the room, who is Vice President/Citibank Long Island Community Relations Group, and she's had a long history in banking. She's had a long history in the community. And we feel that she would be a major asset to the Industrial Development Board. Pat, why don't you just say a few words about yourself so you can introduce yourself.

MS. EDWARDS:

Yes. Good morning, everyone. And thank you for the opportunity to come before you today. As Wayne said, my name is Lutricia Pat Edwards. I am a nearly 14•year resident of Suffolk County. I currently have a Vice President position with Citibank's Community Relations, which means that I support the community with a four•point focus of affordable housing, economic development, small business development and financial education. My background in lending spans over 20 years. And I have an extensive nonprofit lending background, I have a small business lending background, and I have a workout and renegotiation background. I have familiarity with the IDA, the JDA to some extent, I know it's a very complicated vehicle, and would welcome the opportunity to support the County in this initiative. My claim to fame, actually, is I'm the proud mother of two children, and most recently my son has made the National Junior Honor Society, so he will be inducted next week.

CHAIRMAN HORSLEY:

Congratulations.

MS. EDWARDS:

Thank you very much. But aside from that, I take my roles and responsibilities very, very seriously. I am a dedicated woman who takes great pride in being considered for a very serious position and would do the best that I possibly could, and would consider myself an asset to the team, if I am so allowed.

CHAIRMAN HORSLEY:

Thank you very much. And that was a fine presentation. Are there any questions from any of the Legislators?

LEG. MONTANO:

I'm going to make a statement.

CHAIRMAN HORSLEY:

Sure, please. Legislator Montano.

LEG. MONTANO:

Good morning, Pat.

MS. EDWARDS:

Good morning.

LEG. MONTANO:

I am just very pleased to have been able to put forward your nomination. I won't get ahead of myself in terms of congratulations, but I think you will serve this board very well. It's a pleasure to have put you forward, and my colleagues, I'm sure, feel the same way.

MS. EDWARDS:

Thank you very much, Legislator.

LEG. MONTANO:

And there's a lot of substance behind what Pat does and what she says. I want to make that very clear.

CHAIRMAN HORSLEY:

And I believe that to be true. And my own feelings as an attendee of the IDA meetings, we've got a lot we can do with the IDA. It's the most •• it's one of

the best tools for economic development that there are out there. And I appreciate the fact that you're •• again, I don't want to get ahead of myself, as Rick says, but we look forward to you being there.

MS. EDWARDS:

Thank you.

CHAIRMAN HORSLEY:

Are there any other questions? Okay. Pat, thank you very much.

MS. EDWARDS:

Thank you.

CHAIRMAN HORSLEY:

We will vote •• we'll vote on this as we do our regular agenda after our special guest arrives.

MS. EDWARDS:

Thank you very much. Okay.

CHAIRMAN HORSLEY:

Okay? Thank you very much. And I'm glad you could be here today.

MS. EDWARDS:

Thank you.

CHAIRMAN HORSLEY:

Okay. As we set up for our guest, Mr. Kessel, we will be taking a five-minute break, and we will recess the Energy, Economic Development and Education Committee until then. Thank you.

[THE MEETING WAS RECESSED AT 9:35 A.M. AND RESUMED AT 9:42 A.M.]

CHAIRMAN ALDEN:

Once again, good morning, and welcome to the combined Consumer Protection and Economic Development, Energy and Education Committee hearing. And we're honored today to have the head of LIPA come down and join us, Richard Kessel. And, again, we did the Pledge, so we don't •• we don't really have to do that again. And I think we can pretty much cut right to the presentation.

Just before we get started, and as I said, thank you very much for coming down, taking time out from what really is busy days right now. I just want to

make one quick statement and that's I want to thank some of your staff, and Bill Davidson in particular. Any time we've had constituent problems, and my office gets hit with a lot of them because I'm Chairman of Consumer Protection, Bill's been really good and he's handled things in a really fast, judicial manner, and I want to compliment you and your staff for that type of response for our constituent problems. So thank you very much on that. And with that, I'm going to turn it over to Chairman Horsley.

CHAIRMAN HORSLEY:

Why, thank you very much, Legislator Alden. And let me also emphasize the historic nature of two committees working together in both on other sides of the aisle, and showed that Legislators can work cooperatively in the Suffolk •
• in Suffolk County.

Again, I wanted to just say my hello to Mr. Kessel. Of course, he is, if anyone doesn't know, which it's hard to believe that that's possible, but maybe you don't know that he sings with Jay and the Americans. I heard that, and that was •• that seemed to be passing around the morning issue.

Richie is the Chairman and Chief Executive Officer of the Long Island Power Authority. He was appointed the LIPA Chairman by Governor Pataki in 1997. He first served as LIPA Chairman from '89 to '95. He was, of course, prior to that the Consumer Affairs Protection Commissioner of the State of New York. He hails from Merrick, and we are certainly pleased to have him here today to discuss most important issues of the day, our energy concerns of Long Island. Mr. Kessel, welcome.

MR. KESSEL:

Thank you, Wayne. It's great to be here. And Cameron, and everyone on the panel, all of you whom I know very well in prior lives, current lives, maybe even in future lives, you never know, but it's really good •• it's great to be here today before the Suffolk Legislature and these two committees.

And I wanted to start out by commending you, Wayne, and Cameron and Bill Lindsay, and all of the Legislators for taking such an important interest in Long Island's energy future, particularly as it relates to the issue of the recent announcement of the acquisition of KeySpan by National Grid and the impact on our customers and our energy future here on Long Island. This is an issue of critical importance.

And I have to say, you know, years ago, Newsday did a great series called "Long Island at the Crossroads," and I think we're at the energy crossroads again right now. When you look at the world that we're in with, you know, the high fuel cost and the potential for even higher fuel costs going forward, and I don't mean LIPA bills necessarily, but, obviously, the skyrocketing cost of oil and natural gas. The Broadwater project on the North Shore, the wind project on the South Shore, LIPA's recent agreements with KeySpan, National Grid's acquisition of KeySpan, all of this is coming together uniquely right now. And so I think it's clearly very timely for the Suffolk Legislature to get involved in the decision-making process of what Long Island's energy future is.

Before I •• you know, I don't like prepared statements. I've got a few things to say primarily about the Grid/KeySpan transaction and LIPA and then take questions, I'd be delighted to do that, I just want to introduce Elizabeth McCarthy, Libby McCarthy, who is our Chief Financial Officer, Ed Grilli, who's LIPA's Chief of Staff, and Stan Klimberg, who's LIPA's General Counsel. And

you graciously mentioned Bill Davidson, who does do a terrific job on the government side, not just here in Suffolk, but all over the state.

I was actually up in Albany yesterday and addressed the entire Assembly and Senate delegation, Democrats and Republicans, majority and minority, and I just wanted to indicate to you what an extraordinary job they are doing and how interested they are in this particular issue. Tom I know a long time, and Tom comes from that neck of the woods, being in the Assembly and doing some terrific things. We don't always agree on everything, but Tom has got a great mind, an independent mind, and I think Tom knows how that delegation works very well. And I was very pleased, and I have to tell you that almost every member of the delegation, Senate and Assembly, met with us yesterday and showed a keen significant interest in the Grid/KeySpan transaction, LIPA's role, and that's important. And just to also mention that the Nassau Legislature is also taking an interest. I know that Dave Denenberg, who's Chairman of the Energy Committee, is holding a hearing on Friday. And I think it's important, because in the end, the people of Long Island depend upon you, the elected officials, to represent their best interest in the energy picture on Long Island.

And I also thank you, Wayne, and you and I know each other a long time, for your kind words about my singing career. I know that if ultimately the perfect storm hits and we can't get the lights back on, once they do come back on, I could •• at least I could sing with Jay and the Americans, which ••

CHAIRMAN HORSLEY:

There you go.

MR. KESSEL:

And I sing Cara Mia, by the way, is my hit song.

LEG. NOWICK:

Can we hear it?

MR. KESSEL:

Yes.

CHAIRMAN HORSLEY:

By the end of the hearing, you may be ready for us.

MR. KESSEL:

Yes. But then you'll say, "Stay at LIPA," Lynne, "You'll stay at LIPA."

LEG. VILORIA • FISHER:

Keep your day job.

MR. KESSEL:

But Jay actually is •• just I was telling Wayne before, Jay is a Long Islander,

I've known him for a long time, and I do get up on stage and sing with him, and it's sometimes a lot more fun, not as much fun as this stage, but close, it's close. Let me focus in on the recent events that have occurred and talk a little bit about what our role is here.

Just to give you an understanding that back in 1998, the Long Island Power Authority, which was actually created back in 1986, we actually began operating in 1987 as a State Power Authority for Long Island, that back in 1998, after a lot of contentious years, including many appearances here in this room on the whole Shoreham issue, the Long Island Power Authority acquired the former Long Island Lighting Company's retail electric system. And in that deal, LIPA acquired the retail electric system, which is really the wires, you know, the poles, the service that brings electricity to your home. LILCO merged, and that's an important word today, merged as opposed to acquisition. LILCO merged with Brooklyn Union Gas, ultimately to form KeySpan, and KeySpan purchased the generating plants on Long Island. And as well, obviously, they also purchased the gas system on Long Island.

And I think it's important to start out to understand that LIPA, no matter what happens with the Grid/KeySpan transaction, LIPA owns the electric system, and under no circumstance will National Grid own the electric system, or set any policy or any rates regarding the electric side of the business. And that's an important point, because there's a lot of confusion out there.

Now, as a result of that takeover we have entered into •• we had entered into three contracts with KeySpan. One was a management contract called a Management Services Agreement, which basically has KeySpan running the day•to•day operations of the electric system under our direction. We set the policy, we set the rates, we tell them what to do. They are our contractor, and they run the day•to•day business. And the employees, and I'm

delighted here to see Ralph Rangelhelli and Don Daly from the two major IBEW unions. They deserve recognition for the extraordinary work that they've done, and I'll get to that in a few minutes.

But, technically, the employees that you see, you know, that read the meters or repair the service after an outage, while they are KeySpan employees in name and they work for KeySpan, we pay their salaries through a monthly management fee that we give to KeySpan. And the reason that was done was so that the State wouldn't all of a sudden assume thousands of new people and employees. And there were issues about workers' pensions, contractual obligations, that were very confusing. So we formed this unique public/private partnership where KeySpan is the contractor, LIPA the owner. We set the policy, they carry it out. And that's what the Management Services Agreement is, it's an important agreement. It nets or grosses KeySpan somewhere between 350 and 400 million dollars a year in revenues, and it's the most important contract that we have with them.

The second contract is a power supply contract, a power supply agreement where we agree to purchase the capacity and the energy from the old LILCO, now KeySpan, power plants. And that is a contract that runs through the year 2013 with an option for LIPA to extend the contract an additional 15 years. And what it does is it takes the old LILCO plants, which KeySpan now owns, you know, like Northport, Port Jefferson, Barrett and Island Park, Glenwood Landing, Far Rockaway, and they own the plants and we purchase the capacity and the energy from those plants. Obviously, that's an important contract, because most, but not all, most of the power that we sell to our customers is produced from the KeySpan generating plants.

Now we have brought competition to Long Island, unlike some of the old days, John, and you talked a lot about competition years ago. We now have a lot of companies that are generating power on Long Island; Pennsylvania

Power and Light, Florida Power and Light, _Cowpine_ , Equis, and they are independent power producers, and we have similar contracts with them to provide power to Long Island. And, of course, we also have the new Cross Sound cable that's operating between Connecticut and New York, and we purchase power off of that cable as well. So •• but the bulk of the electricity that we sell is sold to us by KeySpan. So that's the power supply agreement. And that, again, expires in 2013.

And, finally, we have an Energy Management Agreement, the purchasing of the power, the purchasing of the fuels and the power to keep the lights on with KeySpan. That contract expires this year. So, those are the three contracts that we have.

Now, it's important to note from the outset that all of those contracts have a termination clause, which allows LIPA to immediately terminate those contracts upon a change of control. So, if, in fact, this transaction goes through and National Grid acquires KeySpan, LIPA has the right to immediately cease any of those contracts and go somewhere else. And that's an important point that I will get to in a second.

Now, as you know, and I appeared before this Legislature a year or so ago, last year and the year before we kind of spent a lot of time looking at what LIPA's future should be. You know, should we privatize the system, should we make it, you know, broader in scope on a municipal basis, or should we maintain the current arrangement but improve it. And after a lot of review and discussion, we finally decided that we were going to try to enhance our agreements with KeySpan to benefit the ratepayers and the future energy picture on Long Island. And so we entered into very intensive negotiations with KeySpan, most of that occurred between Labor Day and the middle of December, to try and see if we could come up with a deal that worked for LIPA, its customers, and for KeySpan as well. And, as many of you know, in

the middle of December we announced what I felt at the time was an excellent agreement between LIPA and KeySpan, and that agreement, which I'm going to just describe very quickly, amends a couple of things that I've just described to you.

On the management side, it lowered the annual management fee that LIPA paid to KeySpan by about 34 million dollars, which is about 12% of the management fee that we pay. And that's critically important, because by lowering the cost of the management fee, it enables us to control some of our other costs and stabilize our bills. And lowering costs obviously is something that you're all interested in in government, we're obviously interested in •• on the ratepayer side.

Furthermore, we settled a number of financial disputes with KeySpan. And I just want to say right from the start that our relationship with KeySpan has been extraordinarily successful. And I know Bob Catell was here on Monday. He's a great friend. He's done a great job. We don't always agree on everything, but one thing I believe very strongly is he has done a great •• he's one of the best utility leaders in the country. His relationship with me and with LIPA has helped make this a great success. It's been a great public/private partnership, and it's worked and worked well.

But, as part of the amending of the management agreement, we agreed to extend the management agreement from its expiration date, which is basically January 1st of 2008, to 2013 to coincide with the expiration of the power supply agreement. In return for extending the management agreement by about five years, we agreed to a number of things in that agreement, including the reduction in fees that I just talked about, as well as the settlement and resolution of a number of disputes between the two companies, financial in nature, for about 120 million dollars, plus some credits that were available. What that settlement and the new contract

allowed us to do was the following:

Number one was to promise that outside an extraordinary Katrina type event like last year, we would freeze our bills entirely, the surcharges, the base bill and everything for at least two years, and that is critically important. And, you know, again, we could talk about our bills later. I know they've gone up, but, finally, you know, the truth is told today in Newsday about why they've gone up. And we are actually undercharging our customers and we could talk about that later. But under this agreement, we would have no increase in bills for at least the next two years, that's number one. Number two, we would provide modest refunds to our customers. It's not a lot of money, it's \$35, again, under this new agreement, but it says something to those customers who are angry, obviously, about rising electric bills as a result of higher fuel costs, and so that was important as well.

And we did a number of other things that benefit our customers, and that includes a new option on the power plants. Under the current option, which we actually are operating under now, LIPA has the one•right to purchase all of the plants together, not separately, at fair market value, which is a number we don't even know what it is. Under the new agreement, LIPA and KeySpan agreed that we would purchase two of the plants, Barrett and/or Far Rockaway, at book value, which I think combined for both is about 75 million dollars, and we would repower both of those plants, assuming our due diligence showed that we could physically repower those two plants. And the rest of the plants would then stay with KeySpan and they could decide what they wanted to do further on.

And there are a lot of other things in the deal. LIPA has more input in the day•to•day planning of the system. We actually already have some employees who are working over at KeySpan monitoring their operations. But it's a very, very good deal in my view for LIPA and KeySpan, for our

ratepayers, and for the employees as well. That new agreement, which was announced in December, was •• was approved by both KeySpan and LIPA, and submitted to the State Comptroller and State Attorney General for their review.

Now, then let's flash forward a couple of months to February. This new deal is pending before the Attorney General and the Comptroller, and KeySpan, National Grid announced an acquisition that we all are very familiar with. And I think it's important to point out that this transaction is not a merger, it's an acquisition. National Grid is buying KeySpan, and I think it's important to note that the successor, if this transaction were to go forward, would be National Grid.

And we were up in Albany yesterday and they •• as you know, they purchased several years ago Niagara Mohawk, and that service territory is in Albany, Syracuse, Buffalo and other parts of Upstate New York and we saw trucks going around the capital. They're not Niagara Mohawk trucks anymore, they're National Grid trucks. So I think it's important to understand this is not a merger like the LILCO/LIPA/Brooklyn Union deal, this is an acquisition.

Now, it is also important to note that when this was announced, LIPA knew nothing about it at all. We were not informed about this at all, and that's important, because I know we've been asked a lot, "How could you not have known about it?" "Why didn't you know about it?" "You had to know about it." We didn't know anything about it. Now, I'm not necessarily being critical of that, I'm being questionable •• questioning about it. I believe, and based upon information that National Grid has provided us, that those companies, along with several other companies, were certainly in discussions of a serious nature well before we completed our deal.

Now, there are very few things that KeySpan could have told us because of securities and insider trading laws. Having said that, you know, I believe that we should have been told that there at least was a possibility that a transaction should have occurred or could occur in the future. "Yes, we're talking to other companies. We've always talked to other companies, but, you know, it's a little bit more serious right now and something may happen in the future." And had we known that, we might have done something differently back in December, but we didn't, and it's important to understand that. What the time line is, how long those discussions were going on is something that we are now looking at and getting information on from National Grid.

So the announcement is made that National Grid would purchase KeySpan for stock of about \$42 a share. And it's important to note that since that announcement, the Attorney General, in my view, in a very wise move, stepped up and said, "Well, wait a minute. Before I continue my review of whether or not to approve this new deal between LIPA and KeySpan, I want to know what LIPA thinks about the acquisition of KeySpan by National Grid," and has halted his review of that agreement. And without Attorney General Spitzer's approval and then subsequently the approval by the State Comptroller, Alan Hevesi, this new agreement with KeySpan cannot occur.

And I just have to say very straight, we didn't ask the Attorney General to suspend his review, but it was a wise move and the right move, because, and this is an important point, the deal that we made in December was a good deal, but it was with KeySpan, it was not with National Grid. And had we known at the time that another company, it doesn't have to be National Grid, they're a very reputable, good company, did a lot of good things, especially on the other side of the ocean, but had we known that there was another company, we might not have made that deal. The reason we made the deal with KeySpan, because we like KeySpan, we like the job that they did for us,

we like the workforce, we like the managers, we are very happy with KeySpan. But National Grid is different.

So the Attorney General has suspended review of the new agreement, So what's in effect right now is the old agreements that we have with KeySpan. So now the question is what does LIPA do, or where do we go on this and what this means. Let me get to that, because I think that's important.

I think there are two areas of what we're doing right now. Number one, we are conducting extensive due diligence of National Grid's operations right now in America. Ultimately, probably we'll have to take a look over there in London. And we have teams of people from LIPA that are taking a look at Grid's operations. Last week they were in New England, this week they're in Syracuse, and they're taking a look at all aspects of Grid's operations. They •

- we've established working groups to look at all different aspects of National Grid's performance, because they have a record here in New York and in the northeast, owning both Niagara Mohawk and some utilities in New England. We're looking at, you know, Grid's operations, customer care, their employee relations, their vendor relationships, their environmental policies, their commitments to repowering, what are they spending on energy efficiency, their information technology, worker safety. So we're looking at all of this and we're asking a lot of questions about how they operate here in New York and New England.

The next part of that is to ask what are their plans for Long Island, because the ultimate question is, is this acquisition in the best interest of Long Island? You know, can you say at the end of the day that we're better off under the new setup than we were under the old? Now, today you can't say that, because all we've done is replace KeySpan, a Long Island company with roots here, and community roots here, with a company that has no roots here. That's not •• I'm not being critical of National Grid, but that's a fact.

The people that we work with are people that we're familiar with, we like them, we know them, most of them live on Long Island, their families are on Long Island. We know their practices, they know our practices. So what you're doing is you're substituting a foreign, small "f", small "f" company, a non-Long Island company, for a company that we know. So there's no way that you could sit here today and say that we're better off with National Grid than we have been with KeySpan. The question is can we make it better so that, at the end of the day, I can sit here before the County Legislature and say that based upon a new transaction or a new deal, that, yes, we are better off, and that's a big challenge. But there are a number of questions and issues that are important to us, so let me now talk about them.

And it's important to understand what our leverage is here. Our leverage is that we have these contracts. They are very valuable. If you took all the contracts and added them up together and you •• you know, to 2013, you're talking about over 6 billion dollars in gross revenue. They're extremely valuable, and we have the right to terminate them. And what I've said publicly is that if we're not satisfied with what we get for our customers out of this deal, if we're not satisfied that this is not in the best interest of Long Island, we will terminate those contracts, and that's our leverage. We don't have an approval process, that's really the Public Service Commission. They do a great job. We are coordinating with the Public Service Commission, but that's more on the gas and the corporate. If this is •• unlike Niagara Mohawk, when they looked at that, the electric part of the business is not under regulation by the Public Service Commission. Our contracts are between LIPA and KeySpan. So, on the electric side of the business, it's really LIPA's role, in my view, to protect the ratepayers of Long Island.

And the issue that I have asked is what's in it for the ratepayers? This is a great deal for both KeySpan and National Grid and their shareholders. What's in it for our customers? And I have to know, and I think all of our customers have to know, and you have to know as Legislators, that we are going to get significant recurring benefits from this transaction flowed directly

through to the ratepayers before we sign on the dotted line. And I think there are some critical questions, so let me get to them. And I want to, you know, utilize this time to also comment about some things that were said here on Monday, either during the hearing or after the hearing.

The most important thing is I believe that some of the benefits of this transaction must go to our ratepayers. And whether it's to enhance refunds or to extend the rate freeze, there is a lot of money in this deal, billions of dollars. Some of that money ought to go to our customers. And let me just say something that is a misnomer out there.

Somehow there's a number that's thrown out there of 200 million dollars, and, you know, that's the synergy savings, and that's the money that, you know, should go to the ratepayers. First of all, I don't limit myself to that. In my view, those are synergy savings. Whether or not they're real or not, we don't know. We've asked Grid for a list of what that means and where it comes from. They've been very cooperative with us. We're getting a lot of information.

But I think it's important to note a couple of things that haven't really been said publicly. Number one, I'm being told that half the synergy savings go to the shareholders. So I don't agree with that, but we're being told, so take the 200 million and lop off a hundred million right off, because that should go to the shareholders. Why? Because they feel that's traditional. I don't agree with that. But it's important to note that the opinion of the transactors is that half of the synergy savings should go to the shareholders, so that knocks it down to 100 million dollars. Then we're being told that the hundred million dollars is going to be split up between everyone, it's not just for Long Island. It's for the gas customers in the City, gas customers Upstate, gas customers in New England, electric customers in Upstate, in Buffalo, and maybe there's a little bit. This is what I gather I heard said the other day for LIPA and its customers. I don't accept that.

Now, you know, I was Upstate yesterday in Albany speaking to our delegation, and one of the things I heard from Legislators off of Long Island who represent Niagara Mohawk service territory is, "Hey, you're not getting any of this money, this is going to Buffalo, this is going to Syracuse, this is going to New England." And so it's important to note that on the synergy savings that everyone's talking about and all of our eyes are burning over it, 200 million, lop off half, and then split it amongst everyone else. Now that's not going to be enough for us. And so I don't •• I think it's important for the Legislature not to focus on the synergy savings as much as what are we entitled to. I don't care what the synergy savings are. We want benefits for our customers. Now, I respect the right of the Upstate Legislators and county Legislatures in Buffalo and •• to want their share. That's not my concern. My concern is the Long Island ratepayers. And we want a significant amount of money from this transaction to be able to help our customers who are struggling with high electric bills.

Number two, the employees are critically important to us. I would tell you this, that there are no better utility employees anywhere in the country than those that work for KeySpan and LIPA. And we have to protect their jobs, their rights and their capabilities on Long Island. And let me say something very clearly. We can't afford to lose any employees. And I know there's an issue of, well, there won't be layoffs, but maybe there'll be attrition and we'll reduce the level of the workforce. That is something that we cannot accept, because this workforce does such an outstanding job for us. And I will tell you, based on my observation and experience, that the KeySpan workforce is not in any way overloaded on the electric side of the business, but, in fact, has been strained a little bit because of retirements and the number of jobs that are reduced.

So we want to ensure that the workforce is protected in two ways. Number one, obviously, that there are no layoffs, and that all of the rights that the

workforce has, contractually, pension-wise, are protected. And more importantly, that the levels of employees in functional areas are kept at a level that allows us to provide reliable service to our customers. LIPA is the number one overhead utility in the state for reliability. And, you know, when we have storms and we respond, these guys do a great job, men and women, and the people in the call center who are so critically important. We are right at the level now where we can't afford to lose numbers of people, so protection of the workforce is important to us. There are going to have to be guarantees that LIPA has a say as to whether or not the workforce levels can be brought down, whether or not they want to outsource functions. And National Grid has already been moving around the KeySpan facilities, and the union leaders can tell you this, and in talking about outsourcing critical functions, potentially like human resources, billing and collections, the call center. No, no. The call center, I'm not going to have a call center somewhere else, out of New York or out of Long Island, telling someone, you know, in Brookhaven or Medford or Valley Stream about a downed wire and they're somewhere in Massachusetts, or who knows where. That outsource • • we have to have a say to make sure that these jobs and these functions are now not outsourced.

A third •• a third important point is the repowering and cleaning up of all of the old power plants on Long Island. Now, I will tell you right from the start that both LIPA and KeySpan are committed to making sure that those plants are cleaned up. The issue is who's going to pay, and that is the critical issue. And I want to know, and I think we want to know, that National Grid is committed to repowering and cleaning up the older power plants on Long Island, you know, particularly Northport and Port Jefferson here in Suffolk County, and that they're committed to paying some of the freight for that. It disturbs me greatly when I hear people say that this is all LIPA's responsibility. Let me tell you something. As a result of this deal, National Grid's cost of capital is going to go down significantly. Furthermore, KeySpan is earning more than allowed, and there's nothing illegal or wrong with that, but KeySpan is earning a bigger return on the plants than they're supposed to be earning. And my contention today is that the combination of KeySpan earning a couple of percent more on return on the generating plants and Grid

having a lower cost of capital when they acquire KeySpan, that that gives Grid and KeySpan the ability to take some of those money and put them towards cleaning up and repowering some of the plants. They have to make a financial contribution to •• it's not always the ratepayers that have to pay for everything, and that's an important point.

And now, you know, in looking at this, and I was talking to Libby this morning a little bit about it, you know, you've got •• you've got the potential to clean these plants up quickly. The question is who pays. My view, they have a responsibility, they own the plants, they ought to be committed to paying for some of it. Now we know that they're over•earning on those plants. Now we know that the cost of capital, once this acquisition is done, is lower. Instead of taking that money and giving it to the shareholders, give it to the plants, invest in repowering and cleaning up those plants. The ratepayers should not have to pay for all of those costs. The •• so we're looking at all of that, and it's going to take us a few months, and we will have to make a decision coming up in a few months as to whether or not we're comfortable with this deal and what our options are.

Now, let me conclude by talking about our options. Our options are probably more focused on the management agreement than the power supply agreement. We could cancel the power supply agreement, but then where would we buy the electricity from? Of course, you could also ask where would they sell the electricity to, not being able to get all of it off of Long Island. So it's kind of like a loggerhead situation on the power supply agreement. But on the management agreement we have options. Option number one, we can put it out to bid like we were supposed to do before we agreed to extend it. It's not something we wanted to do, we were comfortable with KeySpan, but if we don't get what we want, that is an option. And as a result of some of the comments that have been made over the last few weeks about there not being a lot of room here for LIPA, we're going to start looking at that option and be prepared, because if we are •• if we're going to have to go out to bid, we're going to have to do that pretty

quickly. Since the contract expires in January of '08, we probably would have to go •• we should already have gone out to bid if we were going to do that.

Or the other alternative is, you know, maybe the workforce would rather come work for LIPA. We wouldn't make them State employees, but there may be a way to create some kind of a subsidiary under LIPA where the workers can come into that subsidiary, we could oversee that subsidiary, they could maintain their contractual rights, their pension rights, and that's a possibility. And we've already begun to talk about that a little bit with the unions. And, you know, frankly, I'm not saying •• I like the public/private partnership better, but if there's not a lot of room for us, that's what everyone is saying for LIPA, that's an alternative that we should explore. I have to tell you, from my perspective, it would be an honor to have those employees, you know, working directly under us. It's something I think we could handle. So that's another option that we're going to take a look at.

Let me conclude by referring to, because I've said this a few times, there's plenty of room for LIPA; okay? If there's a notion out there that somehow in this deal there's not a lot more that can be done for our customers, then there will be no deal. We will do what we have to do. We expect at the very least significant recurring financial benefits for our customers, complete protection of the workforce, and guaranteed to our customers that service reliability will be at least as good, if not better, than it currently is, and guarantees on the cleaning up and repowering of all of the power plants, with some of that investment coming from Grid/KeySpan, and also ensuring in your communities that the PILOT payments that are being made and the nonchallenging of the tax cert cases is continued under National Grid stewardship.

We are not here •• we're not looking to scotch the deal. We think we can get a better deal of this. Frankly, we've gotten some very good cooperation from

National Grid, they've been very open to us, but the bottom line, the devil is in the details, and we'll have to see where we go. We are expecting National Grid to make a proposal to us in the next couple of weeks, we're going to have to evaluate it, but it better be generous for our customers. It's got to work for Long Island. If it doesn't, we don't want to be part of it. I hope, though, that we can work this out. And, you know, as I said, I think the relationship between KeySpan and LIPA has been very good. The workforce, the managers, have done a great job. And I've got to make sure and we have to make sure, LIPA, that that continues, you know, if there's a new company, if we decide to do business with them, and that remains to be seen.

CHAIRMAN HORSLEY:

Thank you very much, Mr. Kessel. As always, you've probably touched on every question that this whole panel is going to ask you. But I do truly believe that this is a great role for our Legislature, because I see, if I may, the comment that we may be negotiating right here as we're working •• as we speak, and so it's a good role for us to be playing today. May I turn this over for the first question to my colleague, Cameron Alden, who is the Consumer Chair.

CHAIRMAN ALDEN:

Thank you, Wayne. Rich, and I know we're not going to get to all the questions, and if it would be all right if we submitted some things and maybe you could get back to us in writing, then we could put them on the record at a later date. But, first, can we talk a little bit about the infamous surcharge?

MR. KESSEL:

Yes.

CHAIRMAN ALDEN:

If you could explain what the surcharge is, why it's not called an increase in rates, and can you explain the difference between a surcharge and a commodity charge?

MR. KESSEL:

Yes. Burt, can I have those logs. Yes. That's a great timely question, because I know I •• all you have to do is read Newsday, which finally, and I think very well, explains the surcharge. First of all, there is a misnomer that somehow the surcharge is not a part of our bill. It's like, you know, LIPA has decided to just add costs to the bill. But the fact is that the surcharge represents the higher cost of oil and natural gas that we have been paying to keep the lights on. We don't generate any electricity, so the cost of electricity is a pass-through from the generating companies to LIPA, to our customers. That's all it is.

And, as you know, Cameron, the price of fuel has gone through the roof, especially in the last couple of years. Just to •• and just to give you one example, when we took over LILCO in 1998, a barrel of oil was \$15. Today it's close to \$65. I know it was 64 yesterday.

MS. MC CARTHY:

It's over \$65.

MR. KESSEL:

It's over \$65 today. It's getting close to what it was right after Katrina, when it was over \$70 a barrel. And the price of natural gas has basically tracked that as well. And because over 95% of all of the electricity produced for Long Island, on Long Island comes from oil and gas, when the price of oil and gas goes up, that cost is passed right to LIPA, and then that cost is passed on to our customers through the infamous surcharge, which is a misnomer for what it is. It is the higher cost of oil and natural gas. And let me say a few things about it.

Number one, it's not illegal. There is a class action suit that's been filed. We'll let the courts decide that. But LIPA is not doing anything differently than any other utility in the State of New York. We are passing through a portion of our higher costs. And, in fact, if you look at the Newsday article today, it finally lays out the numbers, and the numbers are staggering. And what's important to understand is that we have absorbed close to a billion dollars in those higher fuel costs, something that almost no other utility has done, because otherwise they couldn't pay dividends to their shareholders. We don't have shareholders, we don't make a profit, we are a nonprofit municipal utility. We have absorbed about 900 million dollars of those higher fuel costs.

And I know we're all frustrated with high bills, and it's not just LIPA bills, by the way, energy costs in general have gone through the roof. Have you gone to your gas station in the last two weeks? Have you seen what the price of gas is? And we're still two months away from Memorial Day and look what's going on. It's not just LIPA. But it's important to know, and I know this is going to sound amazing, and we're going to find the truth out once this is all looked at by the Public Service Commission and the courts, we are undercharging our customers for fuel. We are charging them less. If we

pass through all of our higher fuel costs, our bills would be significantly higher than they are today. So it's important to understand that every utility in the state, electric and gas, including KeySpan right here on Long Island, and I'm not criticizing them, they're not doing anything differently than anyone else, is passing through their higher costs automatically without any approval from the Public Service Commission.

Interestingly, last week on Friday there was a cover story in Newsday that said that we are changing our bills, inferring, I think inferring, that we're playing some kind of a game with our customers by creating a commodity or a market charge and changing our bills, so •• and I knew you were going to ask this question today, so I said, "Let me take a look at the bills of some of the other utilities to see what they're doing."

MR. NOLAN:

This is question number one.

MR. KESSEL:

Now, this is •• you have •• do we have sets of these bills, Burt, that we could pass up to them up there? This is the Con Edison bill, and as you can see, if you look at the Con Edison bill, it splits it up very clearly between •• you don't see a fuel surcharge on that. They talk about electric usage and the price for electricity and the charges total. There's no split•out of the fuel adjustment clause. Now, I could tell you that Con Ed bills have gone up much more than LIPA bills have gone up, but you don't see it anywhere on their bill. Now, I'll take another bill here, which •• and you've got these in small print. I will take •• well, let's take National Grid. Now, National Grid owns Niagara Mohawk in Upstate New York. Notice their bill for electric and gas combined, they had electric delivery charges and electric supply charges,

very similar to a delivery charge and a market charge. So the National Grid bill does the same thing. Well, let's look at Orange and Rockland. Here's Orange and Rockland in New York. They have a delivery charge and they have a market supply charge. So it's important to understand that every utility is doing the same thing. And our changing of the bill is no different than every other utility in the state either has done or will do.

By the way, Cameron, KeySpan, our gas company on Long Island, has the same bill. They have a delivery charge and a commodity charge right on the bill. And what these utilities have done is they have raised their bills, in some instances more than us, but they never tell the public, there is no separate line, and, you know, the public doesn't know that those bills go up. Eventually, they see the bill is higher. But the reason that people get angry at our surcharge is because somehow they think that •• let me just use a hypothetical example. They have a \$100 bill and a \$50 surcharge, and the bill total is \$150. So the ratepayer says, "Well, wait a minute, my bill's \$100 and LIPA is tacking on an extra \$50." We're not tacking on •• the \$50 is part of the bill. The bill is \$150. And it reflects our cost of fuel that's being passed on to us by all of the generators. And, however, because this issue has raised a lot of questions, and I think some of them are legitimate in nature, and our credibility is at stake, we have decided to voluntarily go to the Public Service Commission to ask them to review our fuel charges, going back to 1998, to determine whether or not they are appropriate, legal, whether or not we're required to go to the Public Service Commission or not, whether or not there are things in the surcharge that shouldn't be in there, and whether or not we're overcharging •• charging correctly or undercharging our customers.

And people say, "Let's go to the Public Service Commission," "Why don't they go to the Public Service Commission?" We're going to voluntarily go to the Public Service Commission and let them judge. And I hope that when the Public Service Commission looks at all this and comes up with whatever they come up with, that you'll have me back, and then we'll •• this is the

independent authority that everyone says we should go to, so now we're going to go to them and let's see what they have to say.

But, Cameron, let me just conclude by saying very clearly that there is no hanky•panky here. This isn't profits. We don't have shareholders. And all this is is passing through a portion of our higher fuel costs. What if we didn't do it? What if we just absorbed all the money? We'd go bankrupt, the lights would go out. That's the only alternative that's out there.

CHAIRMAN ALDEN:

Thank you for the answer. And thanks for the offer to come back, because I think we will be taking you up on that.

CHAIRMAN HORSLEY:

Sounds good. Thank you very much, Legislator. Rich, I've got a question that's been •• it's been building on me for awhile now, because I've been reading all •• both sides of the issue, getting phone calls from all you guys, which I really appreciate. Right now, I've got a nervous feeling about the Year 2008, and for our workforce and for our ratepayers. Number one, in 2008, LIPA's two•year rate freeze will come to pass. In 2008, the Local 1049 collective bargaining agreement expires. In 2008, I've just learned that the Niagara Mohawk union agreement expires. In 2008, Grid anticipates the 200 million dollars in cost savings, which you say now is going to be disbursed throughout the state. And if it weren't enough, in 2008, we have a Presidential year and an election year in the State government, and God help us all. But, seriously, I've heard reports of poor service of the Niagara Mohawk region, I've heard reports of it, and I know that there are service incentives in KeySpan for your December Management Service Agreement.

So, now that you are reviewing the KeySpan contract, what kind of workforce commitment will LIPA work for, specifically, what reassurances are you seeking to prevent a dropoff in service levels, which you've discussed a little bit, and in some •• in the same vein, KeySpan says that their 200 million dollar in cost savings will come from their new global strength and increased purchasing power. What can or are you doing to see that these savings are passed on to our ratepayers.

MR. KESSEL:

Those are very good questions, and I think every year is a challenge, especially in the world that we live in today. And, of course, I think we all hope that we're here in 2008 and healthy and can engage in these debates. But let me say a few things.

Number one, on the service and labor side, which seems to be the prime part of your question, as I've indicated, we are very committed to protecting the workforce, the individuals in the workforce, you know, the line people, people inside who do the accounting, and human resources, and billing and collections, the great people in our call center who do such a great job, those •• all of those people have to be protected individually. Furthermore, the jobs, the job levels have to be protected functionally. As an example, let me just use the call center or •• and the line people, the guys that go out there and work on the service every day. They •• we can't afford to lose jobs, not people, but jobs in the call center. We're stretched thin, especially after storms. You know, the predictions this year for hurricanes are really scary, especially some of the recent predictions that Libby was telling me about yesterday, actually heard last night, that a lot of the hurricanes this year actually are going to come and may go up the coast because of water conditions. We need everyone we can get in that call center. And during emergencies I get nervous that maybe we don't have enough people,

especially at night and overnight in the call center.

On the line side of the business, the reason we're able to restore service quickly •• the reason we don't have as many outages we used to have is because we've invested over a billion•and•a•half dollars in the system. The reason that we can repair service when there is a storm quicker than LILCO used to, we have the best restoration record of any overhead utility in the State of New York, is because of the workforce, the talent, the capabilities and the number of people that we have out there responding to storms. And we cannot allow those levels to slip. So the answer, from my perspective, is that, as part of any agreement that we would make with Grid, and there will have to be a new agreement, there's some people who are saying they don't •• we've already negotiated an agreement, we're not going to have a new agreement. No, no. We negotiated an agreement with KeySpan, not with Grid. There are going to have to be guarantees in that agreement that workforce levels have to be maintained, and that if they go below a certain number in certain functions, that we would have the right to say no. I'd also tell you, Wayne, that I'm concerned about outsourcing. I don't want to see •

CHAIRMAN HORSLEY:

Which was the nature of the 2008 issues ••

MR. KESSEL:

Yes.

CHAIRMAN HORSLEY:

•• because they're all coming together.

MR. KESSEL:

Yes.

CHAIRMAN HORSLEY:

You can just see that's •• that's it, that's ••

MR. KESSEL:

That's it.

CHAIRMAN HORSLEY:

That's where the plan's coming to ••

MR. KESSEL:

I don't want to see electric business outsourced. And from the top to the bottom, from the call center to contractors, you know, we have some great contractors on Long Island who do a great job like Hawkeye, and we know them very well, but in the end, I don't want to have to depend upon contractors to restore service, work on the lines every day. I want, you know, sufficient crews here to be able to do that job. I don't want to have to outsource this to other contractors in other states. That is something that

would be •• I'd be very uncomfortable with.

One other point is one of the things that hasn't been mentioned in this deal is where does all the money go if the transaction occurs? With all of the new federal regulations that are in place, National Grid could take money from Long Island and shift it to New England or London. It's not like the old days where the money that is used on Long Island stays on Long Island. And how do we know, for instance, that after this transaction, money that's earned on Long Island, maybe they have a great year on Long Island, and maybe from the contracts that we have with them, and they decide to shift that money to another part of their service territory to benefit that part of their service territory? So we're going to have to be sure that the monies that are earned on Long Island stay on Long Island. So I think 2008 is critical, not to ignore '06 and '07, but it is important.

Finally, on the issue of the bills, it's important to understand that we •• our bills would not go up other than the higher cost of fuel. And so, you know, the long-term answer to keeping our bills down, and people can blame LIPA, it's the easiest thing to do, and maybe there's some right to that, you know, it's our bills, we have to take responsibility for it, some of it certainly has to be our fault as well, but the real answer is fuel. And there are two things we've got to do, Wayne, in order to prevent rate shock in the future from fuel. Number one, we have to invest in renewable energy resources. How interesting that right behind you are fuel cells that are operating and have been operating here. We worked closely with Jon Cooper and Bill Lindsay, when he was in another life like I used to be, to encourage fuel cell technology, and the Suffolk Legislature is availing themselves of that, and we need to do more of that. We need to build this off-shore wind project. We need to enhance solar energy, and do all of those things. The other side is we have to do more with energy efficiency. And I will tell you that we are working on a project, that I'm not ready to announce yet, that will provide •• will be the biggest energy efficiency project anywhere in the United States of America. What that means is reducing demand.

CHAIRMAN HORSLEY:

It's a teaser.

MR. KESSEL:

Huh?

CHAIRMAN HORSLEY:

It's a teaser.

MR. KESSEL:

It's a teaser for something that will come up before the end of the year. We're working closely with the Natural Resources Defense Council. They do a terrific job, and so are the other environmental groups on Long Island. And then, you know, also repowering, Wayne, as well. It's important to understand you can't just repower a plant. You got to take it out of service, we've got to make sure we have enough energy and capacity available, so that when we take it out of service, the lights don't go out. But by repowering and making these plants more efficient, at least they'll burn gas and oil, mostly gas, more efficiently, and that will cut down the cost somewhat.

CHAIRMAN HORSLEY:

Thank you. Mr. Alden.

CHAIRMAN ALDEN:

Rich, I want to pick up on some of the •• and take this in the spirit it's offered, and it's just, you know, good natured, and I'm not trying to cut through and cut you guys, but you just mentioned that, okay, gas and oil, that's killing us, that's killing all of us, and I think we universally agree. Who's the real culprit? You know, that's left to debate, whether it's the companies or whether it's the people that are pumping it. But you did mention something about now LILCO •• I mean, LIPA, actually. Where do you think you've fallen down on the job? Where do you think you're doing a good job? And •• no, I've got to stop the good job, because we know what you're doing is a good job. You said before, where, as far as self•critic, where do you think you're doing a bad job? Where can you improve? What blame can you actually take on LIPA itself?

MR. KESSEL:

Well, a couple of areas that I think we need to look at. Number one, I think we need to look at, you know, fuel purchasing. I think we've done a great job, we've done a great job in hedging fuel costs, which have cut our costs down as well. But, and Peter Quinn has said this, and I think there's some validity to it, that we've got to try to shift some of the spending from fossil fuels to renewable resource and energy efficiency. And maybe we haven't spent enough money trying to make that shift. Now, it's not an easy shift to make, because, ultimately, energy efficiency is voluntary. We can't go to your home and say you have to have an Energy Star refrigerator or air conditioner. But, you know, and we are spending more than almost any utility in the state on clean energy. But, you know, Cameron, it may not be enough, particularly on energy efficiency.

I mean, I think, you know, wind and fuel cells, the technology is there, but it's •• you know, other than the off•shore wind project, it doesn't provide electricity in bulk. You know, solar energy is great. We have the largest commercial solar roof in the world right here in Farmingdale. It's one megawatt. On the hot summer day last year, we used five •• over 5,000 megawatts. But I think maybe, you know, if •• we're spending on average, Lib, right, about 45 million a year on clean energy and energy efficiency. And, again, every dollar that we spend comes from the ratepayers. But maybe if we spent more on that sooner, we would have more energy efficiency projects out there. So I think that is probably an area.

The other area, frankly, is I don't think we have satisfactorily explained the fuel component of our bill to our customers. In looking •• you know, when we •• we've been looking at changing our bill now for over two years, and, frankly, in my view, Cameron, we should have done this before. The reason we didn't was because we were so overwhelmed with all these other things that are going on, and we don't have a big staff, we have about 100 people at LIPA. This is a 3.7 billion dollar company with 100 people. You know, KeySpan and Grid have thousands of people, very talented people, and we have 100 people.

And, frankly, I think that, you know, because of some of the credibility issues that have been raised about our fuel costs, we should have gone to the Public Service Commission voluntarily a lot sooner than we're doing. Without getting into details, it's not all of our doing, but I have to take responsibility for that. I think, had we gone to the Public Service Commission a year•and•a •half or two years ago and said, "Hey, look, our bills are starting to go up," now this is before Katrina and Rita, but, you know, "Are we doing the right thing here," you know, "Validate or invalidate what we're doing," I think some of the credibility issues wouldn't have changed the bill, the bottom line, but it would have changed the perception out there, and I think it's something we could have done sooner.

CHAIRMAN ALDEN:

Thank you. Chairman Horsley.

CHAIRMAN HORSLEY:

Thank you very much, Legislator Alden. This question's going to •• I want to make sure it gets on the record, so it's a little at length, but I'm duly concerned about making sure that all our Legislators here today have an opportunity to ask questions.

P.O. LINDSAY:

That's good.

CHAIRMAN HORSLEY:

Thank you, Presiding Officer. But I do want to just read this quickly. Rich, as you know, on Monday we had the pleasure of hosting Bob Catell from KeySpan, and which he discussed the current events. And one of the current hot topics was undoubtedly repowering the dated Northport and Port Jeff plants. KeySpan has made it clear that they are committed to reducing emissions at Northport. Bob Catell stated, "There is enough room at Northport to repower at least one unit." Catell also stated that KeySpan does, in fact, have plans on drawing •• on the drawing boards to install what's called a selective catalytic converter reduction system at Northport, which would reduce the nitrogen oxide emissions approximately 85%.

Finally, CEO Catell even offered a personal commitment to upgrade all of Long Island's plants to the best of KeySpan's ability, which is nebulous, but repeatedly stated that KeySpan would be committed •• would be •• would need a commitment from LIPA and concurrence from National Grid. So now we know that there's room for a power plant repowering at Northport, and we also know there's a commitment from KeySpan to do so. How about the commitment from LIPA on Northport, and if not, what emissions reducing alternatives would you commit LIPA to.

From what I understand, a selective catalytic reduction system on a 300 megawatt plant like Northport is less expensive than a full scale repowering, and it will still greatly reduce nitrogen oxide emissions, and we wanted to see if that was possible.

Moving on to Port Jefferson, I'd like to stay on the topic. On Monday I had asked KeySpan CEO, Bob Catell, similar questions regarding the future of Port Jeff. He noted that KeySpan essentially repowered it in 2002 by building a peaker, and he was •• and he continued to note that there wasn't enough physical space to repower the plant. I think Vivian will agree with me on this one, that that was not an answer or commitment we were all hoping for. The Port Jeff community is in great part reliant upon your PILOT agreement, so I ask you, with KeySpan's assessment •• about KeySpan's assessment, what that •• repowering Port Jefferson is not a viable option. To what end, what alternatives can LIPA provide or maintain to update the Port Jeff plant? KeySpan did not, in this particular •• particular vein, put the ball •• they've put it back into your court on •• as far as Port Jefferson, and suggested more capacity elsewhere could reduce reliance on Port Jefferson, making it into a cold, cold emergency standby plant. Is this arrangement •• is this an arrangement that is satisfactory to you? And are we witnessing the death of the Port Jefferson plant?

CHAIRMAN ALDEN:

And, by the way, Wayne's been like this since grammar school, so ••

MR. KESSEL:

I've got to remember the question. No, I do, I do. Wayne, I do. You and I talk a lot in a good way, I think, and ••

CHAIRMAN HORSLEY:

Absolutely.

MR. KESSEL:

I think you make good points. Let me •• let me try to answer this very simply. You know, I would love to build a house and have you pay for it. And I could, you know, build a bigger house with a lot more amenities in it if you paid for it. And I think it's very easy for KeySpan to talk about all these things on our dime, but they don't make those decisions. Now •• so let me make a couple of points.

Number one, we believe, as does KeySpan, that there needs to be a cleanup of all of the generating plants in the service territory, which includes, by the way, Far Rockaway. Now that is either through repowering where it can be done, or cleaning up and reducing the emissions through some of the initiatives that you talked about that we're very favorable about, and so we're very committed to that. I agree that some of the plants could be repowered and some of them can't. Frankly, I think it would be very difficult to repower

Port Jefferson. It has not been repowered. I don't know what that's all about. KeySpan built a new unit over there, but that •• the old Port Jefferson plant is still running and that needs to be cleaned up,

and the issue is who's going to pay for it. Now KeySpan also said on Monday, as I saw it, is that LIPA would pay for it. Why? They own the plants.

Why should •• understand something. When they say LIPA, they mean the ratepayers. You think our bills are high now. If you took the cost of repowering and cleaning up all of the power plants and forged it onto LIPA solely, you could •• you'd see bill increases that would make the fuel surcharge look minuscule. So the question is not the commitment to do it, we're all committed. Who in this room wouldn't be committed to repowering plants, and cleaning up power plants and reducing emissions and make them more efficient? The issue is who's going to pay for it? Now, as I said to you previously, KeySpan has overearned on those plants.

National Grid is going to have a lower cost of capital as a result of this acquisition if it goes forward. So my view is let them make the first investment and commitment on Northport and/or Port Jefferson, let them financially invest some of the money that ordinarily wouldn't go to the ratepayers, but to the stockholders, and we will then work out a plan where we're part of the solution. But I hope you agree with me, that we all want to clean up everything, but the first monies invested in repowering and/or cleaning up these plants should come from Grid/KeySpan and not from LIPA ratepayers. We're willing to be part of this significantly, but it's got •• can't be solely on our dime.

The other thing I should point out to you, Wayne, is that we have new projects that are coming in. If you drive up, as I did, the Wantaugh Parkway, the Neptune cable is coming. It will be available, God willing, in the summer

of next year. And that Neptune cable will enable us to import 660 megawatts of electricity. When you combine that with the Cross Sound cable, that's 1,000 megawatts. And that will allow us to reduce the use of some of the older plants that aren't as clean, like Port Jefferson. The end of Port Jefferson? No. That's an important asset to the Port Jefferson community. I don't favor closing it down. I do favor cleaning it up. I do favor backing it off sometimes, without reducing the PILOT payments, but backing it off as we bring on Neptune, as we bring on the Caithness project in 2008, backing off. So once you have these new projects, 1,000 new megawatts in the next couple of years between Neptune and Caithness, then you can run Port Jefferson, and Northport and Glenwood Landing less and reduce the emissions in that way as well.

So we are totally committed to this. The question is who pays? I say, before we spend a dime, let them spend some of the money that they now have to repower and clean up, and we'll then talk to them about some kind of a financial partnership for the rest.

CHAIRMAN HORSLEY:

Thank you very much, Mr. Kessel, it was a good answer. May I turn this over to Ms. Nowick?

LEG. NOWICK:

Good morning. Thank you for that very, very comprehensive talk for us. Quick question, maybe 100 words or less. Back in ••

LEG. COOPER:

That's not possible.

MR. KESSEL:

Are you talking to me or Wayne?

LEG. NOWICK:

Okay. Either one. Back in October I remember getting a letter from LIPA saying that because of, I believe it was fuel rates, and correct me if I'm wrong, we need, LIPA needs to increase your LIPA bill •• I'm on a budget, balanced billing. LIPA needs to increase your balanced budget payment starting next month, temporarily increase it starting next month. My question is I thought I remembered temporarily. Is that going to change? Am I going to one day go to the mailbox •• now, and I ask you this because I have people calling me at my office. When will this go back down again? Will it, or is it because of fuel costs that it will never go back down again?

MR. KESSEL:

When will the price of oil and gas go down?

LEG. NOWICK:

So it's •• yeah.

MR. KESSEL:

I mean, here •• just in a hundred words or less, very, very simple. The price of oil, when we talked before in your committee last year, you know, I think we hadn't seen the full impact of Hurricane Katrina and Rita, the price of a barrel of oil went over \$70 a barrel, then it went down to in the mid to upper fifties. It's now back up to \$65 again. So the question is, will the price of oil and gas go down, you know, not just for a day, but long-term, so we can reduce our bills? If it doesn't ••

LEG. NOWICK:

So that was all about the fuel.

MR. KESSEL:

Let me •• it's all about the cost of fuel. If the price of oil and gas doesn't go down, our bills can't go down. Now, we did drop our bill by 1% in January. It's not a lot, but, in my view, I don't see, Lynne, any prospect that the price of oil is coming down in the future. I worry that one major worldwide disruption and the price of a barrel of oil could shoot to 80 or 100 dollars a barrel and that will devastate our economy. But I •• we're all dependent. That's the only reason our bill went up is the price of oil and gas. If it comes down and stays down, the bill will go down, but I don't see it.

LEG. NOWICK:

So I shouldn't be waiting at my mailbox, right?

MR. KESSEL:

No. But, by the way, just like you shouldn't expect to pay a dollar and a half a gallon of gasoline, just like you can't expect to pay \$2 or \$1.80 a gallon for heating oil this winter. My good friend, Kevin Rooney, is here. It's not his retailers fault, he'll tell you the same thing. The price, you know, of heating oil or gas to heat or gasoline at the pump, it's not coming down. If you want my opinion, I'm more worried about the supply. You know, we have •• as much as we're angry about, you know, the LIPA bill and the gasoline costs, and the heating costs, and the gas costs, what happens when there isn't enough? What happens when there's a disruption and there's not enough electricity to go around on a hot summer day, or you have to wait on line an hour for gasoline? It's coming and we're not ready for it as a country.

LEG. NOWICK:

I understand why. I had to ask the question because I'm getting the calls at my office, and I wanted to tell them, "Don't hold your breath."

MR. KESSEL:

Right.

LEG. NOWICK:

And of course I •• and I know the reason, but I needed it on the record.

MR. KESSEL:

Yes.

LEG. NOWICK:

Thank you.

CHAIRMAN HORSLEY:

Thank you. Legislator Montano.

LEG. MONTANO:

Thank you. You've touched on a lot. I know that we have a lot of questions. I'm going to try and be very quick. And I think you've answered most of the notes •• the questions I was jotting down, particularly with respect to •• when you were talking about LIPA having the ability to terminate the contracts. You're in negotiation now. Obviously, I wouldn't ask you to discuss your strategy. But is that a •• answer this any way you want, but is that really an option, or is this more or less designed to take you to a certain point in your negotiation? You know, and again, I don't want to •• I don't want to ask anything with respect to what's presently on the table, what your strategy is, but is that a realistic option with respect to alternatives? I mean, if you terminate the contracts with KeySpan, where do you go, and is there a backup plan for that? And do you think you have sufficient, you know, backup material, because you talked about, if you're going to bid, let's get the bid out there now. I mean, you know, just give me a better picture of what we're doing there.

MR. KESSEL:

Well, you know, again, we're not trying to negotiate in public too much, but, you know, when I read in the press that, I think accurately, that, you know, there's not a lot here for LIPA, I've got to respond to that. And I take the

opposite view, I think there's plenty for LIPA. When I say "LIPA", it's not a corporate, it's the customer. I think that those contracts, we have real options. And, Ricardo, as a result of some of the things that are being said out there about, you know, and I •• it's not just from KeySpan, it's from, you know, people Upstate. I met with Upstate Legislators yesterday and staff people who said, "You're not getting anything." You know, "We're getting in Syracuse, we're getting it in Buffalo." So I •• as a result of that, we are going to begin now to prepare alternatives, should we decide that the benefits from this transaction aren't sufficient enough to enhance our ratepayer protections and to protect the workforce. And, you know, frankly, we need to have a backup plan and we have to implement it pretty quickly.

Let me tell you something, there is a deadline for LIPA, and that is very simple. If, and I'm not saying we're going to do this, but if we decide that we want to go out to bid and test the marketplace, which is something that we were supposed to do, we didn't do, because we felt that we had a better deal with KeySpan, and, frankly, I wish it were •• you know, it's kind of like, you know, The Wizard of Oz. If you could click your shoes and heels, I wish it were the way it was, because I like KeySpan, and I was so comfortable and confident in that deal, and in, you know, Bob's abilities and KeySpan's abilities. And, you know, some of their people are here today, and I'm being serious, people that you deal with, the government relations people who do a great job, in my view. We don't always agree with them, but, you know, they're there. I can •• you know, I get E•mails from Vinny about the Mets sometimes, but also about how we can work together, and that is something I appreciated. I don't know who I'm going to be dealing with down the road.

So we have to be prepared, in my view, to either say we're going to go forward with a new agreement, or we're going to do something else by the end of the summer, and because our management agreement expires in '08 and we've got to be ready if we're going to bring in someone else, or we're going to alternatively bring the workforce over to us in some way, which is very complicated. I don't want to make that simple, it's not. And I think

Ralph and Don and the other union people that are here today understand that. We've got to get going on that.

So my view is we have some genuine options and some backup plans that we're developing should we have to do that. My hope is that we can •• we can take what we've got, and assuming we •• and when I say "we", it's not just LIPA, it's you. What Suffolk does •• Steve Levy, I got to tell you, I commend him. Steve reconvened his Advisory Panel on Energy. I don't agree with everyone on that panel, but I got to tell you something, they were critically important to giving us input on the deal. And I'll just tell you this, I'm not trying to toot his horn or anything, Steve was on this Legislature, but Steve and his panel, and some of the people I think I saw here today, one of the things that was very important to them, they didn't want to see LIPA buy all the power plants. They wanted us to do something with repowering, to buy them selectively, to know what we were paying for them. We took those initiatives and those suggestions, and part of the new agreement with KeySpan was to do just that. So your involvement, his involvement, the County of Nassau, the State Legislature, the Governor, the Attorney •• I mean, everyone's •• we're all in this together, and this is a collaborative process that we have to work to together.

I mean, the ultimate thing that •• by the way, I ask you a question. How do you feel about this deal? I mean, it's important for me to know. Maybe you don't want to say it today, but it would be important for me to know how the Suffolk Legislature feels about the transaction and what you want out of this. What's important to you?

CHAIRMAN ALDEN:

Rich, we can't do Sense Resolutions anymore.

MR. KESSEL:

But what •• but you could tell me your sense.

CHAIRMAN ALDEN:

I know. I'm only kidding.

MR. KESSEL:

You could tell me your sense ••

CHAIRMAN ALDEN:

We definitely can.

MR. KESSEL:

•• how you feel about it, because it would help me to hear from you how you feel, because that's important to us. You're important to us, Ricardo, and I want to know what are your concerns? How do you feel about some of these important issues? And if we can't do it today, we ought to have a session where we can sit with you and hear from you. You shouldn't be just hearing from us, because your opinion is important to where we wind up on this.

CHAIRMAN HORSLEY:

Thank you very much. Go ahead. I'm sorry.

LEG. MONTANO:

Another quick question. We're talking about the freeze for two years and that sounds real good. It almost sounds to me political, we're going to freeze taxes for two years, have our election, then, you know, we'll come back to the taxpayer and say, "Okay, this is where we're going." Any projection or outlook for what happens? After this freeze where are we at then? Are we going to be in a position where we had our freeze, it's a feel good two years, and then we have to now make up the difference and forget about the surcharge being huge? What comes after the freeze is what I'm concerned about, because I think people need to know what the future outlook is going to be for them.

MR. KESSEL:

It's an excellent question. First of all, it's important to understand that the freeze is being created not through deferring any costs, but, rather, by setting up a fuel reserve fund that comes from this new deal with KeySpan that settles disputes and uses credits and cash to set up a 100 million dollar reserve fund, so that if fuel costs go up this year or next year, we can dip into that. Rather than go to the ratepayer or absorb it ourselves, we can dip into this 100 million dollar fund. At some point it would be depleted, but nothing is being put off or deferred, so it's not as if, if this new agreement •• it's important to understand that that bill freeze is part of the new agreement that is pending, and that's important to us. But having said that, even without the new agreement, we're going to do •• you know, try to stick to not raising our bills over the next couple of years. I think next year is going to be a real challenge. This year we're in good shape. We're under budget this year for fuel costs so far, but that could change, you know, in a Katrina moment.

CHAIRMAN ALDEN:

Right.

MR. KESSEL:

But I'm not •• I don't see anything, you know, other than, you know, a hundred dollar a barrel essential oil for a long time where bills are going to go up now, but we're not deferring anything. Again, '08, '09, depends upon the price of oil and gas. If the price of oil and gas stabilizes, our bills will stabilize. If you want our opinion right now, probably in '08, '09, in that time frame, with or without the deal, you'll probably see small •• you won't see the kind of increases we've seen, but the projections are that the price of oil is going to continue to go up, and we don't have a national energy policy that's going to change that, which is why we've got to invest in renewables and energy efficiency at a greater, quicker pace. But do I see a huge uptick in electric bills in '08? I don't.

LEG. MONTANO:

Quickly. You indicated that LIPA is now in the process of doing the research with respect to Grid's records, operations, how they've performed, their spending and energy efficiency. If and when will you complete that? Is that something that you're going to come out publicly with and put that on the table and say these are the people that we're dealing with, this is the track record, you make a decision as to whether or not we want to go in that decision (sic), and if so, more or less, when do you think that your, I'll call it, background would be complete?

MR. KESSEL:

Well, I think when we •• we have to make a decision in the next few months as to whether or not we want to maintain our contractual relationships going forward with Grid, if the transaction occurs, because we're not the only approver in this. And everyone •• there are a lot of people that have a lot of opinions. So my view is the time line is probably sometime this summer. Now we're going to come to you and we're going to come to the State Legislature, because we made that commitment yesterday, because some of the same questions that you have they have, and the uncertainties that you have they have. And we're going to outline what we're going to do and why, and the why will be what we found.

And I think we have to all be very prudent, take a step back. You know, National Grid has done some very good •• they are a very reputable company, they've done a very good job, they're very well respected in England. Their record in the United States is •• there are a lot of questions about it. We've got to get the real factual answers here. This is not an exercise in waving a flag or saying, you know, "Let's kill the deal," or "This isn't good." I think we have to be prudent, we have to ask the right questions. And if there are people who don't want us to ask the right questions, I would say why?

And it would be helpful to me, Cameron, and you made this point, you said could we submit questions to LIPA if we can't get to all of the issues today? I'd like to ask that maybe the Legislature, Bill, and Cameron, and Wayne, come up with issues and questions that you'd like us to find out about from Grid and this transaction. What's on your mind? What's on your constituents' mind? And I guarantee you, if you submit a list to me, maybe it would be better to do one list from the whole Legislature and the County Executive, and we're meeting with his panel today, what do you want to

know? What's important to you? I will take that to the table with Grid.

CHAIRMAN ALDEN:

Great.

CHAIRMAN HORSLEY:

Thank you. That's wonderful.

LEG. MONTANO:

One last question.

LEG. BARRAGA:

Come on, Rick.

LEG. COOPER:

Rick, you've had ••

LEG. MONTANO:

Okay. Then I will pass.

CHAIRMAN HORSLEY:

Okay. Legislator Barraga.

LEG. BARRAGA:

Richie, it's always good to see. And a couple of things I know about you is when you've testified before committees that I was on, your comments were always truthful as you see the truth. And second, it's •• and second, it's almost impossible to insult you. It does no good there either. Your comments this morning, I followed along. You reached a point where I felt a little uneasy, and I want to key in a little bit about the agreement in December. As I understand your comments, at no point during those discussions did KeySpan indicate to you in any way, shape or form there was a possibility of any negotiations going on with another possible acquirer.

MR. KESSEL:

That's correct.

LEG. BARRAGA:

No word whatsoever?

MR. KESSEL:

None.

LEG. BARRAGA:

And, of course, there are restrictions, but there should have been some sort of inkling, and wasn't until February 15th that you found out this deal was going through?

MR. KESSEL:

Well, February 15th, I don't know what that date was. How we •• and let me just be very clear. I had, neither me, myself, or the staff, and these guys did a great job, Ed, and Libby, and Stan, and a lot of the people did a great job, no one informed us in any way that there were any discussions going on with anyone about an acquisition, none.

LEG. BARRAGA:

Okay. Let me just go on; okay?

MR. KESSEL:

But could I just say one thing on the timetable? I don't know February 15th. The first ••

LEG. BARRAGA:

But at least •• at least during the negotiations, up to the point where the

agreement was struck, there was no comment made by them ••

MR. KESSEL:

That's correct.

LEG. BARRAGA:

•• about possibly being acquired by National Grid?

MR. KESSEL:

That's correct.

LEG. BARRAGA:

And that concerns me, because being rather cynical, when I take a look at this, they had to do the deal with you. They had to do the deal, because they in turn •• I'm talking about KeySpan had to do this deal, because they in turn •• it was worth money. They would turn to National Grid and say, "Look, we've got a package with LIPA worth 6 billion dollars." If you take it out to 2013, what does that do? That affects the purchase price that National Grid would pay KeySpan. It went from like 6.5 billion in the journal to 7.3, beginning at \$42 a share. So even though you think you've got a good deal, they had to give you the deal because they wanted to make their deal. So it goes to the professionalism and the integrity of KeySpan. I wish they were coming in in a couple of days as opposed to two days ago when we spoke to them. And the idea of putting Catell, you know, that's part of the deal. Catell is well-known, well liked by you. He can keep the deal together. So

we'll put him in there for two years on a board. That's why he's there. He's not going to have any real power, because as soon as you appoint somebody to a board and you give them a time limit, the guy who's the head of the National Grid USA, he knows after two years he's out, but he's in there for the deal. You've been •• I hate to say this, but, in a way, you've been duped.

MR. KESSEL:

Well ••

LEG. BARRAGA:

Now, you might say, "Tom, well, we can always cancel the contracts," but I'm sure the case was made, "Don't worry about that, National Grid, you know, we're the guys you're going to deal with. We can make this good." But this was all about the money. It was all about the money.

MR. KESSEL:

First of all, I'm not going to speak for KeySpan. They have to defend that issue themselves. They're going to have to explain that issue to us. You know, do I feel that we could have been told in some general terms what was going on before our deal was made? I do, and I've said this publicly. I think that there was an obligation before we made that deal to tell us in general as much as they could about what was going on. Now, the question is what was going on and when? I mean, I hate to use the old, you know, Lynne, the Watergate thing from 30 years ago, you know, "What did you know, when did you know it," but I need to know that. As part of •• I have to know that as part of this due diligence. We have asked for a time line, so we're going to find out and we're going to have to know when •• you know, when were the

discussions started, when was due diligence started, who were they talking to.

I think it's a little unfair to say that we were duped. I certainly don't feel that way. I think our deal enhanced this deal, and that's why, that's why •• let me just finish this thought. That's why our deal with KeySpan has not been approved. And that's why I commend Attorney General Spitzer for putting a stop to his review to say, "We want to hear back from LIPA on it."

So, with all the things that you said, remember one thing. The deal with KeySpan that you referred to in December is not a done deal now, it's been held up. And my guess is, if we went to the Attorney General and the Comptroller and said, "We don't want that deal," we could pull out of it.

LEG. BARRAGA:

Yeah, I guess ••

MR. KESSEL:

The mistake may have been not to have waited a little bit longer for the approval of the Attorney General and the Comptroller. So maybe, you know, people outwitted themselves. As far ••

LEG. BARRAGA:

If you think your deal is a good deal, my point is your deal could have been a better deal, because they had to do the deal.

MR. KESSEL:

Right, and We agree with you on that.

LEG. BARRAGA:

Okay. Thank you, Richie.

CHAIRMAN HORSLEY:

Thank you very much, Legislator Barraga. Legislator Fisher.

LEG. VILORIA • FISHER:

Thank you, Mr. Chair. Some of my questions have been answered. I'm not happy about any of the answers I've received regarding Port Jefferson and the power plant. But I have I think another more critical overarching question, which is if LIPA were to opt to •• decide to opt out of any part of its agreements, if we were looking at the power supply agreement and LIPA not signing on to that with National Grid or continue with KeySpan, right now, according to today's Newsday, the power that LIPA's buying from KeySpan is down to about 49% of its supply, is that •• that's correct, right?

MR. KESSEL:

Yeah.

LEG. VILORIA • FISHER:

Right.

MR. KESSEL:

I mean, I didn't read the whole article completely.

LEG. VILORIA • FISHER:

Okay. Well •• but that number is about correct?

MR. KESSEL:

I'm sure it's accurate.

LEG. VILORIA • FISHER:

And you're talking about future power supplies, the Neptune cable, the Cross Sound cable, Caithness. So, actually, that's an option that could be very real, that Key •• LIPA stops •• discontinues its power supply agreement with KeySpan. It is a leverage tool that we have, that you have there. The ramifications of that could be that we could be rendering power plants such as Northport and Port Jefferson, we could be rendering those merchant plants, that if KeySpan •• if National Grid were no longer providing the power to KeySpan that's being produced at those plants, what would then happen to those plants? Would they continue to produce and become merchant plants,

or would they then become cold plants? That's just a serious issue that I think has to be •• just a serious issue that I think that we have to consider and we have to look at those ramifications.

Going to the management service agreement, as you've indicated, LIPA has a workforce of about 100 people. Does it have the infrastructure if it were to decide to bring •• you mentioned briefly, and I'm hoping that this is an extreme decision, that we hope that we can continue our relationship with KeySpan. I'm saying "our". LIPA continues its relationship with KeySpan. Is there an infrastructure in KeySpan that could absorb the large workforce that is currently the KeySpan workforce? And you also asked us as a Legislature to give you a statement of our concerns, our opinions, as LIPA is doing. We're researching and we're questioning, so that we can arrive at a decision or a conclusion here. And I believe, if you look at the minutes of Monday's meetings, you'll see that many of our concerns were articulated at that meeting.

Legislator Barraga has said that he would •• he wishes that we were seeing Bob Catell after speaking with you, because you've raised more questions in our minds with your statement than answers. You've given us more questions than answers, so to speak. But we did articulate a number of the issues that you've raised at our Monday meeting. So I guess, as we synthesize information that we've shared at Monday's meeting and today's meeting, we can arrive at another set of questions before we even reach •• but if you could just talk to those options and the ramifications of decisions that might be made regarding LIPA's position, vis•a•vis National Grid and KeySpan, and how we could really have serious ramifications, and how we would respond to those.

MR. KESSEL:

Well, I just •• quickly, on the management services agreement, you know, I should indicate that we also have a tremendous amount of respect for the nonunion management people in the electric business unit at KeySpan. And I'm not talking about the corporate side. We like them, and, you know, I've said to you and I will keep saying it, Bob Catell is a great friend and a great friend of Long Island, has done a terrific job. But the management that we deal with, the electric business unit management, do a superb job. When we had the blackout a couple of years ago, the ability for LIPA and KeySpan management, me, Ed, and our people, Bill Davidson, to work with their management, the Ed Younglings, and Tony Nozzolillos, and John _Indrangias_ , and Tom _Spatzes_ and Tom DeJesu, and those people made our ability to respond to that and communicate to the public a success. So we feel as strongly about the management on the electric side of the business as the union workers. And if, in fact •• and one of the concerns we have, Vivian, is if National Grid were to acquire KeySpan, would those people be there five years from now? It's not just one year or two years from now, it's five years from now, would those people be there? And we would need them to be there.

Now, If there were a change in some way and we decided to take •• we worked out some arrangement with the workforce, we would want those managers to come to LIPA. I mean, we're paying them either way. We're paying them at KeySpan or at LIPA, so it's not an increase in cost to help us manage the system. Right now, without them, I don't think we have the numbers of people and the capability to manage it, so we'd have to move them over there.

As far as the power supply agreement is concerned, if we cancelled the agreement, that electricity would be bid into the system, and ultimately we'd probably have to buy it anyway. I don't think that we should buy all of the power plants without knowing the price. I think, though, that if •• one of the ways to deal with some of the power plant issues, to give us the right of first refusal, so that if, as an example, National Grid, if this transaction goes

forward, wants to sell Port Jefferson, that they would have to come to us first and we would have the right to buy it at a known fixed price before they made that sale. That I think would protect us on the power supply end of the business.

CHAIRMAN HORSLEY:

Thank you very much, Legislator Fisher. Mr. •• Legislator Eddington.

LEG. EDDINGTON:

Thank you. Good morning. I just wanted to go over a couple of things to make sure that I'm clear, because you gave a very good picture, but I'm a visual learner, so I'm putting it all down and drawing it. First statement on the surcharge, there's many definitions in the dictionary and the one that, obviously, you know, Assemblywoman Eddington goes by and that I have is, number one, the excessive load or burden. I know you've gone by the extra fee one, but it's been a burden and that's why my wife coined the term LIPAsuction. I will be talking to her about that, because what you've •• what you've explained is that the National Grid and KeySpan is the source of the electricity, you are the conduit, you're ••

MR. KESSEL:

That's correct.

LEG. EDDINGTON:

And based on what you're saying to me, you absorb some resistance by not

charging us the full things. Okay. And So then it goes to the homes and the businesses. National Grid has said that they're going to •• with this buy, they're going to increase their purchasing power, which to me indicates a savings, but then you talk about the ever increasing oil prices. So I'm wondering who is going to get the benefits? You're saying you're fighting for us, but when we •• when Mr. Catell was here, we talked to him about employment, the unions, and he said words like, "I don't see any changes at this time, I can't foresee the future." So I guess what I want to say is, to your question, how do we feel about it? I don't get a warm feeling. I'm very, or in psychological terms, I'm very conflicted on this, And I want to know how you're going to help us solve this problem.

MR. KESSEL:

Well, Jack I think that's a good question, and I do, of course, hear those words from Pat. I actually saw her yesterday and she •• you know, I've said •• we started off in one area and, as you know, came to another area with each other. I think she brings out important points. And I think, just to emphasize what you just said, we are the conduit. We don't •• the cost of electricity is a commodity that we can't control. It's being passed on to us by the generators. And, again, we're •• and we'll see people are going to say they don't believe this or they don't agree with it, but once the PSC looks at this and the courts look at this, we are undercharging our customers. The bills are high, but we are undercharging our customers for fuel, and that is an important point to understand.

On the feelings that you express, look, we •• to say something publicly doesn't mean anything, we need it contractually binding. We're going to have to •• whatever commitments are made, vis•a•vis the workforce, employment levels, jobs, power plants, repowering, bills, money, all has to be contractual. We're not going to take their word for it. We're not going to, you know •• and I think we have to get the answers of the questions that you've raised from National Grid and report them to you. We want to know

what their plans are for Long Island. That's a reasonable question to ask, "What are your plans?" It's very easy to say, "Well, we're not going to reduce job levels at this time." I •• there are two ways to answer that. Number one, let's look at what they did in Upstate New York. Did they reduce job levels at Niagara Mohawk, and by how much? Now, we know the answer is yes, and we know by how much. Then we have to take that and say, "Okay, what are your plans for Long Island?" I mean, if you're going to tell us that there are 200 million dollars in synergy savings, no matter how you divvy them up, how did you get to that number? What •• and it can't be just •• and, Tom, you may have been referring to this, and Wayne, "What are your plans for the next two years?" "What are your plans for the next ten years?" And we have to get those guarantees contractually written in so that you're comfortable, Jack, that, you know, service is going to be where it is. Because I think you have to understand on the labor issue, and I'm not just saying this because Ralph and Don are here, and Ellen, and some of our friends from the IBEWs, but the truth of the matter is our service wouldn't be what it is today without the workforce, the way it's managed and the way they manage themselves. They're incredibly well trained.

I know one thing, and I say this publicly all the time, when there's a snowstorm or blizzard, I went out in that blizzard, these guys, men and women were out there in fierce winds, climbing polls, while we were in our homes, you know, and doing work that none of us really, frankly, certainly I'm not qualified or capable of doing. And don't kid yourself. Yes, our investment is important, and we have invested over a billion•and•a•half dollars in the electric system, but the workers themselves and the level of workers is important, And their security is important for our security. And there are going to have to be written guarantees on workforce levels as well.

LEG. EDDINGTON:

Thank you.

CHAIRMAN HORSLEY:

Thank you very much, Legislator Eddington. LIPAsuction, huh? I think that's interesting. Legislator Cooper.

LEG. COOPER:

Thank you. I have to say, Bob Catell was good, but, Richie, you're in a class by yourself.

MR. KESSEL:

Well ••

LEG. COOPER:

I have to say that.

MR. KESSEL:

That could be good or bad, though.

LEG. COOPER:

No, no. Well, yeah, it's mostly good.

CHAIRMAN HORSLEY:

It's mostly good.

MR. KESSEL:

Mostly.

CHAIRMAN ALDEN:

That's not bad, right?

CHAIRMAN HORSLEY:

It's like one of those negotiations.

LEG. COOPER:

But •• and I really do wish that we had Bob Catell before us either right now, which would be very interesting, or in the future. And I'd like to make a request to the two Co•Chairs of the Joint Committees, that we request Bob Catell to reappear before our committees, or send another representative, because this has opened up, at least for me, a whole lot of additional questions.

MR. KESSEL:

By the way, Jon, just let me say, I think you should invite National Grid here. Let's hear from them.

LEG. COOPER:

There you go. That's ••

CHAIRMAN HORSLEY:

I thought of that, too.

MR. KESSEL:

By the way, I would be willing, and you're going to love this ••

CHAIRMAN HORSLEY:

I love that.

MR. KESSEL:

And I'd be willing to sit here with Bob and with the Head of National Grid. Let's all talk about it together.

LEG. COOPER:

Well, that's •• you did that once before, you were here with Bob Catell and it made for a much more interesting give and take. And I really don't have a question, because all •• you've raised all the important questions, I think, or a lot of them, and my colleagues have. But you did ask •• you said you wanted to know what was important to us as a body, and I can tell you right now what's important to me. First of all, one thing that's not important to me, I couldn't care less about the shareholders of KeySpan or National Grid. What's important to me is what's in the best interest of Long Island, and it's primarily the ratepayers, it's the workers, it's the environment. That's what I care about.

And, surprisingly, Bob Catell painted a much rosier picture a couple of days ago, and it was basically, you know, all positives and no negatives, and everything was going to work out. But you punched, I think, a lot of holes in that, and you've raised some serious concerns in my mind. And I hope that you •• unfortunately, the Legislature, we don't have that much power. I think that LIPA does have much •• a much greater ability to influence this process going forward. And I don't know about the supply contract, but, certainly, with the management contract, I think that that's a tool that you have at your disposal.

And you had said that you were thinking about putting the management contract out to bid. I don't see any downside to •• I don't want to suggest to you, but any downside to you doing that now, sooner rather than later, you could only be putting pressure I think on KeySpan to negotiate in good faith. And so I •• you asked me what I would request. My request to you would be for you to put that management contract out to bid and see what responses that we get.

But I really wanted to thank you very much for coming here today. I think you gave us a much, much better picture of the challenges that we're facing. There's some potential here. I would like to see, obviously, the Northport plant repowered, and I hope that remains on the table. But, you know, we are at a crossroads. I think that's what you said at the very beginning. We're at a crossroads here and we've got to grab this opportunity and do whatever we can to compel KeySpan and National Grid to do the right thing, because if we lose this opportunity, if we let it pass, I think that's it. And if they're not going to do it now and commit to it now, they're not going to commit to it in the future. So, like I said, I don't really have a question, but I wanted to thank you very much for coming here, and very informative.

MR. KESSEL:

Yeah, thank you. Just two quick points, Jon. Number one, I'm not meaning to punch holes in anything, I'm just raising important questions that I •• it would be imprudent if I didn't. I think that, you know, Bob and I have been talking to each other, and, you know, again, I think he's got greater care about Long Island and its future as I do, we share that together. But I can't just say yes to something without raising the questions and issues that I know are important, because, ultimately, people don't blame Bob and KeySpan, they blame me, you know, and LIPA. I won't be at LIPA forever, and that's probably healthy, you know, down the road. I'm not leaving any time soon, so, you know, some of the people here I'm sure say, "Oh, God, when?" You know, but •• but the point is we're an institution and we have an obligation to protect that. So I'm not trying to, you know, nay•say the deal, I'm only raising the questions that I think we have to raise in order to make some intelligent decisions, and that's all I'm trying to do, because that's my job, that's my role. As long as I'm here, I'm going to do that to the best of my ability. And if people don't like it, you know, because I should just go along with something, that's not my nature. You know, then I might as well do something else in life, because this is my job.

The other thing I just want to say is, you know, Long Island •• the history of energy on Long Island, I think of three things, three moments: Shoreham, LILCO takeover, and now. Those are three historical moments where we made decisions, some good, some bad, not all at the same time. The Shoreham decision was made, the takeover of LILCO was made. We're now at the third historical moment for energy on Long Island and I think we ought to take advantage of it to do the right thing.

CHAIRMAN HORSLEY:

Thank you very much, Legislator Cooper. Legislator Kennedy.

LEG. KENNEDY:

Thank you, Mr. Chair. Hi, Richie. How are you?

MR. KESSEL:

John, how are you doing? Good.

LEG. KENNEDY:

Good, good. You have been more than comprehensive, and many of my colleagues have touched on a lot of the things I guess that I wanted to raise with you, but I guess I'm going to go to just briefly some of the things that Legislator Barraga and Legislator Montano talked about, and all of us I think continue to key on this, the MSA.

On Monday, when I spoke to Bob Catell and I asked him specifically about when they were in earnest negotiation, and was that something he related, he dropped back to the SCC regs and he talked about his inability legally to go ahead and disclose because of the impact it might have as far as the shares go. So now I sit here and I say to myself, we have a dilemma, if you will. You and I or us, and you are somewhat akin as we are, in essence, public servants and we crave transparency in government, open government with sunshine, yet we're involved with an entity, with a 6 billion dollar relationship, who by definition has to crave closure.

KeySpan, now National Grid, could be ACME tomorrow, yet there's no change in the affirmative obligation to divulge. So I say, and you hit on it, all the oral representations in the world will fill a room and mean nothing. Somehow the MSA, I think, has to be opened back up and in, with good wordsmiths, black and white. Whomever it is that the entity is that operates has to go ahead and be forthright if they get into any kind of discussions or any kind of negotiations, so that we don't respond, we meaning you, you know in the first instance what's going on with this entity that's charged, you know, with this critical obligation for all of our ratepayers. Whether it can be done or not, I don't know, but you have high priced counsel. I'm just a dirt•layer. That's something I would ask you to go ahead and look at, though, absolutely, positively.

You made reference to a new agreement, too, and so I wondered, when you were speaking about that, are you actually talking about taking the MSA at this point and cracking it, because anything that's signed with KeySpan, in essence, is irrelevant. National Grid is not bound by a writing with their subsidiary anyplace in that MSA. It's got to at this point, if it's going to be, speak to National Grid. It's irrelevant, at least, again, in my opinion.

The other areas that I wanted to talk about, too, are Mr. Catell talked about,

I guess, the rate freeze being achieved by a willingness to go ahead and give a 38 million dollar concession on the MSA over the next 24 months. I think that's the number that he used. I'd say, kind of like you did, where does that number come from? Why did it go to 38? Why wasn't it 50? Why wasn't it 40? Could it be 60? How did they get beyond 20? I see 38 and I say, if that translates to two years rate freeze, that's great, but I wonder how it came to that.

The only other area I guess I'll talk about is people talked about the load and the load sharing. I raised this question about wheeling of power on Monday and I know that there's somewhat of I guess an inherent difference between having base load capacity here on Island and how we elect to go ahead and actually meet the needs, whether it's locally generated or not. I'm concerned about the merchant plant aspects. I wonder if, you know, some day National Grid is going to off-load to ACME, which would be Northport Power Plant, who sells throughout New England, or whatever, with no control for us.

And I guess, finally, what I'll say to you is, for all our ratepayers, we all applaud the fact that you've been able to absorb some of the cost, but I think the 900 million that LIPA has absorbed has been taken from the sinking fund to retire the debt. So what of the 7 billion gorilla that still sits out there, and what does that do to your ability fiscally? All of us talk about what's going on with our bond rating constantly. We all crave and strive to go ahead and get the Triple A. How can you continue to operate and be viable in a lending market when you are taking the sinking fund and spending it on the oil?

MR. KESSEL:

Well, let me just reverse an answer just very quickly, a few comments. Number one, on the last question, it's important to understand that the absorbing of fuel costs, we're not deferring any of those costs, so they don't

have to be paid later on, and it's not impeding our ability to pay back our bonds on a timely basis. What it is doing is slowing down our ability to accelerate some of the Shoreham debt that we •• you know, that we wanted to do, so that we are hoping, you know, to pay off the Shoreham debt a lot quicker. Initially, I think under LILCO, it was 2033 and then it was moved to 2029. We tried to move it to 2013. I'm not sure where we are right now, except to say that our debt payments are not being impeded in any way, we're making all of them on a timely basis, but our ability to meet the 2013 deadline or to move it even closer, has been impeded by that. The alternative, John, would have been to raise bills more now. And we had to make a choice, and I think that it was a wise one, because could you imagine what Pat would have said about LIPA if we raised the bills more?

And I know people are going to not believe this, but, you know, the facts are right in black and white today, but they will be laid out there, we are undercharging for fuel. And everyone •• now the facts are coming out, but we can't continue to do it forever. But I want to assure you that we have A ratings from all the rating agencies and we need to maintain them, and we will not, we will not put ourselves in a Nassau County situation where Nassau County almost went under because they failed to do what they •• what they needed to do.

You have to understand another thing between county government, state government and LIPA. The funds that you spend are all necessary, but many of them are discretionary, whether it's state or local. Keeping the lights on is not a discretionary fund. I have no choice but to buy the power from those power plants to keep the lights on, so I think we have to take that seriously.

The other point that you make about the management services agreement, whatever we get out of this transaction has to be written down contractually. So the things and the issues that you've raised are issues that we need to

have in writing. It's very easy to go to a hearing or write a letter to a Legislator and say, "Don't worry, we'll do this." "Don't worry" is not enough. Put it in writing. And the parties to the agreement now are going to have to be LIPA, KeySpan and Grid. Grid is going to have to sign on the dotted line, because, as I said to you at the beginning, this is not a merger, it's an acquisition. The ultimate decisions are now, you know, even today are being made more and more by Grid. And you hope that, you know, Bob has a significant role to play here, but, ultimately, it's Grid that's going to be make the decision, so they're going to have to be a signee to whatever we do going forward.

And, finally, let me just say this to you, and I'm not going to, you know, sit here and debate or defend what KeySpan did or didn't do and what they should have done and not done, I don't think we were in any way purposely misled. I totally respect, you know, Bob Catell's integrity. Having said that, how do you think I felt when I heard that this thing would happen? You know, it was very •• I mean, how do you think I felt when I first heard the news from a reporter, by the way, who I think is sitting in the rooming? I think my first reaction to him was, "Well, I've always heard those rumors, there's no way." And I understand rules and SCC rules and I wouldn't want anyone to violate them, but could someone have said to me, "Gee, you know, we are having discussions with some specific companies, we can't tell you who they are," but, you know, look, we've always had discussions and I think, to be fair to KeySpan, they've had talks on and off for years with other utilities about acquisitions, but I think these talks that were going on in the fall and into the winter were more serious. I think that someone could have said somewhere along the line, "Hey, look, we've had talks before, we may have talks going forward, you know, something could happen here, and we just want to make you aware of it," but that didn't happen. And, you know, I can't •• I can't represent that we knew anything about it, and, you know, maybe it's •• you know, I don't know whose fault it is. I wasn't happy to hear about it, I got to tell you. I felt a little stupid, to be honest with you, and I'm just telling you honestly how I felt.

LEG. KENNEDY:

Again, it's ••

MR. KESSEL:

You know.

LEG. KENNEDY:

The reason that I raised it, and I think all of us have basically raised it, is because you take a look at something that, you know, a contract and agreement, as you know, I mean, you crave specificity as much as you can in each and every instance, and yet you see something that comes about that's such, you know, like a huge glaring thing. Look, I'm not going to talk about the for instances, you know, but there's certainly something where a level of discussions goes from, "Hey, you know, things are looking good for the next five years," to "We're now beginning to value the inventory and the assets, the revenue streams and expenditures, the deficits," and it begins now to look on a balance sheet like bingo. To me, that means time to talk.

MR. KESSEL:

Right. You know, let me just say something to you, because you've given me an idea, you and Tom, and I'm thinking about this. But what you're saying gives credence to what I'm saying in terms of benefits for the ratepayers. There is no question that the deal that we made with KeySpan made their deal with Grid more valuable. If nothing else, it took away the risk. It took away the risk of having the management agreement bid out, it took away the risk of having the power plants going over to LIPA, and so it made whatever deal they made more valuable. I want some of that for our customers.

LEG. KENNEDY:

Right.

MR. KESSEL:

Is that unreasonable to ask for? If we made it better for you, then now you have to make it better for us.

LEG. KENNEDY:

Fair. Again. Thank you very much, Mr. Chair, I appreciate it.

CHAIRMAN ALDEN:

Next up is Presiding Officer Lindsay.

P.O. LINDSAY:

This will be really brief, Richie, and I think it's the last •• I'm the last speaker, right?

CHAIRMAN ALDEN:

Unless Kate wanted to go.

P.O. LINDSAY:

First, on the surcharge, whether you call it a surcharge, or a fuel adjustment, or a delivery charge, whatever the hell you call it, why don't you guys tell the customer what percentage of the bill is the surcharge? I mean, if you go through the PSC for a normal rate increase, you have to justify this. This is not •• doesn't go through PSC scrutiny. I mean, the typical bill you're looking at here that you showed us is 50 some•odd percent, but I think that's what people really want to know, how did you arrive at that number?

MR. KESSEL:

Well, I'll tell you •• well, first of all, I'll tell you the number. A third of •• a third of the average residential bill is the surcharge. Of our budget, 3.7 billion dollar budget, 56% percent, or a little bit over 2 billion dollars, is for fuel alone.

P.O. LINDSAY:

Okay. So why can't you just put on the bill 56% is for the surcharge?

MR. KESSEL:

I thought we've done that already. We put some of that information on the bill, but we can make that clear. I think we could probably make that clearer, but the fact is that that •• when you say, "How do you arrive at that," it's what we're charged. It's what Jack •• it's what Jack said before.

P.O. LINDSAY:

I think we're all big boys and girls here and we know that fuel went through the roof and that it's going to cost us money. People just question how do you arrive at that number. All right?

MR. KESSEL:

Right. Well, I think •• let me just say one thing, Bill. By changing our bill to basically conform with what every other utility in the state is doing or has done already, you will then know •• you'll have two lines on the bill, basically. I mean, you'll have things that add up, and, of course, taxes and all these other things. You'll have a delivery charge, which is the cost of the LIPA system, and you'll have a market or commodity charge, which is the cost of electricity. Then the customer can look at the bill accurately and know what they're paying for the electricity, the physical product, which is mostly fuel, and what they're paying for the wires, and the salaries, and the administrative costs, and the polls and the transformers. So I think, and I said this before to Cameron, that it's something that we should have done sooner, because some of these utilities have been doing this for several years. We should have done it sooner and we're paying for it now. So I agree in clarity, and we're going to do that through these new bills.

P.O. LINDSAY:

And to answer your question about how we feel about the National Grid, I don't know is the answer. What we heard the other day from Mr. Catell sounded very good, but I think all of us question the unknown. And I think the more we can solidify in some kind of formal agreement, I think the more comfortable we'd all feel about it.

MR. KESSEL:

Thank you.

CHAIRMAN ALDEN:

Rich, I really want to, on behalf of the committee and the whole Legislative body, thank you very much for coming down here and bringing your staff. It was very informative. And, again, thank you for your cooperation you've done in the past and great. And we might actually take you up on trying to put together that whole thing, which, if we could bring all the parties together, that might be very informative also.

MR. KESSEL:

I'll be here.

CHAIRMAN ALDEN:

I know that you have a pretty tight schedule. If somebody from your staff could stay, because we do have brief public portion and we've got about six speakers that wanted to make some comments, so ••

MR. KESSEL:

Yeah. I'm going over to meet, actually, with the County Executive on some of these very issues, but I'll ask someone from our staff, maybe •• yeah, Burt, you could stay, and he can answer whatever questions ••

CHAIRMAN ALDEN:

And it's more just to listen, you know ••

MR. KESSEL:

Yeah, listen. No, we ••

CHAIRMAN ALDEN:

•• because there's going to be some comments made that, you know, might be addressed by you at a future date.

MR. KESSEL:

We always like to hear •• even if they don't agree with us, we always like to hear what people say, because we can understand their •• we're as frustrated as people •• as frustrated as people are with our bills, we're frustrated at what we have to pay to charge those bills, so we do want to hear. Burt Cunningham will stay and listen to that.

CHAIRMAN ALDEN:

Thank you very much.

MR. KESSEL:

Thank you for your involvement.

CHAIRMAN ALDEN:

And, again, thank you for coming.

MR. KESSEL:

Thank you.

LEG. NOWICK:

Now you're going to sing?

MR. KESSEL:

What?

LEG. COOPER:

This is your chance to sing.

MR. KESSEL:

No.

CHAIRMAN ALDEN:

On your way out.

MR. KESSEL:

But I'll tell you •• I'll tell you what you could do. If you had me, Bob Catell and the head of National Grid here, you know, we could really have a money •maker and I could bring Jay and the Americans here, they could maybe, you know, have their band.

LEG. COOPER:

That's a deal.

MR. KESSEL:

Jay Black is a Long Islander and he'll be happy to be here. Thank you, everyone.

CHAIRMAN ALDEN:

Thanks, Rich.

CHAIRMAN ALDEN:

Thank you, Cameron.

CHAIRMAN HORSLEY:

Thank you, Rich.

LEG. COOPER:

Thank you, Richard.

CHAIRMAN ALDEN:

Actually, we have a public portion and it's for the combined committee meeting. There's three minutes to speak, and the first card that I have is from Elaine Cobis, C•O•B•I•S. Hi, Elaine. And you have a choice, you can come up and sit down at the table, or you can actually use the microphone at that stand over there. And, again, you have three minutes.

MS. COBIS:

I want to •• I have never done this before. I'm a ••

CHAIRMAN ALDEN:

Take a deep breath. Okay.

MS. COBIS:

I'm a resident of Suffolk County, I'm a registered nurse, and I work basically two jobs to survive as a homeowner in Long Island and Suffolk County. I found out from one of my clients that this deal with KeySpan was going and I was horrified. So I had called for, starting from President •• I mean, Senator Schumer down, you know, just objecting to what I feel is wrong. And Senator Horsley's Office is the one that had educated me on this meeting and where it was, and I appreciate that. And I felt that it was good to see people really involved and concerned about us.

As a ratepayer, and I really resent that terminology, we are captive ratepayers, We don't have choices. We are not underpaid. I mean, if you really did the math and found out per household how much fuel really isn't needed to supply electricity, because electricity in itself is a very efficient form of energy and it really doesn't take a hell of a lot of gas to motivate one current to go to a household, one household. So, if you do the math of how many residents in Suffolk County, there's a lot of money going into LIPA and KeySpan.

I have natural gas. I have talked to KeySpan employers •• I mean employees. I was actually told by a KeySpan employer how satisfied they were working in KeySpan. But what frightened me most, because I picked up on a gas leak in my own home, KeySpan had me had a •• you know, a certified LIPA gas plumber fixed the problem. And when they came back to double check it, they said, "Well, give me the name of the plumber that did the job, because if your house blows up, we know who to blame," not the fact that they take their equipment very poorly and make sure that the job is done. So I'm a little dissatisfied with safety in our County.

I had the opportunity to help people in Mississippi during Katrina. I am disgusted with the maintenance of our polls that are holding our wires up. If we got hit with a Level 3 like Gloria, we're in trouble, because I think if you take all your communities and look at the repair that's going on to our polls, there's many are leaning over. You just take one bad wind storm and our grid will be nonfunctioning, because what is being maintained by LIPA since LILCO was destroyed is very scary. And What I'm hearing is now that after LILCO was destroyed, we are now having to use our funds and our ratepayers' money that we all have the most middle class people have to work two jobs or three jobs to maintain a home in Suffolk County, you're taking that money to buy plants that originally were owned by LILCO. LILCO, and KeySpan, and LIPA, or whatever you want to call these companies that we so smartly destroyed, divided we fall, we're now taking funds that used to be in LILCO's catchment area that we're now buying power plants, or nobody's taking responsibility to maintain the power plants, because we don't know who's going to pay for it? These are frightening. What government did it Katrina ••

CHAIRMAN ALDEN:

Elaine, you have to sum up.

MS. COBIS:

What the government did in Katrina can easily happen on Long Island. We need to have our utilities on shore and to have it protected and safe by Americans, not by an outside company, because go to Mississippi and see what happens and is still happening now.

CHAIRMAN ALDEN:

Thank you for your comments and thanks for coming down.

CHAIRMAN HORSLEY:

Thank you.

CHAIRMAN ALDEN:

Next up, Lester Davis.

MR. DAVIS:

I spoke two days ago on a •• it's, okay, called Pump Storage Generation Electric. And the word "water" should be put in there. That's what's being used. And this is an excellent example, we heard here earlier, about renewable energy. And I'll just briefly touch on a couple of parts.

Again, A little over a year ago I met with Mr. Catell. He put me in touch with KeySpan's Chief Engineers and the •• okay, we both signed on disclosure statements, because we didn't have it pending at the time. And a good example in this part of the country is _Gilboa_ , New York, it's south of Albany •• Southwest of Albany, 40 miles, this goes back 30 years ago, that gives you an idea how successful it's been used, it's about 1,000 megawatts, but it can be 30 megawatts, it's like a menu. And the only drawback I've heard on Long Island are the amount of property is needed. However, with Grumman's property out east, where near I am, Calverton, there's 3,000 acres there. I've spoken with the engineer in charge of Riverhead, they're

interested in looking into this, same with Brookhaven. And the •• if Long Island does not utilize this, we've been talking to utilities in nearby states, they will be doing it and you'll be buying the power from them and you'll be paying almost ten times as much.

By the way, the key to this whole thing is, in the middle of the night, from 11 at night to 7 in the morning, surplus power, and this came from KeySpan's engineers, as little as six•tenths of a cent of kilowatt the next day is worth ten times that. There would be no fuel surcharges, because they're not using any fossil fuels. Any question that anyone has?

CHAIRMAN ALDEN:

I think what's going to happen is Legislator Horsley is going to invite you down to an Energy Meeting ••

MR. DAVIS:

Right, right, yeah.

CHAIRMAN ALDEN:

•• in the future and that's where a little bit more dialogue can take place.

MR. DAVIS:

I understand, okay. But if anyone had a question, I'd gladly answer it. Okay.

CHAIRMAN ALDEN:

I think we're good. Thank you.

MR. DAVIS:

Thank you.

CHAIRMAN ALDEN:

Thanks for coming down. Ralph Ranghelli. I butchered it again, didn't I? Did I get close?

MR. RANGHELLI:

You did pretty good. Thank you.

CHAIRMAN ALDEN:

All right, thanks.

MR. RANGHELLI:

It's still morning, so I'm going to say good morning. And thank you,

Chairman Alden and Chairman Horsley, and certainly my thanks to all of the Legislators this morning.

You know, I'm a resident of Suffolk County and also a stakeholder in this issue. You know from my testimony on Monday that I'm the Business Manager of IBEW Local 1049. I represent the physical workers that are employed by KeySpan and have been talked about in such gracious terms here by both Richie Kessel and Bob Catell and we appreciate that. I wanted to put a couple of things on the record and give you something to ponder as you go through this questioning and merit, if you will, of this transaction.

I have not, as I told you, I have not had the opportunity to speak with the Grid people, but I've done some due diligence on Grid as well with regard to their operation and their relationships with employees here in the United States. And I bring this to your attention, because Bob Catell, in his testimony, mentioned that it was quoted in Newsday that the relationship as reported by unions in the U.K. with Grid was spectacular, so to speak. They had wonderful working relationships and Bob wanted to bring that out, so that it was clear that U.K. was worker•friendly, at least in the U.K. and that prompted me to delve into that situation here in the United States.

As a preface to that, let me say this, that we have done our union, working with both LIPA and KeySpan, have done a lot to become more effective and more efficient in providing service to Long Island residents who are obviously ratepayers. Service is a key element of any transaction and it's important that we do not allow service levels to become degraded. What have we done? We have put our workforce on a 24/7 schedule, more than 100 men, working around the clock, seven days a week, 365 days a year, no overtime, important economic factor, no overtime for weekends, so that we can provide that level of service around the clock. That was done, and we talked about the importance of doing things in writing, that's in writing.

In addition, back in 2000, because there is an ever-increasing need to service consumers that have their businesses open on the weekend, we also put regular crews on straight time on Saturdays and Sundays, again, no premium, working Saturdays and Sundays for straight time. I think those are clear indicators that we are partners in this operation to provide good service, and we're also sensitive to the economic factors relative to providing those services.

Now, we talked about outsourcing many of you, and I want to again thank you and commend you for probing and delving into all of these issues. I was concerned about outsourcing, and I was somewhat surprised to find that this 24 hour-7 operation that I've just described to you that goes on here on Long Island, a portion of that has been outsourced up in the Niagara Mohawk product property. The emergency service work, as it's called within the industry, the 12 to 8 shift on Niagara Mohawk's property has been outsourced to a contractor. The reason it was outsourced, I'm told, is because they allowed the inside workforce, the utility employee workforce to become depleted to the point where they didn't have sufficient people to staff the day and the 4 to 12 shift over such a vast geographic service territory and it became the only alternative to continue to provide service was to outsource that component of the work. So I think it speaks volumes to our concerns about outsourcing, and I wanted to get that on the record, as I did want to get on the record the efforts that my members and my union have put forth in trying to provide levels of service in the most economic fashion.

I thank you. As I've said to you the other morning, if there are any questions, or if you'd like to meet, my office is around the corner and I welcome the opportunity to continue to work with all of you. And I thank you as a resident of Suffolk County as well.

CHAIRMAN ALDEN:

Thanks once again for coming down.

MR. RANGHELLI:

Okay.

CHAIRMAN ALDEN:

Next up, Dan Daley.

MR. DALEY:

Good morning. It's Don Daley.

CHAIRMAN ALDEN:

Don.

MR. DALEY:

My name is Don Daley, Jr. I am the Business Manager of IBEW Local 1381. I represent approximately 900 clerical and technical workers at KeySpan. And for Wayne's notes, our contract is also up in 2008.

I appreciate the opportunity to speak before you this morning on the acquisition of KeySpan by National Grid, and I would just like to touch on one main point. My colleague, Ralph Ranghelli, who's already spoken about some of the concerns of the proposed merger, and those concerns also overlap many of my concerns. In addition to that, I had Robert Delaney, our president of local, come here and speak before you on Monday morning, and he, again, expressed some of our concerns. But the main concern I did want to talk about this morning was the reduction of the workforce a how that •• any significant reductions going further into the future, in the future will have significantly negative effect on the consumers on Long Island.

I think Bob shared Monday morning about how much our workforce has been reduced so far. When we merged with Brookhaven Union in 1997, we had almost thirteen hundred members. Currently, as I said before, that number is down below 900. That's been a 30% reduction in our workforce. And that really comes into play when there is a storm or an emergency. Right now, there's 400 less people available for storms and emergencies today than in 1997. And When you think about a clerical union, most of you may think that it has to do with strictly call representatives and people who support the inside operations. But, in addition to that, I represent many field workers also that perform vital functions during a storm, and I'd like to share with you a couple of them •• a few of those duties.

We have meter readers, collectors and field inspectors who are trained, along with our planners and mappers, to survey storm damage that produces the job tickets for our crews to go out on. We also attend to all the needs of the foreign crews, from housing, to meals, to basic needs to complete the job. We are runners between substations, we plan out maps and define job priorities out of our substation. We protect the public when a wire is down. We personally contact customers when emergency calls come in. We go door to door to notify customers of safety concerns. We respond to critical facility issues and assure that their needs are met. We escort crews to damaged

areas. We disconnect gas services in flooded areas. We notify customers of damage assessments and expected times of restoration. And, in short, we do a lot more than just answer calls.

When Hurricane Gloria hit, we had over sixteen hundred members that provided these services. Right now, if a major hurricane hit, we would be able to provide those services with 750 less people. Don't be fooled •• don't be fooled that you can reduce the workforce by over 50% and there wouldn't be a significant impact on our service and reliability for the Long Island customers. We saw that happen in the Gulf region when they experienced an emergency. Many said they were ready and prepared, only to look like a third world nation before the rest of the world.

Right now, in conclusion, my workforce is down to the bare bones, and I don't know what would happen if we got hit with a major storm. But to do the same thing we did in Gloria, I can tell you right now, we wouldn't be able to do it. So I thank you for the opportunity to speak, and I'll address any questions. I also wanted to extend an invitation to anybody who might want to talk to be personally.

CHAIRMAN HORSLEY:

Thank you.

CHAIRMAN ALDEN:

Thank you for coming down. Thanks.

CHAIRMAN HORSLEY:

Thank you.

LEG. MONTANO:

How many cards do we have left?

CHAIRMAN ALDEN:

One more.

LEG. MONTANO:

Okay, good.

CHAIRMAN ALDEN:

Dr. •• oh, I'm sorry, we have two more. Dr. Carmine Vasile. Is the "E" silent, or is it ••

DR. VASILE:

Vasile, that's right. You got it right.

CHAIRMAN ALDEN:

Okay.

DR. VASILE:

Hi. I'd like to make a few comments and ask a question. In January I appeared before the public hearing and I asked Mr. Kessel, "Could you take away the surcharge and put everybody on the Green Choice Program and we'd gladly pay a one penny a kilowatt•hour premium?" His answer was, if everybody signed up for Green Choice, they would cap the program. They wouldn't allow everybody to sign up for Green Choice. So, contrary to what he told you today, he doesn't want Green Power on Long Island. This KeySpan deal is a pump•and•dump. He locked us into very expensive fossil fuel, obsolete plants, pumped the price up, froze the rates, and, according to the lawsuit, they've collected over one•and•a•half billion dollars in unconstitutional surcharges since 2001.

Now the reason I say it's unconstitutional is this. Mark _Alessi_ sent these fliers out. If you want answers to the questions you asked, read this. You know, I could pass these around. Now I sent in a fax to him and I asked him this question. The LIPA Act permits LIPA to impose discriminatory surcharges between 40% and 120% that violates the Equal Protection Article I, Section 11 of the State Constitution. Had the PSC set the rates, it would have been a percentage on each rate. And I made this plot here to show you and I'll give it to you. In my bill, I'm paying 73%, because I have electric heat. If you have rate number 285, your increase is a 120%. If you have rate number 182, your increase is 40%. How can a State agency be allowed to impose different percent increases on the public without going to the Public Service Commission? And when I called the Public Service Commission, I talked to Paul _Agresta_ and he said LIPA is the only utility that is not automatically under their jurisdiction, and that's the loophole in the LIPA Act. And the PACB has jurisdiction over them, but they didn't even enforce the LIPA Act. So we are being killed on Long Island and they enrich KeySpan by freezing this rate at two years. And Somebody pointed out here in October that it was

supposed to be temporary.

When I went in January, that's when they told me it was going to be frozen for two years. So how can that be? How can that be?

And I'd like •• the question I'd like to ask is, I don't know who's lawyers, but am I right? Who would like to look at this? Is it unconstitutional to have different percent increases on the public instead of a uniform percent increase on each rate, which would have happened if they had gone to the PACB?

CHAIRMAN ALDEN:

Thank you. What we'll do •• that's the copy that the Clerk just walked out with?

MS. SEIMS:

She's making copies.

CHAIRMAN ALDEN:

Good. She'll make copies for the committee and then we'll probably include those with the comments and the questions that we send over to LIPA. Thank you.

LEG. HORSLEY:

Thank you.

DR. VASILE:

Can I make one last comment, because ••

CHAIRMAN ALDEN:

Sure, go ahead.

DR. VASILE:

After this article appeared where they had a photograph of me, I was asked to help them on the Caithness Power Plant situation, because I have a PhD in Electrophysics and I was a consultant to the Electric Power Research Institute, so I know a thing or two about utilities. Now, when I went to the Brookhaven Town hearing, and if you want, you could copy this, too, these are my comments to the Public Service Commission where I put everything in front of it. Nobody in that room even knew that Caithness had put an operating petition before the Public Service Commission. There were dozens of comments before the DEC and the EIS is a fraud. They used outdated maps. They didn't show the toxic dumps that are close to Caithness. This is the kind of agency we're dealing with. And this is pending now before the Public Service Commission. If you guys want, I'll give you a copy. And I put it on a CD•rom, if you want it, so whichever.

CHAIRMAN HORSLEY:

Give it to me and I'll have it distributed to the Energy Committee.

CHAIRMAN ALDEN:

Chairman Horsley can do that, so his Aide will pick that up from you. Thank you very much.

DR. VASILE:

Okay.

CHAIRMAN ALDEN:

All right. Last card we have is from Charles Lucchetti. I get that okay? Was that all right with your name?

MR. LUCCHETTI:

Yes, it is.

CHAIRMAN ALDEN:

Decent?

MR. LUCCHETTI:

It's fine, Mr. Alden.

CHAIRMAN ALDEN:

Thank you.

MR. LUCCHETTI:

My name is Charles Lucchetti. I'm a resident of Suffolk County, I'm a ratepayer. I'm a property owner in Bay Shore. There are three issues that I'd like to raise. First, I didn't hear anybody address the public health safety issues that exist in Bay Shore in regard to the contamination resulting from LILCO's manufacturing gas plant and other operations that went on in that facility, nor the other facilities where •• that are under investigation in Nassau and Suffolk County.

Two is the rates. You said that the rates were frozen. They're not frozen. There's a pending rate case of deferral. It started in 1993. It involves the investigation and remediation funds for these manufacturing gas plant sites. They've been estimated to cost over a half a billion dollars, and that was a deferred rate case. If you'd like the number, it was 92G0002. Richard Kessel testified at that hearing and he's well aware that during the time that they did the merger, that was a deferred rate increase. So there is no freeze. That rate is still deferred, because they're litigating against 16 insurance companies in Manhattan, and that case has been going on for ten years.

Going back to the health issue, that's one. So there's a hidden half•a•billion •dollar•plus rate increase pending for the ratepayers. A, that's seven manufacturing gas plant sites. They've since identified eight more, and they haven't identified all of them. I oppose the KeySpan and National Grid merger, because the health issue and the rate issue hasn't been addressed, and until these manufacturing gas plant sites are thoroughly investigated and remediated with regard to the occurrences at those sites. The Bay Shore

facility was not a manufacturing gas plant site. Okay. I won't get into it because it's not an issue here. I've been •• It's a thing that we're continuing to discuss and proceeding after DEC in regard to the historical events at that site.

But back with the rates, he said that the rates are frozen. They're not frozen, because that investigation remediation process includes properties owned by LIPA right there in Bay Shore. In addition, the voluntary consent order that was agreed upon, it clearly and unequivocally says that they cannot comply with certain provisions of that agreement predicated on the fact that LIPA owns the sites; Rockaway, Hempstead, Glen Cove, Glenwood. And there's other things that are going on in Suffolk County, and he said that you'll know by the end of the year. Well, I'll tell you what. Maybe you ought to find out before the end of the year, because maybe it's too late then. Okay? Someone maybe ought to take a trip out to Shoreham and take a trip over here to Holtsville to see what's going on.

Ask yourself this question. Why is New York Public Authority having generated facilities in Suffolk County? And maybe it's all there and just not notifying the public.

CHAIRMAN ALDEN:

I have to just have you some up.

MR. LUCCHETTI:

Thank you.

CHAIRMAN ALDEN:

Okay. Thanks a lot. All right. That's the end of the cards that we have. Was there anyone else that wanted to address us? Okay. Then that basically ends the public portion for the joint committee hearing. The Economic Development, Energy ••

CHAIRMAN HORSLEY:

Energy and Education.

CHAIRMAN ALDEN:

•• and Education, they do have a short agenda, so I'm going to turn this over to Chairman Horsley.

CHAIRMAN HORSLEY:

And let me again express my appreciation and thanks to the members of the Consumer Protection Committee, as well as Legislator Alden, who is not only a good friend, but does a good job.

LEG. MONTANO:

Do we have a quorum?

CHAIRMAN HORSLEY:

I think we do, don't we? Mr. Morgo, the very impatient Mr. Morgo.

LEG. MONTANO:

Can we defer that, though?

CHAIRMAN HORSLEY:

Yeah, just •• how many do we got? We got one, two, three •• Kate's not on this.

LEG. MONTANO:

Kate, are you on this committee?

CHAIRMAN HORSLEY:

Kate, you're not on this one, right?

LEG. BROWNING:

No, no.

LEG. MONTANO:

So, do we have a quorum?

CHAIRMAN HORSLEY:

Just. We've got a quorum, but Rick's ••

LEG. MONTANO:

But if I leave, if I leave, do we have a quorum?

MR. NOLAN:

No.

CHAIRMAN HORSLEY:

Okay. Let's ••

MR. NOLAN:

We've got to find ••

CHAIRMAN ALDEN:

No, you got •• okay, you're good.

MR. NOLAN:

If Jon stays, you got three.

CHAIRMAN HORSLEY:

We've got three, right. Okay.

MR. NOLAN:

Then you're good.

LEG. MONTANO:

Can I take off?

CHAIRMAN HORSLEY:

We're going to do this quickly, Jon.

LEG. COOPER:

You got five minutes.

CHAIRMAN HORSLEY:

Okay. You got it, Buddy.

MR. MORGO:

You can bet it's going to be quick.

CHAIRMAN HORSLEY:

All right.

MR. MORGO:

Because you want it. I'm surprised there's any ••

CHAIRMAN HORSLEY:

Mr. Morgo, would you please, just one second. I am calling to order this committee again that was recessed earlier. Let me just •• first of all, I know Mr. Montano is very eager to leave, so I'm going to move up the ••

LEG. MONTANO:

If you don't mind, Jim.

CHAIRMAN HORSLEY:

- Introductory Resolution 1286? My number's kind of fuzzy there.

(1286 • Appointing Lutricia (Pat) Edwards as a member of the Suffolk County Industrial Development Agency (IDA).

LEG. MONTANO:

Yes. Motion to move 1286, take it out of order, and vote on it.

LEG. COOPER:

Second.

CHAIRMAN HORSLEY:

All those in favor? Opposed? So moved. 1286 is taken out of order.

LEG. MONTANO:

Motion to approve.

LEG. COOPER:

Second.

CHAIRMAN HORSLEY:

All those in favor? Opposed? So moved.

LEG. MONTANO:

Thank you. Jim, I apologize.

MR. MORGO:

Please.

CHAIRMAN HORSLEY:

Okay. Mr. Morgo. We've got one antsy guy.

MR. MORGO:

Okay. As I said, I'll be as superficial or as thorough as you want me to be.

CHAIRMAN HORSLEY:

Superficial?

MR. MORGO:

Yeah.

CHAIRMAN HORSLEY:

Is that the word? Okay.

MR. MORGO:

I'm surprised there's any air up here after Richie anyway.

CHAIRMAN HORSLEY:

It's gone.

MR. MORGO:

Going over •• going over the agenda, the two tabled resolutions, 1071, 1072, dealing with the Gabreski Airport, I would suggest that you table those subject to call, subject to call. I had a conversation with Legislator Schneiderman this morning and he agreed that we will try to come up with reasonable late fees at the airport. You remember the FAA said that the blanket \$2,000, not based on any criteria or class or weight of any of the aircrafts, was arbitrary and discriminatory. We talked to the FAA again. They said you have to have some frame of reference. We have to look at other airports. We looked at MacArthur. They have a 33% charge, extra

charge. I don't want to use surcharge after Richie. But they have an extra charge for any aircraft landing after 11 o'clock. We're going to suggest something based on weight and on class.

Last night we had the second of two public hearings dealing with the airport. Both the citizens around the airport and the pilots all agreed that there should be voluntary curfews. The FAA would approve those. They worked very well in other parts of the country based primarily on pilot compliance and the pilots want to do that. So there will be a new resolution with different fees based on weight and class. So, therefore, I think 1071, 1072 are moot.

CHAIRMAN HORSLEY:

Okay.

MR. MORGO:

Okay. I'm just going to keep going then, Wayne.

CHAIRMAN HORSLEY:

Yeah, please.

MR. MORGO:

Right down.

CHAIRMAN HORSLEY:

Yeah.

MR. MORGO:

The next one I have is 1143. That's the streamlining resolution. It was recessed to your next full meeting, a public hearing at your next full meeting, so I'm just going to say fine and we'll talk about it then.

CHAIRMAN HORSLEY:

Table for public hearing.

MR. MORGO:

11 •• the next one I have going down is 1278.

CHAIRMAN HORSLEY:

No, 12 •• 1163?

MR. MORGO:

11 ••

CHAIRMAN HORSLEY:

Oh, that was it?

MR. MORGO:

Oh, 1163, yeah.

CHAIRMAN HORSLEY:

1163, right, yeah.

MR. MORGO:

This is Legislator Cooper's.

LEG. COOPER:

It's being tabled.

CHAIRMAN HORSLEY:

Tabled.

MR. MORGO:

It's being tabled. Okay. Then 1278.

CHAIRMAN HORSLEY:

That's correct.

MR. MORGO:

This is a resolution that Planning, my office, under the leadership of Legislator Browning, some up with for an extension, really, with some changes of the Citizens Advisory Committee dealing with the proposal for Yaphank. The request for expressions of interest are due back in May. This committee will give advisory recommendations to the County and help with outreach to the surrounding communities and, in fact, to all of Suffolk County. My department strongly supports this resolution.

CHAIRMAN HORSLEY:

Approve. And skip over, then there's down to 1309.

MR. MORGO:

1309 •• the following, 1309, 1310 and 1311 ••

CHAIRMAN HORSLEY:

All a hundred percents?

MR. MORGO:

All deal with community development.

CHAIRMAN HORSLEY:

Yeah.

MR. MORGO:

You folks, I know you are, Legislator Horsley, very familiar with community development block grants with the home program. The Director of the Community Development Division within the department is here. Joe, do you just want to talk about these quickly?

LEG. COOPER:

I mean, they're accepting hundred percent grants, so I don't know, do we really need ••

MR. MORGO:

Okay.

CHAIRMAN HORSLEY:

We're with you, Joe.

MR. MORGO:

Okay.

MR. SANSEVERINO:

Thank you.

CHAIRMAN HORSLEY:

Thank you for your good •• your kind comments. Mr. Morgo.

MR. MORGO:

One of the things that Legislator Cooper said, I don't know if you mentioned this, Jon, one of the problems is these are cut year after year after year and they do great things in our communities, and that's something we'll be talking to you about later.

Okay. The next two Carolyn's going to talk about, because they deal with changes in the downtown program.

MS. FAHEY:

Very quickly, Centerport Harbor, during Round IV, was awarded a grant to put in a bulletin board, some garbage containers, some flower boxes, and so on. The County's recently done some renovation on Mill Dam Road and the bridge that goes over the pond, and they've asked to change their project to allow them to replace some of the railings and do some signage on the bridge there. Three Village Chamber also received money in Round IV for benches, landscaping and garbage receptacles. Their Round III money that they received went toward street lighting. They want to change the project and allow them to continue the street•lighting project and finish that. So both projects have gone from some small miscellaneous projects to something more concrete. The Downtown Citizens Advisory Panel reviewed both. They recommend both for changes, and again asked me to reiterate that from Round 5 forward they're not going to be very receptive to changes in projects. So, hopefully, we won't be before you too often with changes.

CHAIRMAN HORSLEY:

Thank you for being •• for bending. 1330?

MS. FAHEY:

That's not ours.

MR. MORGO:

That's not ours, that's Education. We're all for that, of course.

CHAIRMAN HORSLEY:

That's not yours, you're right, you're right. Good move. Thank you very much.

MR. MORGO:

Okay. Thank you.

CHAIRMAN HORSLEY:

Any questions of Mr. Morgo? Good. Okay. Let's •• moving right along.

TABLED RESOLUTIONS

Okay. Tabled resolutions. **1071 (To impose moratorium on aviation related construction at Francis S. Gabreski Airport pending Master Plan adoption.)** Do I have a motion to table?

LEG. COOPER:

Motion to table.

LEG. NOWICK:

Second.

CHAIRMAN HORSLEY:

Motion to table, seconded by Legislator Nowick. Any comments? All those in favor? Opposed? So moved. 1072. Oh, we were supposed to make it subject to call.

MR. MORGO:

Yeah, because they're not going to move.

CHAIRMAN HORSLEY:

Yeah.

LEG. COOPER:

Okay. Motion to table subject to call.

LEG. NOWICK:

Second.

CHAIRMAN HORSLEY:

Motion to table subject to call, second by Legislator Nowick. All those in

favor? Opposed? So moved. **(Tabled Subject to Call • Vote: 5•0•0•0).**

That as well for ***1072 (Amending Resolution No. 673•2004, to impose a fee for late night landings at Francis S. Gabreski Airport).***

LEG. COOPER:

Yes.

CHAIRMAN HORSLEY:

Same players. All those in favor? Opposed? So moved. **(Tabled Subject to Call • Vote: 5•0•0•0)**

1143 (A Charter Law to require all leases for property at Francis S. Gabreski Airport to be approved by the Legislature to streamline County government). Tabled for public hearing. Do I have a motion to table?

LEG. BARRAGA:

Me.

CHAIRMAN HORSLEY:

Legislator Barraga tables.

LEG. COOPER:

Second.

CHAIRMAN HORSLEY:

Second by Legislator Nowick. All those in favor? Opposed? So moved.
(Tabled for Public Hearing • Vote: 5•0•0•0)

1163 (Establishing a Task Force to study the feasibility of increasing revenues and promoting economic development by establishing a horseracing track in Suffolk County). Motion to table by ••

LEG. COOPER:

Motion to table.

CHAIRMAN HORSLEY:

Motion to table by Legislator Cooper.

LEG. NOWICK:

Second.

CHAIRMAN HORSLEY:

Seconded by Legislator Nowick. All those in favor? Opposed? So moved.
(Approved • Vote: 4•0•0•1; Not Present • Leg. Montano)

INTRODUCTORY RESOLUTIONS

Introductory Resolutions. **1278 (Creating a Yaphank Center Development Review Committee)**. I'll make a motion to approve.

LEG. COOPER:

Second.

CHAIRMAN HORSLEY:

Second the motion by Legislator Cooper. Any comments? All those in favor? Oh, moving too fast. Legislator Barraga.

LEG. BARRAGA:

The only comment I'd like to make about this particular committee, and I guess it's appropriate for any Task Force, apparently, I guess, from an historical perspective, the County Legislature hasn't really had a problem putting individual members of the Legislature on these Task Force committees, that type of thing, and I'm not so sure that's the wisest possible move. I have nothing against an individual Legislator appointing someone.

Hopefully, not one of their staff people, but having an appointment. But once an individual Legislator is part of a Task Force, I think that breeds other problems that can development. The inevitability is that whatever the Task Force recommendations may be, they'll come before this body anyway. I think it's just a better approach to keep the members off these Task Forces if possible, or committees. I just don't think it's in their individual best interest.

Thank you.

CHAIRMAN HORSLEY:

All right. Thank you very much, Legislator Barraga. I have a motion to approve. There was a second on that motion? Do I have one?

LEG. COOPER:

Yes, I seconded it.

CHAIRMAN HORSLEY:

Second on the motion. All those in favor? Opposed? So moved.

(Approved • Vote: 4•0•0•1; Not Present • Leg. Montano)

1309 (Accepting and appropriating a 100% reimbursed grant from the U.S. Department of Housing and Urban Development and authorizing the County Executive to execute agreements). We've already done 13, whatever, 86.

MR. NOLAN:

1286.

CHAIRMAN HORSLEY:

1286? Oh, it is? I've got a bad copy here.

LEG. COOPER:

Motion to approve and put on the consent calendar.

CHAIRMAN HORSLEY:

On 1309?

LEG. COOPER:

Yes.

CHAIRMAN HORSLEY:

Motion to approve.

LEG. COOPER:

And put on the consent calendar.

CHAIRMAN HORSLEY:

And to ••

LEG. NOWICK:

Second.

CHAIRMAN HORSLEY:

And placed on the consent calendar. Seconded by Legislator Nowick. All those in favor? Opposed? So moved. **(Approved • Vote: 4•0•0•1; Not Present • Leg. Montano)**

1310 (Appropriating a 100% reimbursed grant from the U.S. Department of Housing and Urban Development of an Emergency Shelter Grants Program and authorizing the County Executive to execute an agreement).

LEG. COOPER:

Same motion.

CHAIRMAN HORSLEY:

Same motion. Legislator Nowick, seconding the ••

LEG. NOWICK:

Yep.

CHAIRMAN HORSLEY:

Same motion. All those in favor? Opposed? So moved. **(Approved • Vote: 4•0•0•1; Not Present • Leg. Montano)**

1311 (Accepting and appropriating a 100% reimbursed grant from the U.S. Department of Housing and Urban Development for a Home Investment Partnerships Program and authorizing the County Executive to execute agreements).

LEG. COOPER:

Same motion.

LEG. NOWICK:

Second.

CHAIRMAN HORSLEY:

Same motion by Legislator Cooper, seconded by Legislator Nowick. All in favor? Opposed. So moved. **(Approved • Vote: 4•0•0•1; Not Present • Leg. Montano)**

1314 (Approving the change of project for Downtown Revitalization Round IV for the Centerport Harbor Civic Association and amending the contract with the Town of Huntington to reflect same).

LEG. COOPER:

Motion to approve.

CHAIRMAN HORSLEY:

Motion to approve by Legislator Cooper, seconded by Legislator Barraga. All those in favor? Opposed? So moved. **(Approved • Vote: 4•0•0•1; Not Present • Leg. Montano)**

1315 (Approving the change of project for Downtown Revitalization Round IV for the Three Village Chamber of Commerce and amending the contract with the town of Brookhaven to reflect same).

LEG. NOWICK:

Motion.

CHAIRMAN HORSLEY:

You're doing great, Jon. Legislator Cooper, motion to approve, seconded by Legislator Nowick. All in favor? Opposed? So moved.

(Approved • Vote: 4•0•0•1; Not Present • Leg. Montano)

1330 (Amending the prior capital authorized appropriations for the Renovation/Rehabilitation Water Pollution Control Plants • construction (CP 2109.313) to Renovation/Rehabilitation Water Pollution Control Plants • design (CP 2109.113). Motion on ••

LEG. COOPER:

Motion to approve.

CHAIRMAN HORSLEY:

Motion to approve by Legislator Cooper.

LEG. BARRAGA:

Second.

CHAIRMAN HORSLEY:

Seconded by Legislator Barraga. All those in favor? Opposed? So moved. **(Approved • Vote: 4•0•0•1; Not Present • Leg. Montano)**

1335 (Appropriating funds in connection with the replacement of unsafe tennis courts).

LEG. COOPER:

Motion to approve.

CHAIRMAN HORSLEY:

Motion to approve by Legislator Cooper, seconded by Legislator Barraga. All those in favor? Opposed? So moved. **(Approved • Vote: 4•0•0•1; Not Present • Leg. Montano)**

I believe that completes our agenda. I want to thank everybody for their patience today, and have a good day.

[THE MEETING WAS ADJOURNED AT 12:21 P.M.]

_ _ Indicates Spelled Phonetically

