

ECONOMIC DEVELOPMENT, HIGHER EDUCATION

And

ENERGY COMMITTEE of the SUFFOLK COUNTY LEGISLATURE

Minutes

A Special Meeting of the Economic Development, Higher Education & Energy Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Auditorium of the William H. Rogers Legislature Building, 725 Veterans Memorial Highway, Smithtown, New York, on February 27, 2008.

MEMBERS PRESENT:

Legislator Wayne Horsley - Chairman
Legislator Steve Stern - Vice-Chair
Legislator Cameron Alden
Legislator Lou D'Amaro
Legislator Kennedy

NASSAU COUNTY LEGISLATURE MEMBERS PRESENT:

Legislator David Denenberg
Legislator Denise Ford
Legislator Richard Nicoletto
Legislator Wayne Wink

ALSO IN ATTENDANCE:

Legislator Edward Romaine - District #1
Legislator Brian Beedenbender - District #4
Legislator Ricardo Montano - District #9
George Nolan - Counsel to the Legislature
Brendan Stanton - Aide to Legislator Horsley
Paul Perillie - Aide to Legislator Cooper
Ryan Horne - Aide to Legislator Schneiderman
Joe Schroeder - Budget Analyst/Budget Review Office
Joe Muncy - Budget Review Office
Barbara Lomoriello - Deputy Clerk/Legislature
Ben Zwirn - Deputy County Executive
Gail Lolis - County Attorney's Office
Carolyn Fahey - Department of Economic Development
Nick Anastasi - Department of Economic Development
Kevin Law - LIPA
Libby McCarthy - LIPA
Vinny Ruggiera - KeySpan
Steve Gittelman - Vanderbilt Museum
Carol Ghiorso Hart - Vanderbilt Museum
Debra Alloncius - AME Legislative Director
Neal Lewis - Long Island Neighborhood Network
William Feldman - Empire Clean Energy Supply

Mark Seratoff - SEA
Kevin MacLeod - Long Island Solar Energy Industries
Peter Quinn
Scott Garver
Tim Bolger
Peter Curry
Peter Meeker
Jonathan Lane

[THE MEETING WAS CALLED TO ORDER AT 2:28 P.M.]

CHAIRMAN HORSLEY:

All right. Good afternoon, everybody, and welcome to the Economic Development, Energy and Higher Education Commission -- Committee. And if we'd all just start taking our seats. We're all set? May we, please, all stand for the Pledge of Allegiance.

(*Salutation*)

May we please just stand for a moment of silence for those men and women who are protecting us and our freedoms across the sea.

(*Moment of Silence*)

Thank you very much and please be seated. All right. Again, good afternoon, everybody, and welcome to our joint meeting between the Suffolk and Nassau County Legislators -- Legislatures. And this is a special day for our Energy Committee in that we have the opportunity to talk to Kevin Law, our friend and a former employee of Suffolk County, concerning his 2007 year of reform at LIPA. And, just quickly, noting that we are here to discuss not only his reform measure, but ask general questions from both Legislatures about any of the particulars involving LIPA and, of course, their partners in action, National Grid. If I may, I'm going to be passing this over to my colleague in government, Legislator Denenberg from, what is it, the 19th was it?

LEG. DENENBERG:

Correct.

CHAIRMAN HORSLEY:

Nineteenth District of Nassau County, and who is -- who we've worked together closely on issues involving energy and other concerns for our region. And this is -- and this is a general -- this is a meeting where we recognize, as the Legislatures of Nassau and Suffolk, that energy is a regional issue, and that our questions are of a regional nature, and that we have very similar problems and concerns relating to our future energy needs. And so with that I'd like to turn it over to my colleague. Legislator?

LEG. DENENBERG:

Thank you, Chairman. This is the third time --

MS. LOMORIELLO:

Turn on the mike.

LEG. DENENBERG:

Thank you, Chairman Horsley. I'm Dave Denenberg. I am Chairman of the Planning, Development, Environment Committee of the Nassau County Legislature. And I'd like to introduce the members of that committee that are here. From the Fourth District in Nassau County is Legislator Ford, Denise Ford; from the Ninth Legislative District, the ranking member of the Planning, Development, Environment Committee is Richard Nicoletto; and from the Eleventh Legislative District is Wayne Wink.

Now, Planning, Development, Environment Committee in Nassau covers energy issues in addition to environmental and planning and development issues in Nassau County. It's been my pleasure, as Chairman, to work with Wayne Horsley as Chair of Energy Committee on a number of issues, from the MGPs, repowering, the National Grid takeover issues. We look at energy as well as environmental issues related to energy broadly as regional issues. We're certainly all in it together and we're suffering from the same problems. We hope for the same strategic solutions, and Nassau and Suffolk are, at least these two committees in the Legislature, joined at the hip to work together on regional energy plans, solutions, and to tackle some of the problems that we face. So it's our pleasure to be here today, and thank you very much, Wayne.

CHAIRMAN HORSLEY:

Thank you, Legislator Denenberg. And, again, I welcome my colleagues from across the way. Suffolk, I like that, the way you said that. You would never know that, of course, that Dave actually lived in Deer Park at one point, which is in the great Town of Babylon, so we have a lot in common.

I'd like to just quickly, again, invite up at this point in time the team from LIPA. We're going to, just for the edification of my members here and my committee, we have a short agenda we'll take up after the LIPA presentation. And then, what we'll do after -- Kevin, with your indulgence, I have apparently some speakers that would like to ask questions for -- just to address us. Would you like to sit through them first, maybe that you might want to add that to your presentation in open discussion? I've got several people who would like to speak.

MR. LAW:

I'll defer to you, Chairman.

CHAIRMAN HORSLEY:

Okay. Thank you. All right. I believe these are all in relation to -- from the public that are talking about issues relating to energy, so I think it's a good idea. And I thank you guys for being up here. And I'll wait on my introduction for you until I actually hear from these people.

I'd like to call up Neal Lewis from, of course, the Neighborhood Network Energy.

MR. LEWIS:

Good morning -- good afternoon, members of the Joint Committees. I was more expecting to be after the fact, but it's nice to get a chance to throw my questions out there earlier.

I think that there's -- I know that there's several people, whether or not they've signed up to speak, but there's a couple of people that are in the solar industry. There's a lot of interest amongst environmentalists to see some big initiatives in the area of solar in 2008. We believe strongly that the State should amend the State law to require commercial net metering for solar. How that would impact LIPA and Long Island is still a little bit unclear because, generally, what's done at the State doesn't really mandate LIPA to do anything. LIPA is different as a public authority. So part of the question is could LIPA adopt a solar net metering policy by its own without -- rather than waiting?

There was a lot of talk in '07 that the State Legislature was close to a deal on the legislation, but you never know with the State Legislature. So, do we have to wait on the State? Could LIPA do that on its own? Is LIPA looking at doing that? And, certainly, Neighborhood Network would support that and encourage LIPA to consider doing that and would encourage this committee to maybe ask that of LIPA. So that's one.

My second question would be about expanding the Clean Energy Initiative. There's been talk that it's going to be reformed into a bigger and broader initiative. I've heard Kevin Law say that at different meetings. I think that's a great thing that we all want to embrace. There are some concerns about how the whole program is carried out, and I think consistent with the reform message that the new LIPA CEO brought to LIPA in the last several months, which I think did a lot to

sort of, kind of get some of the sort of less important issues, I'm tempted to say kind of nonsense. Or, you know, the issues that newspapers focus on of, you know, whether or not there's contributions to not-for-profits, whether or not there's bonuses and parties and things like -- you know, I think it's great that the new CEO came in and kind of sweep the deck and got rid of all that nonsense. I think those are good reforms and now we can kind of get back to the issues that really matter in terms of energy.

But in that context, you know, a further transparency would be a better process for how we review the Clean Energy Initiative or if it is going to be Efficiency Long Island, whatever we call it, because that program, that ten year program, ends this year. And to me, I've reviewed the reports that LIPA's done and I find them kind of confusing. And I think that there should be more than just a written report, there should be a process. And we've suggested a once every six month process where there is open meetings, media, stakeholders are all there, and the review, this is how much money was spent on clean energy initiatives; this is what was done in terms of reducing our carbon footprint; and this is what it means in terms of the economic benefits and the other issues associated with it. And we're suggesting that that kind of greater transparency be one of the initiatives that we look ahead to 2008 to start to have.

A lot of people talk about LIPA and all these -- to me it's all about energy efficiency and renewables and the programs they're covering in those areas, and we'd really like to see a more open process to understand how that money is going to be spent as we look towards the end of this program and the new bigger program. So I give you those as the two main suggestions for action.

The repowering topic I'm not going to touch, just because Kevin, I think, has pulled together a very extensive stakeholders committee. I was one of the people asked to serve on that. It's had its first meeting. That's a big process that's going to, you know, unfold. I'm sure he's going to say something about that today, so I don't really have anything new to ask or say on that. So I'd rather -- I think sometimes it's better to say less. I'll just stick to solar and transparency for the Clean Energy Initiative. Thank you.

CHAIRMAN HORSLEY:

Thank you very much, Mr. Lewis. Mr. Bill Feldman from the Empire Clean Energy Supply. Bill, you have three minutes.

MR. FELDMAN:

Okay. I just want to thank you for all the good work that has been done. LIPA has been a good part of the growth of the solar industry on Long Island. And also, I recall three years ago when the Suffolk County Legislature drafted Sense legislation to eliminate the sales tax on solar energy equipment. That went to the State Legislature and they adopted it and it passed at pretty much lightening speed, and Suffolk County was one of the first counties to eliminate their portion of the sales tax. Nassau County was right behind them, one of the first two counties in New York State to do that. But that sales tax exemption stops at residential systems. I think it would be a good idea. I don't know if the Sense legislation still exists. I heard some talk that maybe that doesn't take place anymore. But I think a good idea would be to extend it to commercial systems, not just residential. Eliminate the sales tax on commercial equipment. And that's all I'd like to say today.

CHAIRMAN HORSLEY:

Thank you very much, Mr. Feldman. We appreciate your comments. Kevin MacLeod from Long Island Solar Energy Industries. Kevin?

MR. MACLEOD:

Good afternoon, Legislators. Kevin MacLeod, Long Island Solar Energy Industries Association. I'm the Chairman, and we represent 85% of all the solar energy contractors here on Long Island. Actually, we were hoping that Kevin was going to speak first, but since we were first up here -- we came here to support him in his energy plan that he's putting forward here. And we're actually excited and we know that renewable energy needs to be a major part of that program. And from

everything we've heard from Kevin so far, it looks good for renewable energy, and we support him on that. And we hope and we pray that he decides to do commercial net metering on his own rather than wait for the State, because it doesn't look like the State is moving forward with that.

On the other half I would like to address two points to the Counties, Nassau and Suffolk Counties. Obviously, my concern here is that I'm hearing all this talk about, well, we want to be green and we want to do this and we want to be solar county instead of Suffolk County, and this is all great, but, I mean, I would like to see some action with the words. And some points that we're talking about, okay, specific programs and things like that, but what about doing something to help the residential end of the industry, as LIPA is doing with their rebate program, like a tax credit or tax break and stuff like that.

Nassau County, my concern here is like we heard all about the Green Levittown Program and it's great. I can't complain a thing about it. However, solar electric was left out of the mix, and we're not fully understanding why that was done. We have solar hot water, but not solar electric, and this is one thing that I think that we need to address. This definitely would have helped towards the efficiency standards in Levittown and I don't understand.

So, bottom line is I would like to see a little bit more of a County input on the residential level when it comes to solar energy and renewables, and so that LIPA is just not holding the ball by themselves here. So, grading, C+ for Suffolk County, no mark for Nassau County. Thank you.

CHAIRMAN HORSLEY:

Well, I guess a C+ sounds good then.

LEG. DENENBERG:

Why did we come out here?

CHAIRMAN HORSLEY:

To Suffolk. How did you pronounce that? Mark Seratoff from SEA.

MR. SERATOFF:

Good afternoon, Ladies and Gentlemen of both Legislatures. With the honeymoon over and KeySpan's acquisition by National Grid and LIPA's housecleaning, there seems to be a trend developing that may be cause for concern, that is LIPA adopting the new National Grid's policies almost verbatim. I say this because in December I was invited with some people from other environmental organizations to a heads-up at the KeySpan Office in Hicksville. I also heard Bob Cattell and Mr. Law speak recently.

For example, KeySpan/Grid and Mr. Law claim that although the Northport generator is a big polluter, the second largest in the northeast, it is not too bad compared to other generators in the United States. But should we be concerned about some coal burner in Kansas? KeySpan/Grid claims there's no space for repowering at Northport, the largest oil fired power plant on the East Coast. So does Mr. Law. But why can't one unit, and there are four separate generator buildings, be dismantled one at a time and a new unit be rebuilt in its footprint.

KeySpan/Grid and Mr. Law say that there isn't enough power to make up for the power taken offline for repowering, but LIPA just got a 600 megawatt Neptune cable. Also, the new Caithness plant will be online in less than two years. Furthermore, the first repowered Northport unit will go from about 350 megawatts to about 1,000 megawatts, which is more than enough to make up for power taken off for repowering.

KeySpan/Grid and Mr. Law want more renewable energy like wind and solar power and claim it will help our energy needs. This is true, but on an Island where LIPA gave up trying to site three windmills in Montauk -- remember that? Richie, you made a big fuss about that -- when repowering by far will be the most effective.

KeySpan/Grid and Mr. Law claim repowering the Far Rockaway and Barrett plants are the most doable. Fine, but if those are repowered relatively cheaply compared to Northport, are they off the hook for addressing the Northport Plant? It emits over a billion pounds of CO2 a year, and other pollutions, some carcinogenic, are also high.

Finally, Nassau and Suffolk Counties are at a crossroad. The challenges of the economy, environment, health, security and society's needs have ballooned to staggering levels. Issues must be scrutinized more thoroughly than before and decisions must be made that are truly in the public interest. When a public authority, or any other elected body or appointed body, starts parroting industry speaking points, there is cause for concern. Thank you.

CHAIRMAN HORSLEY:

Thank you very much, Mr. Seratoff. Appreciate you being here. And last, I believe, unless there is other cards coming, Mr. Peter Quinn. Certainly not least.

MR. QUINN:

Thank you very much. Good afternoon, members of the Legislature from both counties. My name is Peter Quinn, a long time energy activist and sometimes LIPA critic. I'm here to deal with three energy issues. The first is that LIPA is seeking to buy four generating plants from, this time, National Grid. We've gone through this process twice before and both times LIPA, after critics from the citizens from both counties criticized the deal, they were dropped. You should know that KeySpan bought these plants at book value and both subsequent hearings on the process KeySpan wanted to sell them back to us, ratepayers, at market value. So -- and I haven't seen anything on their website telling us that there is going to be public hearings, but there were public hearings held in the past, and I would urge you each to conduct a public hearing of your own in both counties.

The second point is that LIPA agreed to a contract with National Grid to do a study of repowering at Northport and at Port Jefferson. And those Legislators here from this committee in Suffolk heard Bob Tita and David Manning, officers of KeySpan, make a presentation on the repowering costs -- the hybrid, the backyard, the virtual costs for repowering. That came -- on one it was 800 million; it was 1.2 billion on another. I don't understand why we are spending 1.2 million dollars to conduct a similar study. Although in his defense, Kevin did say yesterday at the LIPA meeting that it was a more comprehensive financial study. At any rate, you might want to ask him about that.

The third point, I've spoken to you about Nanosolar, a company that produces aluminum solar chips embedded on aluminum foil, which is run off the same way ink is on newspaper print. And it's cheaper, it's more efficient. The cost is a dollar or less a watt, and it's something I've attempted to get the company from California to come here and do. I've spoken with the State Economic Development Agency about it, and they're encouraging me to want to seek out sites, etcetera. I suggested Entenmann's would be an ideal location. I've spoken with Andrea {Allonus} and last week she called me back and told me they're thinking of considering the company Upstate. And I said why? They said well, there's cheaper labor there and there are a lot of unemployed. I said you got to be kidding. There are lots of unemployed here and the transportation costs would be higher to bring that material to Long Island. And besides, studies have been done by climatologists showing that Long Island's solar radiation is vastly superior and it's almost the equivalent of Arizona and California, but it's vastly superior to what exists Upstate. So it would be wise in terms of marketing to bring that company here on Long Island.

I would urge you to use your best efforts to talk with Pat Foy's people. He is the czar for economic development on the southern tier, and they're seeking to push this company Upstate. If it's going to come anyplace, it should be here and I urge you to do so and attempt to bring it here. Thank you.

CHAIRMAN HORSLEY:

Thank you very much, Mr. Quinn. All right. The people have spoken. Let me now introduce a gentleman I've known maybe, how long, Kevin, 25 years? Who knows, whatever. And Kevin now is

CEO for the LIPA and has initiated, as he puts out in his press releases, the 2000 -- A Year of Reform at LIPA. And in part of that reform I see that he has cut over eight million in discretionary spending and budget. Kevin, our message to you, I assume is from all of us lawmakers, is that there are a lot of folks out there that are truly hurting and hanging on by their finger nails and we're pleased that you are here to explain some of your reforms. We have many questions after you're done so the floor is yours and to LIPA. Welcome.

MR. LAW:

Thank you, Wayne. Mr. Chairman and Mr. Chairman. Mr. Chairmen, I will say, and all my former colleagues and some of my new friends from the Nassau County Legislature. I'm happy to be here. It's actually 20 years since I first stepped in this auditorium during my first tour of duty with Suffolk County and it's always good to be back. And thank you for inviting me.

To my right is Libby McCarthy, my Senior Vice President and Chief Financial Officer. I also have some other folks with me from LIPA to the extent I'm not able to answer any of your questions, which I'm happy to take after my presentation, I've brought the people who might be able to help me.

With that, what I'd like to do is just go briefly through a little bit of a PowerPoint presentation, share with you some facts about LIPA as well as some of the things I've recently done, as well as some things I'd like to be doing. And then I'd be happy to answer any of your questions. And so if you'll indulge me and hopefully this will work. And there it is and it is working. And if I talk sideways will you be able to hear me?

MS. BRAATEN:

Yes.

MR. LAW:

Very good. Again, some of you may have heard this presentation at previous events I've been speaking at. It's an interesting new position because now I feel like some of you. I'm asked to speak at a lot of different events, which I hadn't been used to in my prior positions, but it's fun nonetheless. Although maybe next time I won't defer to the public speakers first and maybe I'll go first. No, I was happy to do that.

But just some information about LIPA to the extent if you don't know, if you do, indulge me. If not, I think you will find some of it interesting because every time I do this I always have people come up to me at the end of the meeting and say, you know what, I never knew that before. So I'm assuming some of the stuff I may share may be helpful and useful and new.

CHAIRMAN HORSLEY:

Legislators would never admit that.

MR. LAW:

No, I didn't say elected officials.

CHAIRMAN HORSLEY:

There you go.

MR. LAW:

But you never know. But let's go back. In 1998 LIPA became Long Island's primary electric service provider. We are a nonprofit State entity and we're a State Authority. We own the electric transmission and distribution system on Long Island. So all the wires, all the poles, all the things that get energy into your buildings, into your homes, LIPA owns that. We have over 1.1 million customers, almost all of Nassau, almost all of Suffolk, and a small part of New York City in the Rockaway section of Queens. And when I say almost all of Nassau and almost all of Suffolk, there

are still a couple of municipal public utilities, one in Freeport, one in Rockville Centre, and one out in Greenport. And so -- but we pretty much take up the entire Island and over 1.1 million customers.

We are actually the second largest public utility in the country in terms of electric revenues and the third largest in terms of customers.

And while LIPA gets criticized for a lot of things, over the last few years we've been rated in terms of reliability the number one overhead utility in the State of New York for a couple of years now.

Our peak demand, which we hit last summer, was 5792 megawatts, and we're actually in pretty good shape now. We have a capacity of about 6800 megawatts, and once the Caithness plant, which is under construction in the Town of Brookhaven, comes online in 2009 we'll be over 7000 megawatts. So we're actually in good shape now, which when I begin to talk about repowering, allows us that opportunity to begin that process.

When I mentioned that -- what we own, again, we own the transmission and distribution system and we're a public authority. We don't have shareholders, we have ratepayers. National Grid, which used to be KeySpan, which took over certain functions of LILCO, they are the private company with ratepayers and they own most of the generation facilities that LIPA utilizes on Long Island. So they're the private utility, they are the private company. We're the public authority.

When the State decided to create LIPA, they decided, and LILCO was still around, and the 3,000 men and women who worked for LILCO, many of them great members of the IBEW, the State decided not to make those men and women of LILCO employees of LIPA. Various reasons. Some were complicated issues where they had private pensions and then you become part of a State pension system. Some said it was more political, you didn't want to add 3,000 men and women to the New York State payroll. So what they decided to do was this hybrid facility where we had the public authority that would own the transmission and distribution and manage the way energy is going to be produced here and provided for on Long Island, and then the private company that would take over the men and women who worked for LILCO, who are part of LIPA crews, pursuant to a management agreement. And so when your lights go out and you see a LIPA truck outside your house or on your street, LIPA owns the truck, the men and women who come out of that truck are National Grid employees, but they wear a LIPA helmet. By contract we direct, through our supervision, where, you know, and what they need to be doing.

So that's the hybrid relationship we've had here, and it's been about ten years now and it seems to be working. It's a little confusing, but that's the way it was set up. Whether it was a good decision or a bad decision at the time, it seems to be working. And so the men and women who used to work for LILCO then became employees of KeySpan and are now employees of National Grid.

Where does LIPA get its money? We do not get one cent from the State of New York. We get all of our money from ratepayers, pretty equally divided between residential customers and commercial customers. We get a small sliver of money from our license agreements with communication companies who co-locate their facilities on our utility poles. In fact, most of the poles out there, we own about -- LIPA owns about half of them, the other half are owned -- used to be owned by New York Telephone. Now they are owned by some of the communication companies, cellular communication companies. So, again, we do not get one penny from the State of New York.

Where does our money go? You know a picture says a thousand words. We have an Operating Budget of about four billion dollars. You know, we have over seven billion dollars in debt and about, you know, five billion dollars in assets. So we're a large, large authority. But in terms of our Operating Budget, it's a four billion dollar operating budget. You see the red section, over 55% of our budget goes just for the cost of fuel and the power we import through the cables. That is something that, you know, we can't control. The price of fuel is dictated by things going on primarily in the Mideast, geopolitical events. But again, 55% of every dollar raised by LIPA goes for the cost of fuel and purchase power costs. Seventeen percent goes for operations and maintenance expenses, which is primarily our agreement with National Grid, and for the operation and

maintenance of our systems, our transmission and distribution system.

If you see the next two sections right here, these are pilots and property taxes that LIPA pays, combined 11%. Eleven percent of the budget goes just for property taxes. So to the extent most State authorities, most State entities, most county facilities, don't pay property taxes on their buildings -- you don't pay property taxes for the building we are sitting in here today, neither do you, Nassau County, pay for their facilities they're in. And LIPA is a State Authority, a not-for-profit entity, but again, when the decision was made to acquire LILCO, LILCO used to pay property taxes and to keep the school districts and the villages and the towns and the counties whole where LILCO had assets, the State decided that LILCO -- LIPA would also pay property taxes either in the form of pilots or direct property taxes.

I share that because, again, 11% of the budget goes for property taxes. And you think about it, you know, irrationally, you can't deduct your LIPA bill. People say well, if you got rid of the property tax -- if LIPA didn't pay, wouldn't everybody else's property taxes go up, you know, in the villages or the school districts. Probably. But if you had an intelligent discussion about it, I'm not proposing it, but if you had an intelligent discussion about it you can't deduct your LIPA bill from your income taxes, you can deduct your property taxes, and so there could be some value there. But, again, the decisions were made ten years ago and there's reasons for it.

There are a lot of communities that host facilities that other communities are glad not to host, and those communities, you know, should be awarded in a way. You know, if you host a big, large power plant and LILCO used to pay property taxes there or pilots, now LIPA does. And those communities are hosting something that benefits the rest of the Island, and then they should be rewarded. That was some of the things that went into the decision making at the time.

You see this yellow section, 16 cents of every dollar goes just for debt service, and half of that is for the Shoreham Nuclear Power Plant, never used. And then the two small slivers, I'm sorry, I keep on getting your head in here, but these are for salaries and benefits for LIPA. It's less than a half of 1%, and for the consultants that we use, because we only have 101 employees, we do rely on the use of consultants, but combined with all of the employees of LIPA and the consultants that we use less, it's than 1% of the entire LIPA budget.

So, you know, I can't control the cost of fuel, I can't control the property taxes, you know, in the pilots that we pay pursuant to State legislation, I can't control the interest and the seven billion dollars in debt that we are obligated for, and this is our operation and maintenance agreements for our system and for our agreement with Grid because we don't have those employees on our payroll. You can see almost 99% of the LIPA budget is almost like mandated or something that I really can't directly control. But there was an area where I could control, and I'll share with you what I did.

This is just sort of a -- more descriptive of the pie chart I just showed you. When I showed you the 55% of our budget that goes for fuel, this is an interesting graph. When LIPA took over LILCO in 1998, a barrel of oil was less than \$15 -- \$14. Last night it closed at \$100.88 in just ten years. That's a 579% increase in the cost of fuel in just the last ten years. And so since it makes up 55% of our budget you can understand why our rates have been going, and it's dramatic.

The same thing with natural gas. In 1998 it was \$2.87 for a decatherm, and yesterday it was \$9.24, a 345% increase in the cost of gas. This is a little bit of an aberration, this was right after Katrina, hurricane Katrina, when gas prices spiked.

I spent -- you know, I was appointed Chairman in January and then I stepped down as Chairman in October at which point I became the CEO and President. So I have been on the job for about four months now and I soon had to -- I no sooner got over there that I had to put together my first budget, which was due in December for 2008. And so I spent a lot of time looking at things I could change, reform or address in my budget and I just wanted to share with you some of the things I have done.

We've drafted and implemented a Code of Conduct and Ethics for all LIPA employees. For the first time ever I have created a Compliance Officer position in the 2008 Operating Budget to make sure that we're complying with all our laws and bylaws, regulations, public authority laws, any other, you know, rules and regulations that we have to comply with. In fact, I'm still recruiting for that position, so to the extent anybody is aware of a good candidate I'd be happy to take some suggestions.

I eliminated bonuses for LIPA employees, which range from 1,000 to \$55,000. It didn't make me the most popular guy in the office, but after all, we're State employees and I had a philosophical problem with State employees getting bonuses. I'm all about -- I can understand rewarding management for good work and for new initiatives, but after all, we're a public authority and we weren't private, and so I did that. Again, you know, I got good feedback from a lot of ratepayers. It didn't make me a happy guy -- the most popular guy in the office.

I refused to renew contracts for three lobbyists. Again, it was a philosophical issue. We're a State Authority. Why did we need three lobbyists on the payroll to lobby State officials? And, you know, I feel like if I need something from the Governor's Office I'll call them or if I need Tom DiNapoli in the Comptroller's Office or Andrew Corman in the Attorney General's Office or from our State Senate Delegation, who I have worked with for the last 20 years, I'll reach out to them. But, you know, you can't do it all yourself. What I decided to do is bring that position in house. And so I brought in a Vice President of Government Relations, and you all know him, Tom DeJesu from Nassau County, who used to be doing a similar position for KeySpan and National Grid. I'm happy to have Tom on my team.

I also -- I requested a PSC review of LIPA rate making policies. I have no problem with sharing our books with anybody. As I just described to you where our money comes from, where does it go, you know, it's pretty straightforward. When the State Legislature created LIPA they decided not to make LIPA subject to the Public Service Commission. That is not uncommon throughout the country where public utilities are not regulated by the local public services commissions because they don't have ratepayers -- because they don't have shareholders and they have ratepayers, and they have outstanding debt obligations. The theory is, is that they need the ability to raise whatever monies they need to recover their cost of their obligations of providing the service and/or of retiring their debt. And so it goes to covenants and our bonds, as I said, seven billion dollars in borrowings that the State did ten years ago, and with the -- again, the ability for LIPA to raise the rates necessary to not only retire the debt on those bonds, but to recover its cost because we do not make a profit.

So I requested a PSC review. The PSC said they could not do so without State legislation because they didn't have jurisdiction. At the time I was working with Chairwoman Acampora, and there is a new chairman now and we are working on legislation to do just that.

I also -- you may have read, you know, LIPA was very involved in charitable giving. Not uncommon for utilities to be making charitable contributions. But Long Island, again, we have this hybrid. National Grid used to be KeySpan, they have a charitable gift giving program, and LIPA did. But, you know, again, we are a public authority. The County Legislature, you can't be giving out taxpayers money to every charitable organization you'd like to be able to do. Likewise, you know, I felt LIPA as a State Authority couldn't be doing that either. We sent a -- requested an opinion to Attorney General and he concurred that it was improper for LIPA to be doing that, and so we since have stopped doing that.

We also, you know, we'll be able to continue to do sponsorships of organizations where there's some type of nexus to our mission. We have two main missions. Primarily it's an energy delivery mission that we have, but in our State enabling statute we're also supposed to be promoters of economic development on Long Island. So to the extent we're sponsoring things in the future, it needs to have a nexus to either energy and/or economic development.

Also, I -- we put out an RFP to competitively bid out our energy management agreements currently held by KeySpan and National Grid. I requested the New York State Attorney General to represent the Authority in litigation, which allowed me to reduce legal expenditures by \$2 million in our 2008 budget. After all, we're a State Authority and the AG represents other State departments and agencies in litigation, why not LIPA? Hadn't been doing that in the past so we've worked out a relationship where we're going to be doing that. Knock on wood, we haven't been sued since, but now that I just said that, I'll probably be served tomorrow. And what else?

You know, there was a lot of controversy around the off shore wind farm in Jones Beach. I demanded the release of those numbers. There was -- for reasons still unclear to me why they weren't. Again, I try to improve transparency at LIPA and I demanded the release of those facts and figures.

I've also developed and implemented controls for the oversight of our research and development programs. You may have heard about a plunk power fuel cell controversy, and so I have taken that and addressed that to both the Comptroller's and to the Attorney General's satisfaction. And I think Peter Quinn will acknowledge that I've encouraged an enhanced public participation at all LIPA meetings and we have also webcast all our meetings. Even if, you know, have that much of no life you can even walk around with your ipod and download our meetings. I'm not aware of anybody who has done that yet.

In terms of our environmental protection, as Chairman I delayed our vote on the management service agreement with National Grid until they developed a program for the remediation of all the manufactured gas plant sites.

I'll skip around here. We've dedicated the installation of our 1,000 solar roof, and I want to get to you -- with our Solar Pioneers Program. And I'm excited about the opportunities in terms of expanding our solar initiatives. And as Kevin Macleod mentioned, I'm going to talk about that in a minute, but I'm looking forward to working with those organizations to expand that. We've just recently put out an RFP to expand LIPA's portfolio of renewable energy and we won a bunch of awards as well.

In my 2008 Operating Budget I put an 11% increase in funding for the LIPA energy efficiencies programs; a 34% increase in our solar, our photovoltaic programs; a 22% increase in funding for our low income conservation programs; and also for the first time ever, creation of a new Vice President of Environmental Affairs. It's a direction I want to take LIPA in, and I brought in Michael Deering, who you all know, who used to be the first Commissioner of the Environmental Department here in Suffolk County, over with me as well.

And as Neil Lewis mentioned, also, we're getting ready, we may do this next week, gearing up to launch one of the most ambitious energy efficiency campaigns in the country. The theory of that program is to be smarter about the energy used, let's use less, let's reduce our demand for energy and then we can avoid or postpone the building of that next power plant by reducing our demand. And so we need to look at that as a resource and resource planning energy efficiency because, again, rather than building a new plant, hopefully we're going to reduce our demand for energy. That's the purpose of that program.

As I alluded to, over 95% of our budget is primarily fixed, but nevertheless I slashed more than \$8 million in the discretionary portion of the budget. We -- I cut \$3 million in outside consulting fees. I abolished three upper management positions. I told you I eliminated the outside lobbying firms. I cut over \$5 million in professional services, both legal and engineering. The bonuses, the incentive compensation was 1.3 million. I reduced our sponsorships by half a million; the management positions by half a million; the government lobbyists by a quarter million; the charitable donations, all for a total of \$8.2 million.

In the big scheme of things in a four billion dollar budget, not a lot of money, not an impact, big

impact, on rates, but I needed to send a message to show that I was going to try to cut that small sliver of 1% where I do have some discretion to show that I am going to try to cut the things, because I agree with you, Wayne, that people are hurting out here and we need to do whatever we can to control our costs so we could, you know, try to stabilize rates, because most of my budget I cannot control. Okay. You're getting tired of hearing about all the things I have cut or sliced. We'll move on again. I'm sure -- because I know you have questions.

Let's talk about where I want to take LIPA and where I want -- where we should be going. As Neil said, I did want to sort of reform the organization, get rid of some of the things that the papers and others have been critical of of late. Let's get our house in order because we have a lot on our plate to do in terms of moving us forward to more energy efficient and to a more renewable, to a cleaner producing -- cleaner energy producing region. That's where I want to take us. I want to focus our efforts on that and not on the silly things that gets governmentals and authorities and agencies in trouble, even though the dollar amount may not be significant.

And so here is some of the things that we've been doing. We issued an RFP for two 80 megawatts combined cycle units for installation. Actually, these are just some of the things that we recently accomplished and we are getting to some of the things that I am doing. We are replacing the NUSCO interconnection cable that goes from Northport to Connecticut. We just turned on last summer the Neptune cable, which comes up to Jones Beach. I've got 660 megawatts. It ties us into the Pennsylvania/New Jersey/Maryland power grid. And actually it's pretty neat because we're an island, we're geographically limited, and a few years ago we were just a member of the New York power system, it's called the Independent System Operator, the New York ISO, but now through the cross sound cable which connects us to -- from Shoreham to Connecticut, we're part of the New England ISO. And now with the Neptune cable we are part of the Pennsylvania/New Jersey/Maryland power grid. So for an island we are now part of three different power grids and that's really good for reliability purposes.

Okay. The repowering studies, we've just commissioned them and I'll talk about them in a little bit more detail. We're also doing a repowering study because we have the option to purchase four plants pursuant to the management agreement we have with National Grid, two in Nassau and two in Suffolk. Actually, one in Queens, Far Rockaway, one in Barrett Beach, one in Shoreham and one in Wading River. We have until May of this year to decide to exercise those options. We are doing our due diligence right now on those.

We have a request for proposal that the responses are in right now. We're evaluating them for 50 megawatts of renewable energy. We're about to implement a new ten year Energy Efficiency Program. And you may have heard, I just recently called for an updated energy master plan for Long Island. We have an outline, and, Wayne, if I haven't gotten it to you yet I'd like to get it to both you and David to share with your respective committees because we are soliciting feedback on the outline over the next month before we begin the planning process to make sure that we're addressing the things that people want us to address. So I want it to be a very open and transparent public process.

Again, now going forward. You know, the Energy Efficiency Program I talked to you about. The goal is or will be is to reduce our demand, our peak energy demand by 500 megawatts of power. To put that in perspective, the new Caithness facility being built is about 350 megawatts. If we could avoid building another power plant or postpone that by being smart about the energy used, that is a good thing for Long Island and it will be a good thing for our environment.

Again, you know, I could answer questions about our Energy Efficiency Program. I do believe it's an important part. We need to view it as resource planning for the Island. Okay. I'm not going to bore you with all this.

All right, let's get to repowering. As I mentioned, we have the option to purchase four smaller plants. We also are, pursuant to that same agreement, we got National Grid to kick in about a million dollars and LIPA is coughing up about \$300,000 for the studies that Peter Quinn alluded to for both Northport and Port Jefferson. And, again, I want it to be an open and transparent process. I created stakeholder committee groups where we had our first meeting recently with members of the Northport and Huntington communities and the members of the Port Jefferson and Brookhaven communities to do -- and he's right. There have been several studies done on repowering for these facilities in the past. None of them have really looked at the technical feasibility of actually repowering these facilities as well as the financial impact to ratepayers and that's the purpose of these studies. So again, trying to include the communities. We just kicked off our first meeting. In fact, we're taking them on a tour of these two plants next Friday.

Just to give you some background about where some of our facilities are. You know, out here you're all familiar with Northport and Port Jefferson. These are the steam electric plants. The Barrett, this is the one we have the option to purchase as well as Far Rockaway, we have the option to purchase that. Then we have an old steam plant in Glenwood Landing. The combustion turbine peaking units are scattered throughout the Island and the east end, and they are a lot more efficient than the old steam turbines. Also, most of our facilities were built about 50 or 40 years ago, and so you think of anything, cars, your TV's, your appliances, you know, the improvements that have been made in technology over the last 40 years. We could make these plants a lot more efficient, and so I'd like to take us down that path, making them more efficient. There's going to be pros and cons with doing that because it's going to cost money to do so, but at the same time by making them more efficient we're going to burn less fuel, which is going to save money, and it is going to be better for the environment because it's going to be cleaner and emitting less toxins into the air.

Okay. The cable I alluded to before, this is it, basically a big extension cord from Shoreham to New Haven, Connecticut, and then the Neptune cable comes up here through Jones Beach and connects us into New Jersey. So we're actually for an island we're in very good shape and LIPA over the last few years has done a terrific job in terms of planning to increase the available amounts and sources of supply for Long Island, both to increase our demand and to improve our reliability.

This is an interesting page. I'm not sure why it is not showing up, so we'll skip it.

Okay. Somebody alluded to before to unlike 50% of the U.S. generation we do not use any coal here. You know, more than 50% of the power generated in our country is by coal. I'm not proposing to use coal, but that's why a lot of -- another reason why our energy costs are higher here is because coal is the cheapest and it generates more than 50% of the coal -- of the energy in our country. And the cleaner fuels contribute significantly to higher energy prices, and as I alluded to before, 55% of our budget is for the cost of fuel and power.

You know, we talked about Northport and Port Jeff. We'll skip that.

With repowering there are some concerns with the communities that host these facilities. They're used to getting a lot of property taxes from LIPA. What we need to do is rest assure them that hey, we're not talking about shutting them down and not using them anymore. We're always going to need Port Jefferson and Northport, but perhaps we could run them less as we either use more energy efficient, like say the Caithness facility once that comes online, and/or make those more efficient.

With the cushion we have now, I alluded to we have 5700 megawatts with our peak demand last summer and we're about 6800 megawatts in terms of capacity right now. That's a nice cushion which allows us to begin the repowering effort because if we only had 5800 megawatts and our peak demand was 5700, you'd basically need those facilities to be running all the time during those peak demands. There's not a time where you can be shutting them down, working on them, and improving them and making them more efficient. So there is a little bit of a cushion now which allows us to do repowering. I'm excited about that effort.

I'm excited about our energy efficiency programs because I want us to be using less energy. I am excited about the repowering programs. And I want to talk to you about some, you know, renewable programs as well. I talked to you about the master plan. We'll circulate the outline. I'd like to hear your feedback on that on things you'd like to see addressed in the plan.

And, you know, to address some of the comments raised by some of the speakers with the solar. We are working on an RFP to do a significant solar project here on the Island. We need to be looking at the new types of energy we can bring into Long Island and it's appropriate because of your committee, it's not only environment, it's economic development. We should be looking at this as an opportunity or as an economic development opportunity to be creating jobs in the area of renewable power. And so I have a commitment to that.

In terms of the net metering, basically what that is, is if you generate solar -- if you have a solar facility at your home and you are generating power, more power than you actually need, you can sell it back to LIPA. And so that's not available for commercial customers, only available for residential customers. So we are indeed exploring whether or not LIPA can do that on it's own rather than wait for the State Legislature to do so. And, you know, we thought might happen last year, there is a possibility it could happen this year, but as you say, you never know. It's been proposed I think by Assemblyman Englebright and I think Senator Marcellino for a couple of years now, but it hasn't got out year. So I am indeed exploring whether or not we could do that.

I agree with Neil on the transparency of our efficiency programs. I'd like to invite them in and share with them what we're going to do and get some feedback from them as well as regularly update them.

And so, you know, that's pretty much it. It's basically -- I wanted to share with you what LIPA is, what we're not, where our money comes from, where does it go, the reforms I brought to the Authority in terms of trying to get us on the right path so we can go to the future when it comes to efficiency, when it comes to renewable, when it comes to repowering, and economic development. So I'm excited about the things we're trying to do here. I have laid out an ambitious agenda. I realize we are not going to be able to do everything at once.

I realize people are hurting and we suffer from high property taxes and high utility rates and people can't, you know, tolerate more. So we need to do things, we need to be planning in terms of implementation. I need to be sensitive to the impact on ratepayers because if we try to do everything all at once it's going to have a negative impact on rates. But we need to be planning for it because we need to then quantify what the environmental impacts are going to be because if we are being smarter and more efficient and less polluted, that's a tough thing to put a price tag on.

I am beginning the planning, I'd like to move forward. I realize I can't do everything at once, but I'm excited about planning for the future. I am excited about the things I'm doing here, and I am excited about the opportunity to work with both the Nassau and Suffolk County Legislature, your respective committees, and what we can be doing together. I think there are a lot of neat opportunities where we can be working together.

As part of our efficiency program I am going to make our municipal partnerships a big part of that because whether it's with our school districts or our towns and villages or the counties, we all have buildings and facilities that we can make more efficient. I need partners. I'm working with Congressman Israel as well, specifically on school district legislation to work with the school districts because to the extent we can make their buildings more efficient, that means they can raise less money in property taxes to operate those facilities, and the same with the County.

Again, we are not going to be able to do everything at once, but I'm committed to working with whoever wants to work with us, so I certainly look forward to the opportunities for municipal and County partnerships wherever we could.

And with that, Mr. Chairmen, I hope some of that was useful and I'd be happy to answer any questions.

CHAIRMAN HORSLEY:

Thank you very much, Mr. Law. We definitely are as excited as you are to work jointly on some of these proposals. And the fact is you are a fresh air to us, that you are -- your reforms are admirable and certainly we want to work with you on your further endeavors.

I'm going to ask a couple of quick questions and then I'm going to turn it over to my colleague, Legislator Denenberg, and then we're going to ask any other Legislators if they would like to ask you questions as well. And so I appreciate this opportunity.

One of the first things that I wanted to ask, and this can be a very quick one, is that having worked over the last year with KeySpan and then later National Grid, there was always that talk amongst the company that they wanted to push Spagnoli. You know, it's already achieved an Article 10, it was the only one out there. The rumor is that they've already bought the engine that's going to power the plant and it's in some barn or something in Pennsylvania, whatever it is. There's been monies expended for Spagnoli already. We have a plan in place with your concept of shutting down Port Jeff or Northport to repower. Is Spagnoli still on the drawing boards? Is it a consideration? Is it dead?

MR. LAW:

First, let me clarify I have no intentions of asking National Grid to shut down Port Jefferson or Northport.

CHAIRMAN HORSLEY:

No, I mean even on a temporary basis while you're repowering, that's what I meant.

MR. LAW:

Well, again, I was trying to speed my presentation along so I could answer your questions. There was a slight up there. There are different types of repowering and we can refer to one as backyard repowering. Newsday actually did a very good job the other --

CHAIRMAN HORSLEY:

Virtual is another one that I always used to hear about.

MR. LAW:

Well, Newsday did a very good job the other day explaining what we're trying do with the repowering. In one of their side columns they talked about what we refer to as backyard repowering where right next to the existing facility, if their land is there, we build something brand new and then retire the old one. Then there's sort of a hybrid type of repowering where we're basically taking the existing facility and making that more efficient, you know, with technological upgrades. And then what you could refer to as virtual repowering, basically where you build a facility somewhere which increases your energy capacity and maybe you retire something older. Spagnoli would probably fit into the latter.

You're right, it's a fully permitted site. We don't own the site, National Grid does. They wouldn't build it unless they had an agreement with us to purchase the energy for it. There was a procurement process a couple of years ago. At the time LIPA chose to go with the Caithness facility in Brookhaven rather than the Spagnoli facility in Melville. I think it's something that should be in the mix as we plan for the future, but there's not an immediate intent on LIPA's part to pursue that at that time. But I think it should be in the mix as an available, fully permitted site as we plan for our energy needs in the future.

CHAIRMAN HORSLEY:

How far does that go forward? How long does that approval last for?

MR. LAW:

That's a good question. I don't know the answer. It probably had some type of leash on it in terms of --

CHAIRMAN HORSLEY:

I would think.

MR. LAW:

Right, but I don't know. I could look into that for you.

CHAIRMAN HORSLEY:

Okay. Just curious. As we both know, the 110 corridor is certainly the future of our economic growth on Long Island. Kevin, I've got one more quick one I want to ask before I pass it along and I may come back with another question later.

I have a comment here that was made by BRO, our Budget Review Office, and I know you always -- I'm sure you feel that, as I do, that they're always on top of things. This is what they wrote. "LIPA has an erratic history relating to excess fuel cost recovery." And then they go on, "As long as May of 2005 LIPA claimed to have absorbed more than 700 million in excess fuel and purchase power cost. Budget Review estimates that number may be more than 1.5 billion in excess fuel and purchase power cost through 2006, and that ratepayers will ultimately pay for costs that have been deferred to avoid near term reactions from ratepayers. There is considerable uncertainty as to whether LIPA will continue to absorb excess costs or behave in a manner more consistent with regulated utilities and recover those costs moving forward. Given the increase in commodity costs over the past year, it is unlikely that LIPA can continue to discount the cost of electricity as it did a year ago unless it has been over collecting from ratepayers in base rates. Should LIPA choose to defer collecting for excess costs incurred in the face of climbing energy commodity prices, it may ultimately result in a jump in rates that regulators refer to as the hockey stick effect, which basically means rates remain relatively flat until they jump straight up."

Do you have a comment to that or is there a fund balance that you're carrying forward to cover future rate increases? Obviously the barrel of oil is going through the roof and as I understand it's up again today well over 100. So what is your thoughts on this --

MR. LAW:

That was --

CHAIRMAN HORSLEY:

-- comment.

MR. LAW:

You know, chock full of loaded comments in one.

CHAIRMAN HORSLEY:

I knew it was. That's why I asked the question, Kevin.

MR. LAW:

First, I have a of respect for BRO. In fact, I have been meeting recently and regularly with Joe Schroeder as we try to coordinate some things. I have picking his brains on things, so you have got a very talented individual in BRO who can advise this body on energy matters.

Let me tell you two things and I'll answer your question. First, you know, there was some issues last year because LIPA over recovered about \$100 million in energy costs. When we do our budget, just like when you do your budget, you know, you forecast and you forecast out. So for the 2007 budget that we just finished in December, that was approved in December of 2006. And when you

talk about a four billion dollar budget to come in within 100 million dollars is actually pretty close in terms of percentages. And so what we do is then we take that hundred million dollars and we put it into the 2008 budget and it's -- that's --

CHAIRMAN HORSLEY:

It's like a fund balance.

MR. LAW:

It's 100 million dollars less that we then need to estimate to raise in 2008. The issue that your referring to is after Katrina, when costs spiked, whether you agree with it or not, the decisions were made, you know, three years ago. LIPA's energy costs went through the roof. You saw that spike in that year. And that year LIPA under recovered about three hundred million dollars. And so when they estimated their budget for I think it was 2005, they were three hundred million dollars short at the end of the year. Now, I'd rather end up where we did last year and have, you know -- because it's not a science and there's a lot of variables that happen throughout the year. I'd rather come in a little bit with extra and give it back to the ratepayers the next year than come back in December and say oops, we're three hundred million dollars short and now we have to raise your rates 8% to makeup the difference.

What that comment that you read was alluding to was, and what LIPA and it's board at that time decided to do was not sock it to the ratepayer that following year to make up for the three hundred million dollar shortfall. But what they did, they bonded it and it recovered the cost over a ten year period to collect it that way. I believe that's what those comments are referring to.

Now, what we try to do, our rates, we have a basic delivery rate and then we have a fuel purchase power charge. You know, two elements of our bill. We try to -- we propose a budget, you know, we estimate, we hedge some of our fuel costs, and then we try maybe once -- or if necessary twice a year to adjust that if necessary depending upon how things are going. Con Edison and all independently owned utilities charge that charge for fuel, it fluctuates every month. And so they have less of a, you know, a draconian impact perhaps at the time. LIPA doesn't do that and we are looking for more -- the history was we were looking for more rate stability over that period of time as opposed to having wide fluctuations every month like, for instance, Con Ed does.

And so that's some of the recent history and, you know, in terms of going forward, you know, I'd rather that we just continue to do our best budgeting that we can and adjust, whether raised or lower, because LIPA -- in February of '07 we reduced rates by 2% based on adjustments from the year before, and then December we asked for it back. You know, whereas in New York City and other areas they're doing that almost every month. So that's a long answer to what recently happened.

CHAIRMAN HORSLEY:

No, I appreciate that. I think that was well answered.

MR. LAW:

Thank you.

CHAIRMAN HORSLEY:

Thank you very much, Mr. Law. Legislator Denenberg.

LEG. DENENBERG:

Okay. I have some questions in a few areas. But, first, Kevin, I just wanted to, you know, thank you for being here obviously in presenting on your reform agenda. But also early on when you first moved over to LIPA and your efforts in forcing at least some planning on the MGPs that we would all know about before any approval from LIPA on the National Grid issue, so thank you on that.

Barrett, Far Rockaway, where -- in terms of repowering, can you give a quick update?

MR. LAW:

Sure. We have the option to purchase four different smaller plants from National Grid, which option expires in May of this year, far Rockaway and Barrett Beach and then the two I referred to as Shoreham and Wading River. The Barrett Beach is one is a very good candidate because it has an adjacent parcel next to it which would be suitable for a brand new facility, and that's the backyard repowering that I referred to before. We're doing our financial and legal and environmental due diligence on that and we hope to be in a position to make a recommendation to our Board of Trustees in April or May of this year.

LEG. DENENBERG:

Now, whether it's backyard or existing, you know, obviously the attraction would be you already have something at that facility and with repowering you would at least, at the same area, turn a plant that is more polluting to something that would be less polluting and more efficient, otherwise we wouldn't be doing the repowering. But similar to Freeport, you actually -- some of these repowering would change the energy usage as well from, for example, Freeport's repowering, which was -- I think really was existing, but it went from diesel to natural gas. Barrett, Far Rockaway, those two other plants, would that -- would we be changing to using natural gas instead of a different form?

MR. LAW:

Okay, so yeah. This is good and it's a point, again, as I was trying to speed up my presentation I didn't get to. You know, there are a lot of pluses with repowering but just like anything else, there's some negatives. A lot of our plants we have dual fuel capability, meaning that pretty much within hours they could either be running on oil or they can be running on gas. Barrett is one of those dual fuel facilities. And basically we use whatever is cheaper at the time. Basically that's what drives the use of the fuel. So by repowering, building a brand new facility, we'd be eliminating that capability because by repowering we would just be going with natural gas. It may have a backup of like a kerosene type fuel as a backup, but they are primarily natural gas feed. So it is going to be really good for the environment in terms of emissions, but we lose that dual fuel capability.

LEG. DENENBERG:

I have another concern on that. Because we all, and particularly Legislator Horsley and myself, have pushed on repowering not just of the smaller plants, whether it was Nassau or Suffolk, we share the same air, Port Jeff, Northport. A concern I've always had, and maybe just comment on it. In most of the repowering more of a reliance would be on natural gas, cleaner fuel, more efficient particularly in modern technology. Do we have enough sources of natural gas if we did repower that we would have the fuel for these repowered plants, that being natural gas.

MR. LAW:

You know, it's a terrific question and I'm not going to punt on it with my next comment, but remember LIPA, we are the electric transmission utility and National Grid is our gas supplier, so I don't --

LEG. DENENBERG:

I don't know if the takeover made -- opened up new sources of natural gas. I think we're restricted by the lines coming in right now.

MR. LAW:

Yeah, well I don't have the specific answer to your question because, you know, that's a question more appropriate for National Grid. However, in the studies that we're doing we'll be looking at the available supply. We could always use more gas in the region and there are certain parts of the Island that don't have any gas yet. I mean, one of the reasons why repowering at the Shoreham/Wading River facility is, out of those four that we have an option for, we don't have gas in that area, so they're not good candidates for repowering. If the Island repipeline project ever that happened, that would be a source of supply for those facilities.

So it would always be good to get more supply in the area because more supply, if you just look at the economics of supply and demand, it should have a positive impact on prices as well as a positive impact for our repowering opportunities. But I'd have to get back to you after discussions with National Grid on the specific answer to your question.

LEG. DENENBERG:

One of my, just off subject, but something that I know I'll be speaking with Legislator Horsley, some of these artificial island ideas would get more natural gas to New Jersey, but not to Long Island at all, because Long Beach couldn't possibly get more natural gas in, because the line that's there is taking half -- I think it's half a billion cubic feet a day and it wouldn't be able to take more, so that wouldn't be an answer either.

In terms of efficiency and solar power, Mr. Macleod commented that both Nassau and Suffolk were very, very quick in having no sales tax on solar energy purchases. It's frustrating that that's not available to businesses either. But I don't know what you're seeing. Certainly LIPA coming out to whatever kind of educational seminars there would be, from fairs that you and I just talked about to trade shows or to conventions to get the information as to how people can bring solar into their business or into their homes would be very, very important.

I find that one of the things that concerns people is that outlay of whatever it is, 30,000 or 25,000 on a home, you know, it's -- they're borrowing to put in a new floor or they might borrow just to be, you know, to the hilt just to own a house on Long Island given the current prices. How do we help them or help people, both homeowners and commercial establishments that already are facing a credit crunch, take on that additional outlay, even though it will pay back over years. And that's -- to me that kind of education is -- and getting that message out there is the hurdle that I face and I'm sure a lot of people up here, sitting up here if we look at it and we say yeah, we should go solar on our own homes. Do you want to borrow another 25,000 or 30,000 to convert?

MR. LAW:

All good questions. I want to be able to promote the use of more solar, both on the residential and the commercial side. You're right, the initial outlay is large. It could be as much as \$50,000. You know, even -- you know, there's rebates, there's the Federal and State tax credits, we got the Suffolk and Nassau sales tax exemption, you know, the LIPA rebates, but it is still a lot of money and the payback time could be as much as ten years.

LEG. DENENBERG:

What percentage would those rebates be if let's say it was a \$50,000 outlay. How much of that is rebates?

MR. LAW:

LIPA's giving rebates as large as 25 -- \$35,000, you know, in the past, so. But still, say if the initial cost was maybe as much as 70 and then you got a \$35,000 rebate from LIPA and then you got a tax credit from your State and the Feds, all right, you're still looking at coming up with 25 grand. The average family out there, if they have 25 grand lying around, all right, are they're going to do it on solar? We need to help them with that, but they're probably more likely coming up with trying to pay a tuition bill, you know, or a car payment or, you know, a modification to their -- a home improvement. And so we need to be doing more.

And in terms of commercial, I'll be giving this speech tomorrow at the ABLI and talking about how we need to get our commercial customers more involved because, you know, you think about all the flat roofs in the Hauppauge Industrial Park and industrial parks in Nassau and in the Uniondale area. There is certainly some good opportunities there, but we also then need to address the net metering law that Neil referred to before to make it more interesting for them.

So it's a combination of getting more funds, you know, certainly at the federal level to be partners

with us here as well as an educational and marketing component, at both the commercial and residential level.

LEG. DENENBERG:

I know Congressman Israel and both -- several of the Legislators up here were at the conference that he had with both County Executive's, but I do think funding that makes that hurdle to convert to solar, because I think Mr. Macleod obviously was right. You know, putting LIPA out of business a little bit probably is a good way to go in terms of you don't have to worry about providing energy with new plants if more people were converted to renewable. I think it's a long way to go, but I think the Federal Government has to come up with funding to make these rebates larger.

Let me close with a question you just touched upon. For Nassau and for the development in Nassau, the hub area, Uniondale, the Nassau Veterans Memorial Coliseum area, the Lighthouse Group proposal, is, you know, visions of County Executive talks of new suburbia. Either way, that's where the engines really churn in Nassau County and it's a project that's very important to the future of Nassau County. Has LIPA been involved? Have they reached out to LIPA as to how to meet the energy needs?

MR. LAW:

Yes.

LEG. DENENBERG:

And what we can use. I know there's cogeneration facilities, Trigen, in there already. But please let us know how LIPA's involved, how LIPA can help, and what the challenges might be.

MR. LAW:

Charles Wang and Scott Rechler have reached out to me to be a member of their various committees they put together to get the Lighthouse Project off the ground. I don't think they are at the stage yet nor have we been invited to sit down with their architects yet, which is really one of the things we can bring to the table, technical assistance as well as the financial assistance. And so when you're at that stage, I'm sure they're going to be, and I'll volunteer it if they don't. We've also agreed to work with Tom Suozzi on his Green Levittown initiative. And so wherever we can partner with the folks in Nassau County we'd be happy to do that.

LEG. DENENBERG:

Thank you.

CHAIRMAN HORSLEY:

Thank you very much, Legislator. Legislator Romaine.

LEG. ROMAINE:

Hi, Kevin. How are you?

MR. LAW:

Good, Ed. Good to see you again.

LEG. ROMAINE:

It is good to see you and congratulations on your position. I think I sent you a note when you were installed. I like many of the things that you've put up on the board and I think you're going in the right direction. However, I'd just like to start off with a little bit of history which certainly predates you by a lot of times. I was on the Legislature when Governor Cuomo proposed his deal. I just want to put on the record that I am -- I was not a fan then and even more so now of the original LIPA deal. The deal that watched a private corporation make mistake after mistake and asked the ratepayers to bail out the stockholders. So I was terribly disappointed with that deal. And suffice it to say, not only the deal, but the composition of the board. I strongly believe that the board of LIPA should be an elected board and not an appointed board, a board that represents all of the constituents of Long Island, and not three men in Albany. I just don't see the type of board

functioning now as a representative board of a public utility. I understand that there is probably other models out there for public utilities, but certainly having an elected board would make our board more responsive.

Back to those days, two names stick out of one firm, and the one firm that helped guide Shoreham, the one firm that helped drive costs through the roof because there was a 14% return and therefore there was no desire to hold down costs, and that's Stone and Webster.

Now, I've heard of rumor of late that Stone and Webster has been brought back into the picture by LIPA, and I hope that is not the case. I had a discussion recently with my State Senator, State Senator LaValle, who like me, lived through those Shoreham days and was disappointed to hear that Stone and Webster was back on the scene again. I don't know what that is. I don't want to have a public discussion of that, but possibly we can have a private discussion of that. And if I continue to have these concerns I'll appear at your board as supplicant or applicant to speak about my concerns about reemploying Stone and Webster.

But let me go to some specific issues. Obviously, one of the things that disturbed me, because I remember when LIPA was created and there was a guarantee of some type of rate stability, and I just read that we're going to do a 2% increase in 2008. I am totally opposed to this 2% increase, and I want to tell you why. It is my understanding in the last two years that LIPA has over collected nearly \$300 million dollars in fuel costs. That's those fuel adjustment charges. And I'm glad you spoke about 2005 where you under collected because of Katrina. But obviously there was a concern that that 300, almost \$300 million went beyond the \$75 million that LIPA is entitled to hold in any event in overcharges; is that correct? Is LIPA entitled to hold 75 million dollars in overcharges right off the bat? If you can't answer, if you could make note of that and maybe you could get back to my office on that. Because my understanding is the way it's set up now, the structure that is set up now, that the first \$75 million of overcharges you're allowed to retain.

MR. LAW:

What we try, what LIPA has historically done, and what we did in 2008, the board sets a target of \$75 million, a budget to exceed \$75 million, to build up a reserve account. So we have a reserve account available for catastrophic incidents and/or, you know, other events just like the Legislature here, you know, tries to create a Tax Stabilization Fund. And so we do try to do the same.

And again, as for, you know, the 2% increase, you know, I think the County budget that this County Legislature just approved, you know, raised property taxes 3%. You try to do whatever you can --

LEG. ROMAINE:

Well, don't tell Steve Levy that.

MR. LAW:

You try to do whatever you can to avoid increases and I showed you the parts of the budget I can control and the parts I can't control. So given where the cost of fuel is going, I think, you know, people were probably expecting a worse increase.

LEG. ROMAINE:

Well, let me tell you some of the reasons why I'm raising that question. I read that LIPA release from this past October that said that LIPA, in fact, had hedged 76% of its fuel prices. So when you put the \$100 a barrel up there I assume that only affected 24% of your fuel prices because in October LIPA put out a press release that said we've hedged the prices of our fuel up to 76%. I don't know --

MR. LAW:

And we are still doing. I put the \$100 a barrel up there, again, to give you an indication of where the cost of energy is going to be going. We do not pay a hundred dollars, you know, a barrel, and --

LEG. ROMAINE:

Obviously. When I read that press release I understood that because you said you hedged your expenses for 2008, 76% of your oil expenses.

MR. LAW:

We're about probably 85% for this year Lib? Yeah? So -- and we're going to try to be about, you know, we're probably about 30% hedge for 2009 and given what --

MS. McCARTHY:

Fifty.

MR. LAW:

Fifty percent now? Fifty percent hedge. So, yes, but, nevertheless, you know, again, the hedge prices are increasing as well. And so, you know, unfortunately, Legislator Romaine, nothing's going down.

LEG. ROMAINE:

No, I understand that. But it was interesting that you mention our Tax Stabilization Fund. Let me ask you, does LIPA have a \$250 million rate stabilization fund?

MS. McCARTHY:

Yes, we do.

LEG. ROMAINE:

Have you used any of that to stabilize rates?

MS. McCARTHY:

Yes, we have.

LEG. ROMAINE:

How much of that have you used to stabilize rates for 2008?

MS. McCARTHY:

We've used the Rate Stabilization Fund twice in LIPA's history.

LEG. ROMAINE:

Have you used it to stabilize rates in 2008?

MS. McCARTHY:

No, sir.

LEG. ROMAINE:

Okay. Thank you. My understanding is also when KeySpan, which actually used to provide power to LIPA customers was sold to National Grid, LIPA received \$120 million in settlement funds involving past disputes with KeySpan; is that correct?

MS. McCARTHY:

Yes.

LEG. ROMAINE:

Okay. My understanding that 100 -- and that LIPA had pledged to use all \$120 million to stabilize rates. My understanding is that only \$36 million was used to stabilize rates in 2008; is that correct?

MS. McCARTHY:

It's correct that \$36 million was used in 2008 to stabilize rates.

LEG. ROMAINE:

What's happening to the other \$84 million?

MS. McCARTHY:

LIPA is developing a proposal -- there was no pledge to use that to stabilize rates in the past. The board had been asked to evaluate various alternatives with respect to that. They tabled the proposal with respect to that, waiting for the merger to be completed. We will be going back to the board with a proposal as to how to best use the benefits, and that is something that is on the plan for later this year.

LEG. ROMAINE:

Could I ask you to do me a favor? Could you just notify my office when on the agenda of your board that issue comes up because I'd like obviously to be there to speak to that issue.

MR. LAW:

Sure. We're putting together a plan in March. We hope to have something before the board in April and we'll let you know the date. And we need to figure out, come up with a prudent plan to deal with the reserves that we have.

LEG. DENENBERG:

Kevin, why don't you let both committees know about it as well so that we can let our members know.

LEG. ROMAINE:

The other thing that I've seen is in negotiating with KeySpan's success in National Grid, and I've read your press releases and your letters, LIPA claimed to have produced somewhere between a 91 and a \$142 million synergy savings to hold down rates. Has LIPA receive the synergy savings, and if so, have they applied any of this money to hold down rates?

MR. LAW:

We received -- it was about probably \$85 million in synergy savings and we had the option to take that in a lump sum at a discounted rate or get it paid out over the life of the agreement through 2013. So we chose to take it over the life of the contract, 2013, and it amounted to about \$8 million a year --

LEG. ROMAINE:

And that money has been used for rate relief?

MR. LAW:

That money was used in --

LEG. ROMAINE:

All of that money has been used for rate relief?

MR. LAW:

Used in the 2008 budget for rate relief.

LEG. ROMAINE:

And there's a commitment to use that every single year through 2013.

MR. LAW:

We didn't -- it was a heavy discount. We would have lost \$20 million if we took it in a lump sum.

LEG. ROMAINE:

The other thing that concerned me about the rate increases, earlier this year when the Neptune power cable from New Jersey was completed LIPA claimed that it would result in cheaper electricity,

sent out a press release to this effect, saving the ratepayers hundreds of millions of dollars. Now, I'm very happy to see that we secured that power and I'm very happy we're tied into the three grids. But when I saw that press release and then a few weeks later I saw a press release saying that we were increasing rates by 2%, I kind of was left scratching my head because I've looked at all the press releases for LIPA and they seem to say one thing and result in something else. And that's the problem because -- and I'll say this because I know you're looking for transparency. You've given the impression in all of these press releases that LIPA is doing due diligence, and I have no doubt that they are. However, the impression is distinctly left that there are savings, synergy savings, settlement savings, extra power cable savings, that are going to result in savings to the ratepayers and then I read about the 2% increase. So I'm getting mixed messages. That's a concern of mine.

**[SUBSTITUTION OF STENOGRAPHER - ALISON MAHONEY]
[TRANSCRIBED BY DENISE WEAVER]**

The other thing that's a concern of mine that I hear about from my constituents all the time was the fuel adjustment charge which is no longer there; we now have what's called a Power Supply Charge. And the one thing -- and I just want to pass this along, not for comment, just so you know because I'm sure you hear it all the time. People tell me, "You know, Mr. Romaine, I look at my power bill, my LIPA bill and I scratch my head. What does Power Supply Charge mean?" And frankly, I think they're right; ratepayers deserve clarity in their bills. You know, cryptic bill categories serve only to confuse the ratepayers and frustrate efforts to make more sense of their bill to understand how they're being charged for power, and it's aggravating to these ratepayers. I've heard it time and time again, it's not something you hear occasionally, I hear it all the time. So it's a concern of mine.

And the one thing that frustrates everyone -- and I've tried and I'm working with Assemblyman Alessi, I'm sure you -- he's the Assemblyman that represents most of my Legislative District -- is we have extra things on our LIPA bill in Suffolk County. We have the pilot payments, we have the recovery costs for Shoreham, those are -- have nothing to do with energy consumption. And Suffolk County, much to my shame and regret, is the only County that taxes energy and consumption. Not only do we tax your LIPA bill, but we tax home heating fuel, we tax natural gas, we tax kerosene, and God forbid, if you try to heat your house with cord wood, we tax cord wood. But the thing that really irks, and I'm trying to get rid of that, unfortunately I don't have all the cooperation I need from some of my colleagues, but -- he's laughing, he knows who they are. But one of the things that really frustrates them is that when they get the LIPA bill, you tax the tax. It's an energy consumption tax and you're taxing the taxes, which has nothing to do with energy consumption directly, and that's a frustration.

Now, I know Mr. Alessi is gone -- and I can't do it on a County level, I've tried, it requires State legislation -- but we're going to see if we can remove taxing the tax on your LIPA bill. This is something that you guys are probably getting beat up on, it has nothing to do with you, you don't benefit from it because it's the County that benefits. But I hope you will join me and the LIPA board will join me in saying you know what, it's a little insane to tax the tax. Axe the tax instead of tax the tax.

Obviously we talked about what ratepayers should pay for and what they should not pay for. Manufactured gas plants are something that was of a concern to some of the people in this County and into Nassau County. I was disappointed to see the decision that the corporations, which have long gone but they have successes, who caused the mess, who caused the problem, will bear no financial responsibility, that the clean-up is being put clearly on the back of the ratepayers. I mean, I thought -- clearly, when I thought about the Public Service Commission, I remember reading the biography of Huey Long and I remember the first job he got elected to was the Public Service Commission in the State of Louisiana. Because as -- even in 1919 they elected their Public Service Commission; that's something that we should seriously consider in New York State. Make a decision to ask ratepayers to pay for corporate mistakes that is not of their being is to misplace that liability.

So, I mean, I think I've hit some of the things. Obviously repowering is another issue and I want to talk about the ratepayers in regard to repowering. I have no problem and strongly support repowering to help the environment. What I have a problem with is that we're going to be asking ratepayers to improve a corporate asset that can be sold by that corporation at any time. We're asking ratepayers to improve private property. You know, I don't know how wise of a public policy that is and I would ask you seriously to reconsider that.

And obviously, one of the other things I'm concerned about is some of the levels of carbon dioxide, sulfur dioxide, nitrogen dioxide, the other toxins and pollutants that some of our plants are producing and anything we can do to reduce that would be helpful.

I want to thank you again. I know I gave you a long laundry list of complaints. Unfortunately I get it in my business, you're going to get more in your business, I'm sorry for that. But these are all issues that go to the heart of public policy and what a public utility should be dealing with and hopefully that public utility is on the side of the ratepayer and is more concerned, and I want to stress this, about Main Street and less concerned about Wall Street. Thank you very much.

CHAIRMAN HORSLEY:

Thank you very much, Legislator Romaine.

MR. LAW:

Mr. Chairman?

CHAIRMAN HORSLEY:

Oh, yes, I'm sorry. You got to answer that, I guess. Is that a question?

MR. LAW:

Well, you've got to let me answer a couple of them, a couple of them.

CHAIRMAN HORSLEY:

Oh, please. I'm sorry, I forgot there was a question in there.

LEG. DENENBERG:

Kevin, before you answer, I just want to state for the record that you can come to Nassau any time and speak about all those taxes that Nassau doesn't have with me. I want to use that.

LEG. ROMAINE:

We want to get rid of that energy tax in Suffolk.

MR. LAW:

I'll be brief, I'll be brief. Wayne, like you and I, Ed and I go back -- Ed, we go back about 25 years as well. So I always respect Ed --

CHAIRMAN HORSLEY:

It was a good year.

MR. LAW:

-- and appreciate his contribution to Suffolk County and all his different capacities.

Just a couple of things, you know, I just need to, you know, clarify. First of all, our LIPA Board of Trustees, 15 very good, hard working men and women who, unlike some boards and commissions in Nassau and Suffolk County, do so as at zero compensation. And they take time away from their businesses and families and just for instance, yesterday spent seven hours in terms of committees and our board meeting to do the good job that they do.

LEG. ROMAINE:

No reflection on the board, I just want to say that.

MR. LAW:

Okay.

LEG. ROMAINE:

I have great confidence in the skills and things of that nature, it's just the structure of things.

MR. LAW:

Okay, very good. In terms of the sales tax, we'll do whatever the County and the State tells us to do, you know, we don't benefit from it --

LEG. ROMAINE:

Okay.

MR. LAW:

--so no comment here. I don't really do press releases, I'm not into press releases. There may have been a couple or so, you must have been talking about press releases put out by others.

LEG. ROMAINE:

This is your predecessor.

MR. LAW:

So I try to be a little bit less visible under the radar and trying to just, you know, work hard and let the results speak for themselves.

In terms of the NGP in the agreements, LIPA has no liability at all for the clean-ups of this. So in terms of any impacts on ratepayers, you would be talking about ratepayers to gas customers but not to LIPA customers.

CHAIRMAN HORSLEY:

Can I stop you just one second, Kevin, on that note? Have you been receiving your updates on the NGP clean-ups, the second, third and fourth quarters since the first one?

MR. LAW:

Yes, and we do share them with the Health Department. Do you want us to send copies to you?

CHAIRMAN HORSLEY:

I never see them. Yeah, I'd love to see them, yeah.

MR. LAW:

Sure. We get them quarterly, so we've probably gotten two so far. I'll make sure you get them.

CHAIRMAN HORSLEY:

Thank you.

MR. LAW:

You got it.

LEG. DENENBERG:

Let us get it, too. I mean, there was a big hearing yesterday on the Hempstead NGP.

MR. LAW:

Yes, yes, I saw that. Fine, we'll make sure that you get one.

CHAIRMAN HORSLEY:

Thank you.

MR. LAW:

We refer them to the Health Department, we'll refer them to you.

CHAIRMAN HORSLEY:

Thank you.

MR. LAW:

In terms of the repowering, you're right, we don't own the plants, Grid does. So if they're going to be repowered, they're not going to want to repower them unless they get a contract with LIPA to buy the power from them. And so -- and, you know, since we don't own them we can't repower them. So this is part of the financial analysis that needs to be done in the study. What's the best way to repower those plants and of course, what the impact is to the ratepayers.

In terms of the -- let me just deal with one more point that you made. The monies, the reserves that we have; yes, we do have monies in our reserves, we're trying to figure out what best to do with them. But just like your Tax Stabilization Fund, we need to be careful of one-shots. You know what, Ed, the easy thing for me to do last year, I'm the new guy in town, this is my first budget, no way, no how, I'm not increasing rates, I'm going to use the money to come in with a zero percent increase. That's a one-shot and that means the pressure -- rate pressure we're feeling for 2009, in light of where the costs are going and where -- in light of the inflexibility I have in the budget that we have because I can't control most of it, I needed to avoid the one-shot.

And so what I'm looking at is something along the lines what you guys have and so if -- and we're not there yet, we're doing the analysis. If we are going to increase rates at a particular level, maybe then be forced to go into this, you know, reserve funds, like you guys are going to be forced to go into your Tax Stabilization Funds if you have to raise taxes by more than 4% I think it is.

CHAIRMAN HORSLEY:

Two point five.

MR. LAW:

Four point five?

CHAIRMAN HORSLEY:

Two point five.

MR. LAW:

Two point five. You know, so those are the things we're looking at, so I needed to avoid the one-shots. I'm trying to be a good steward. It was my first, we'll go forward. Looking forward to sitting down with you and addressing some of your other issues. We won't always be on the same page, but always happy to hear you, always respect your opinions.

LEG. ROMAINE:

I have great respect for you. I think you're doing a good job, like the things that you're doing. I just wanted to mention some of the issues that I had; most of these issues preceded your becoming the CEO. So, good luck. Whatever I can do to help you, but I obviously wanted to get those concerns on record.

MR. LAW:

Thank you very much, Ed.

CHAIRMAN HORSLEY:

Kevin, I thought you were going to comment on following the good government ways and means of

Louisiana 1918 through Huey Long, but -- good example. Legislator Beedenbender.

LEG. BEEDENBENDER:

Good afternoon, Kevin. Perhaps there's a bit of a cosmic balance to me going after Legislator Romaine. But I want to ask a couple of questions, one about the long-term goal and plan of repowering. You had mentioned that we have about 5,800 megawatts of electricity and about, I think, 4,700 is generated -- 4,100 is generated on Long Island. And if we were to repower, I think you mentioned that some of the plants, you know, would dramatically increase their output by increased technology; was that correct?

MR. LAW:

It won't increase the output, it will just make the output that's coming out cleaner, you know.

LEG. BEEDENBENDER:

Okay.

MR. LAW:

If we expand them, you know, if we enlarge them -- like if we replace the 350 with a 500 megawatt -- yeah, then we'd be expanding it.

LEG. BEEDENBENDER:

Okay. Well, then my question I guess would be, you know, we have 4,100 of the 5,700 on Long Island, is there some sort of industry standard or some understanding, is that an appropriate percentage? It's great that we have all this access to all these different power grids, and when we saw the blackout a couple of years ago we saw how important that is, but is that kind of the industry standard or is there such a thing that exists?

MR. LAW:

Yeah, there is. It's a good question, Brian. And congratulations on your election here and I hope you're having fun.

LEG. BEEDENBENDER:

Oh, congratulations on your position.

MR. LAW:

The New York Independent System Operator requires that particular regions generate X percent of their power in their own territory, and for LIPA, Long Island, it's about ninety --

MS. McCARTHY:

Ninety-nine.

MR. LAW:

Ninety-nine percent of the power needs to be generated on Island. And so we're in compliance with that through National Grid and then we're adding to that by being able to import power. And by the way, both of those cables are by-directional to the extent if those markets ever felt that our power was cheaper than their markets, we could actually send power to them; right now that's not the case.

LEG. BEEDENBENDER:

Okay. And I guess my other question is totally separate than anything we've really talked about so far. We all speak to our constituents and know the issues with the foreclosures and we've heard numbers; 25% reduction in property taxes. But I guess what I want to ask you is in terms of delinquencies on LIPA bills or shut-offs, you know, what sort of impact are you guys seeing at LIPA? Because I think that's another, you know, kind of indication to us of how bad things are getting. We know property taxes, but those generally only come in a couple of times a year, you give monthly bills. So, you know, what sort of impact are you guys seeing at LIPA with either delinquencies or

just the need to shut off power because people can't pay?

MR. LAW:

Delinquencies are definitely up, you know, compared to last year. We certainly don't shut anybody off in the cold winter months. And in light of some tragedies last summer, you know, I've directed staff to make sure that we're not shutting people off in 99 degree weather either. But we need to have a heavy hand to make people pay, and so we need that ability to shut people off and so we'll use it but we'll be doing it prudently. We realize people are suffering, but at the same time, as some people refuse to pay, that only puts pressure on the people who are paying.

And so, you know, it would be nice to cut people slack, but we're not in a position to do so. We do have some low income funds and we partner with the Federal and State Government on some programs for low income folks, we don't take any thrill out of shutting people off, but we are definitely seeing some increases.

LEG. BEEDENBENDER:

I didn't mean to suggest that, you know -- but if you guys could just let us -- get us so some numbers so we kind of have an idea, if that's something you can share with us, I think I'd appreciate that. Because, you know, I can see what's happening within my community and throughout Suffolk County, and I know it's happening in Nassau too, but, you know, that kind of -- you know, an increase in delinquencies month to month is a lot closer reaction where I can see as it's getting worse month-to-month as opposed to year-to-year when we look at property taxes and things that. So thank you very much.

MR. LAW:

We'll do that. Thank you, Brian.

CHAIRMAN HORSLEY:

Okay. Thank you very much, Legislator Beedenbender, that was a good question. Legislator Kennedy.

LEG. KENNEDY:

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

MR. LAW:

Good, John.

LEG. KENNEDY:

Good to see you.

MR. LAW:

Same here.

LEG. KENNEDY:

I'll keep my questions, I guess, brief. One just very specific one, I couldn't agree with you more as far as solar panel initiatives. And as a matter of fact, I appreciate the fact that you're participating in the 4th Precinct; as you know, you know it well. My question to you is --

MR. LAW:

We got it on the right side of the street, right?

LEG. KENNEDY:

Absolutely. As a matter of fact, yeah, and the right location, everybody loves it.

At what point in the process can a commercial application make that decision to actually go to the solar side? And if so, who should I be talking to? Who in your organization should I be connected

with? I'm aware of commercial development right now in various proposal stages right here in the Hauppauge Industrial Park. I don't know whether they've gone through that decision making process yet, whether or not to contemplate solar. But if they've not, clearly they should be engaging with you folks to go through the metrics, look at the cost benefit analysis, find out what some of the conversations are going to be and see if it can work in there. Even if it involves, you now, reengineering or something like that, cost savings, I mean, when you're talking about a commercial plant you span out 30, 40, 50 years, particularly if you have some IDA financing involved or things like that. There may be some involvement that we'd like to promote with that private entity to contemplate that.

MR. LAW:

Good idea, John. You should always feel free to call me directly.

LEG. KENNEDY:

Okay.

MR. LAW:

If you have people that you want to refer to for specifics on the program, have them contact Michael Deering, you know, the Vice-President of Environmental Affairs, the people who oversee our solar programs report to him and he'll make sure he takes care of it.

LEG. KENNEDY:

Okay, that's great on that one.

The other one is one that's a little bit broader and you and I have worked on this issue for quite some time; Broadwater. I need to know -- you know, there's been so much that we've talked about with this, there's been so much collective energy, so much collective effort, so much in, you know, your previous position, I guess, as far as some of the things that we've tried to put out there from our perspective I think as a County and looking at what the environmental impacts would be, and really in our position as a Legislature, as you know, position and opposition to it.

I think -- and I may, you know, refer to some of the former abundance of press releases -- I believe that LIPA did at one point take a position and I thought that it was a position in favor of Broadwater, I'm not certain. And with you on board, I'm curious as to, A, whether or not LIPA would take a position and, B, if so what is it?

MR. LAW:

Good questions, thank you for them. LIPA has never taken a position on Broadwater. I've never taken a position, you know, on Broadwater. We are not a regulator of Broadwater, we have no regulatory say over whether the project happens or not. We could be a customer, you know, someday if the project happened, and so we look at it from that perspective. And former Governor Pataki had asked LIPA to do a study --

LEG. KENNEDY:

Yes.

MR. LAW:

-- which LIPA did which showed there would be economic benefits to the region in terms of gas customers if the project happened. So that was what LIPA's involvement was that preceded me.

LEG. KENNEDY:

But it was really only as to -- you know, I'm curious, as a matter of fact, I think I'd probably like to take a look at that. I'm wondering whether or not those economics still hold based on, you know, what's even been just a significant turn, you know, in the environment. And when you look at that,

when you do your pricing and I guess your decisions for operation in your plans with the dealings, between the gas and the oil, I'm wondering, do you have the ability, just like you do with the oil, to go out and hedge it, go out multi-year; do you have that same opportunity when you're looking at your gas consumption and your gas purchase, so you're similarly hedged with your gas use?

MS. McCARTHY:

Yeah, our Hedge Program actually hedges all three components of our energy; it's the oil, it's the natural gas and it's the purchase power. So when we talk about being 85% hedged, it's for that basket of alternatives of energy.

LEG. KENNEDY:

Do you differentiate at all? I really know very little about the gas market, but, I mean, is there a difference between just natural gas that's pumped and pumped up out of Texas out of the ground, or some are like the LNG applications that come from up in Massachusetts, Everett Mass. or places like that? Gas is just gas?

MR. LAW:

Ultimately.

LEG. KENNEDY:

Okay.

MR. LAW:

You know, the liquified form. It has to be vaporized and converted back into natural gas, but yes, it's essentially the same gas.

LEG. KENNEDY:

Okay. All right. That's it, keep doing what you're doing. Thanks.

MR. LAW:

Thank you, John.

CHAIRMAN HORSLEY:

Okay. Are there any further questions from the Legislature? Kevin, I think this concludes this symposium by LIPA. I just -- I do appreciate the fact that you are here today and I know my fellow Legislators feel the same way. And we should make sure that our offices and our committee to you is always an open door and that we can work together in the near future. And Libby, thank you very much for being here, we do appreciate it. And nice job, by the way.

MR. LAW:

Thank you, and thank you for the opportunity to be here.

CHAIRMAN HORSLEY:

Could my committee please stay, though? We have a short agenda to take care of.

*(*Brief Recess Taken: 4:23 P.M. - 4:26 P.M. *)*

CHAIRMAN HORSLEY:

Okay, are we ready? We're good.

LEG. KENNEDY:

Rock and roll.

CHAIRMAN HORSLEY:

All right, we're back in session. We'll move to the Introductory Resolutions.

Introductory Resolutions

1048-08 - Adopting Local Law No. A Local Law to establish the Gabreski Airport Conservation and Assessment Committee (Schneiderman). I'll make a motion to table.

LEG. D'AMARO:

Second.

LEG. STERN:

Second.

CHAIRMAN HORSLEY:

Second by Legislator Stern. All those in favor? Opposed? So moved. **Tabled (VOTE: 4-0-0-1 Not Present: Legislator Alden).**

Resolution 1094-08 - Adopting Local Law No. A Local Law amending the Suffolk County Empire Zone Boundaries to include Bactolac Pharmaceutical, Inc., (SCTM Nos. 0800-185.00-01.00-029.000; 032.000; and 050.003) (County Executive). Is anybody here from -- Carolyn, did you want to come up and speak?

LEG. STERN:

There's also a public hearing on this.

CHAIRMAN HORSLEY:

We need to have a public hearing on this.

MS. FAHEY:

Good afternoon. Is there going to be a test on Kevin's presentation? Because I really wasn't paying attention.

Yes, once again, we're before you asking for the amendment to the Empire Zone Boundaries to include a regionally significant project. This resolution asks for you to include Bactolac Pharmaceutical, they're a manufacturer of nutraceutical products including herbal joint compounds and vitamins. They're currently located in two facilities in the Hauppauge Industrial Park, 7 Oser Avenue and 35 Engineers Road. The lease on Engineers Road expires in May of '09 and they are looking to construct a 45,000 square foot facility on Old Willets Path. I have copies of the maps, if we can hand them out.

CHAIRMAN HORSLEY:

That's 45,000 square foot?

MS. FAHEY:

Right. The new facility is 45 --

CHAIRMAN HORSLEY:

Nice.

MS. FAHEY:

-- but they're going to keep the thirty-six seven. They currently employ 137 and will add 53 in the next five years; the wages and benefits associated with Bactolac over the next five years exceed \$31 million; they're going to invest 9.6 million in the new facility in new equipment, and that's it.

CHAIRMAN HORSLEY:

Okay. Well, thank you very much. It's my understanding that this has to be tabled due to a need for public hearing.

MS. FAHEY:

Correct.

CHAIRMAN HORSLEY:

Is there any --

LEG. KENNEDY:

Mr. Chair, I'll make a motion. Do we have a motion yet?

CHAIRMAN HORSLEY:

No, not as yet, no.

LEG. KENNEDY:

Okay, I'll make a motion to approve. And if we get a second, I just have one quick question.

LEG. STERN:

Motion to table.

CHAIRMAN HORSLEY:

Motion to table.

LEG. KENNEDY:

Oh, it's a motion to table? I'm sorry.

LEG. STERN:

Public hearing.

CHAIRMAN HORSLEY:

I think we need a -- because we need a public hearing.

LEG. KENNEDY:

Right, right, right.

MS. FAHEY:

Correct.

LEG. KENNEDY:

All right, so on the motion to table then.

CHAIRMAN HORSLEY:

Okay.

LEG. KENNEDY:

Did we get a second?

CHAIRMAN HORSLEY:

Yes?

LEG. STERN:

Are you making that motion? Second.

LEG. KENNEDY:

Good.

CHAIRMAN HORSLEY:

Okay. On the motion, did you have --

LEG. KENNEDY:

Carolyn, just a quick question. You and I have had a ton of conversation about this. Obviously you know this is in my district, I'm very much in favor and support of where the project is going. You and I have had some questions that I have in particular about the actual construction that's going to be undertaken; who the contractors are and who the subs are that might be involved with this. You also know full well my interest, I guess -- or collectively our interests, I think, from a governmental perspective -- any time we have governmental resources that are becoming involved, at the very least we like to see contractors that are paying prevailing wage. If there's somebody here from Bactolac, I'd be happy to have that conversation or if you can carry that to them.

MS. FAHEY:

Well, I'll try an answer. Renee Reynolds, Chief Financial Officer, is here, along with Peter Curry, their Counsel. So if -- depending upon the question, we'll answer it for you.

LEG. KENNEDY:

Well, all right. Since we need to table and since we're going to have a public hearing, what I'll do is I'll defer if we can and I'll have that conversation privately.

CHAIRMAN HORSLEY:

Is that okay?

MS. FAHEY:

It's your discretion.

CHAIRMAN HORSLEY:

Is that okay with the principals, Mr. Curry?

MR. CURRY:

Sure, that's fine.

CHAIRMAN HORSLEY:

We'll do that in a private matter. All right, we will do that privately.

LEG. KENNEDY:

Thank you.

CHAIRMAN HORSLEY:

We have a motion on the floor to table 1094 and seconded. All those in favor? Opposed? So moved, it's been **tabled (VOTE: 4-0-0-1 Not Present: Legislator Alden)**. Thank you.

Okay, **1115-08 - Accepting and appropriating an amendment to the College Budget for a grant award from the State University of New York for strengthened Campus-Based Assessment 100% reimbursed by State funds at Suffolk County Community College.**

Motion to approve and to be added to the Consent Calendar.

LEG. STERN:

Second.

CHAIRMAN HORSLEY:

Second by Legislator Stern. All those in favor? Opposed? So moved. **Approved and placed on the Consent Calendar (VOTE: 4-0-0-1 Not Present: Legislator Alden)**.

I believe that concludes our business for today. Thank you very much. My apologies for having such a long meeting, but I think it was well worth it. Thank you.

*(*The meeting was adjourned at 4:25 P.M. *)*
{ } - Denotes Spelled Phonetically