

ECONOMIC DEVELOPMENT
HIGHER EDUCATION
and
ENERGY COMMITTEE
of the
SUFFOLK COUNTY LEGISLATURE
Minutes

A regular meeting of the Economic Development, Higher Education & Energy Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, Veterans Memorial Highway, Smithtown, New York, on Wednesday, April 20, 2010.

MEMBERS PRESENT:

Legislator Wayne Horsley - Chairman
Legislator Steve Stern - Vice-Chair
Legislator Thomas Cilmi
Legislator Ricardo Montano
Legislator Lynne Nowick
Presiding Officer William Lindsay - Ex-Officio Member

ALSO IN ATTENDANCE:

George Nolan - Counsel to the Legislature
Joe Schroeder - Budget Review Office
Joe Muncey - Budget Review Office
Alicia Howard - Legislative Aide
Ben Zwirn - County Executive's Office
Yves Michel - Commissioner - Economic Development
Carolyn Fahey - Economic Development
Linda Bay - Aide to Minority Caucus
Paul Perillie - Aide to Majority Caucus
Bob Martinez - Aide to Legislator Montano
Kevin Law - Chairman LIPA
Dot Kerrigan - AME
Patrick Lespinasse - Verizon
Steven Rossetti
All other interested parties

MINUTES TAKEN BY:

Donna Catalano - Court Stenographer

(*THE MEETING WAS CALLED TO ORDER AT 2:30 P.M.*)

CHAIRMAN HORSLEY:

Good afternoon, everybody, and welcome to the Economic Development, higher Education and energy meeting. May we please all stand for the Pledge of Allegiance.

SALUTATION

And may we all stand for a moment of silence for the men and women protecting our freedoms both home and abroad.

MOMENT OF SILENCE

Thank you very much. Please be seated. All right. Good afternoon, everybody, and again, welcome. It is my understanding that -- this is a touchy subject here that I'm going to -- I know we have Mr. Law representing LIPA, of course, and -- who will be addressing this committee. But before we get started, I wanted to ask Mr. Cuthbertson to come on up. I understand that he's asking for a privilege as a Councilman from the Town of Babylon who I have respected and honored for many, many years -- Huntington. I'm thinking of we were once both together as council people.

I want to take this -- I'd like to make a motion to take Resolution 1341 out of order. It is one of the Introductory Resolutions. I'll make that motion, seconded by Tom Cilmi. All in favor? Opposed? So moved. It is now taken out of order.

1341, Appointing the Town of Huntington Representative to the Suffolk County Empire Zone Administrative Board (Mark Cuthbertson). (Co. Exec.)

I understand that Carolyn Fahey would -- Mark just stay right there. Carolyn, did you want to make a preliminary comment.

MS. FAHEY:

Good afternoon. I just want to give you a precursor to the resolution. Last year this Legislature amended the Empire Zone Boundaries to include 20 acres in Huntington for giving the County and the town the ability to attract Canon to that site. As part of the negotiated Memorandum of Understanding, which is our operating document, the County offered the town of Huntington a seat on the Zone Administration Board. The Zone Administration actually certifies and recommends to New York State companies for certification in a zone proper as well as companies for regionally significant projects. Through the MOU, the Town of Huntington recommends to the County Executive a member on the board which this body then has to confirm. So through Supervisor Petrone and the Town Board of Huntington, Mark's name was passed on to us, and we therefore, pass it on to you for confirmation.

CHAIRMAN HORSLEY:

Thank you very much. Mark, you want to step forward. Let me just first comment that Mark and I go back many, many years. And certainly he is received not only by the Legislature but across Suffolk County as one of the preeminent Legislators who are involved in economic development. And certainly, I pass on even asking you a question, because I know -- I know your history and I know what a great job you've done for the Town of Huntington. And we appreciate the fact that you would be of service to this committee. With that, anyone else like to ask any questions of Mr. Cuthbertson? Mark, you want to make a comment?

MR. CUTHBERTSON:

No. Just to thank you, Mr. Chairman and the members of the committee for taking me out of order. And I look forward to this opportunity to work in an area that I work on both a public official and as a private practicing attorney. So I'm glad you see fit to confirm this and look forward to serving in that capacity.

CHAIRMAN HORSLEY:

Can't wait for Canon. That's great stuff.

MR. CUTHBERTSON:

Groundbreaking on May 3rd. They will have a ceremony coming up.

CHAIRMAN HORSLEY:

Very good. Do we get invitations?

MR. CUTHBERTSON:

They will come up from their central office.

CHAIRMAN HORSLEY:

Duly noted. Thank you, Mr. Cuthbertson. Thank you for being here today. Mark, you don't have to come on next Tuesday.

MR. CUTHBERTSON:

Okay. Thank you.

CHAIRMAN HORSLEY:

I had a motion and a second on Mr. Cuthbertson's appointment. I'll make a motion to approve, seconded by Legislator Montano. All in favor? Opposed? So moved. **APPROVED (VOTE: 5-0-0-1 - Legislator Lindsay voted as an Ex-Officio member - Not Present - Legis. Stern).**

All righty. We have two cards before we get to our special guest. Number one is Patrick Lespinasse. And Patrick has a special story here.

MR. LESPINASSE:

Good afternoon, Chairman Horsley, members of the committee. My name is Patrick Lespinasse. I serve as Director of Government and External Affairs at Verizon. Verizon is present to provide brief comment on the double-wood conditions and surrounding issues in Suffolk County, as highlighted in IR 1102, which is currently housed in the Public Works and Transportation Committee.

Verizon has taken measures to address the double-wood issue across the state, particularly in Suffolk County. And in working with the Legislature, Verizon has endeavored to increase the number of double-pole removals throughout the County. Verizon realizes that in order to address this issue in the most efficient manner, it is important to work collaboratively with all interested parties including LIPA, Cablevision and local -- local municipalities. Verizon is present here this afternoon at your invitation to reiterate its commitment to working with all parties to address the double-wood issue throughout the County. Thank you.

CHAIRMAN HORSLEY:

Thank you very much, Patrick. I understand Tracey had her tooth pulled and she is -- well, I appreciate the fact that you came down in her stead. Let me just -- if you just -- as you stand there, let me just quickly mention that -- and this is for Kevin Law's ears -- that Verizon has come down on this double-wood issue. There's a resolution in front of the Legislature concerning it. And one of -- I wouldn't say accusations, but one of the issues brought forth to this Legislature was that there seems to be a lack of communication, at least a perceived lack of communication on the part of Verizon that LIPA is not working together well. And we wanted to -- I asked Patrick and Tracey to come down today to -- to say that and with the understanding that maybe we can further the -- further heal the communication gap if there is such a thing between LIPA and Verizon. Did I sum that up pretty well what you had in mind?

MR. LESPINASSE:

I think both Verizon and LIPA could do a better job in communicating.

CHAIRMAN HORSLEY:

There you go. And then that will be one of the questions that will come up before Mr. Law and see if we can -- we can resolve that. I hope that you can hang around, Patrick. Yes, Mr. Lindsay.

P.O. LINDSAY:

Patrick, you know, every chance I get, you know, I kind of like to poke you guys, because I don't think that this is -- you know, I don't know about the communication issue. I certainly wish it would be cleared up if there is any between Verizon and LIPA. I think you've got to put more people on the job. You can't -- you can't remove this plague on our communities when you're laying off people. We've had this discussion before. So I can appreciate sometimes communication can improve things, you need a guy in the field to take out the pole.

MR. LESPINASSE:

Duly noted, Mr. Presiding Officer.

CHAIRMAN HORSLEY:

Okay. Patrick, thank you very much. Is there anything else? Any other comments by any of the Legislators that want to make to Patrick? Patrick, thank you. And we'll be maybe talking about this as we progress, okay? All right. Second, Mr. Steve Rossetti, Friend of Good Government.

MR. ROSSETTI:

Steve Rossetti, Friend of Good Government and also a board member of Suffolk County Industrial Development Agency. Good afternoon, Chairman Horsley, Legislators. Since 1965, Gershow Recycling Corp., which is one of Long Island's largest employers, has been self-generating power with its own diesel generators. This, of course, is a permitted act and is allowed by the EPA for them to throw many tons of emissions into the air, approximately 40,000 tons annually.

Since 1998, Gershow Recycling Corp. has been requesting electrification from LIPA. I pose this to this body and I pose this also openly to Chairman Law that since then, through notions that have been going on and on and on, nothing has changed. They have not moved any closer to electrifying the Gershow Plant. Just the environmental benefits alone would take 40,000 tons of greenhouse gasses out of the air annually. Right now, since 1970, Long Island has failed to achieve national air quality standards. And my understanding is that the New York Metro Region is the ninth worst air quality -- has the ninth worst air quality in the nation.

As far as economic benefits, keeping 750 people working here on Long Island through their efforts in future growth, Gershow intends to invest a lot more money and grow here in the area. If they were electrified, they would have to spend approximately \$5 million, that's \$5 million that would go back into the economy, for their infrastructure to be able to handle electrification with an additional 1.5 million needed for -- for that infrastructure. It is estimated that they will spend approximately -- in excess of \$2 million annually for their electric bill. So in the end, it sounds like it justifies the investment time and effort that LIPA should make in getting this done. Why I'm here today is that in 2009, all 18 members of this Legislature sent a memo or a letter to LIPA requesting this to get done. At this moment, we are at a stalemate.

CHAIRMAN HORSLEY:

Thank you very much, Steve. Any further comments from any of the Legislators? Any questions? Okay. Thank you. Again, Mr. Law is in the audience. And maybe he'll take time to chat about this issue. Thank you very much. That concludes the cards today. At this time, I'd like to call up Kevin Law, LIPA President and CEO, et al. And what I've -- as an introduction, I mean, Kevin certainly doesn't need one to any of us, but again, as LIPA President and CEO -- and I can just do this without even looking up your resume, Kevin; former Deputy County Executive, Chief Deputy County Executive to managing partner of Nixon and friend of the Governor and friend Legislature, friend to Long Island. And we certainly respect and admire the fact that you came down here today to sit here and chat and answer a couple of questions we may have. Welcome.

MR. LAW:

Thank you, Mr. Chairman. To my left is Et and to my right is Al. With me today is my Vice-President of environmental Affairs, Mike Deering who you all know, and Senior Vice-President for Operations, Michael Herbie.

I greatly appreciate the opportunity to come down, see some old friends, some new friends. As we mentioned to you, we are happy to come down to talk to the Leg whenever you guys have issues, questions. We'll be happy to address some of the comments that were made here today on the other two issues. But I do want to thank you. We had planned to come down a month ago, but we were in the midst of hurricane central and, you know, survived our first big major storm in over 20 years. And so I'm sorry we couldn't come last time, but happy to be here today.

I want to start off with some good news to share with you today. Just today for the first time in LIPA's history, Fitch has given LIPA an upgrade. So we are excited about that. They've acknowledged all of the new management focus that has been brought to LIPA since I got there. They mentioned how we weathered the economic storm, the credit crisis, the fuel volatility, the tumultuous economy and the fact that we've been able to keep a reliable at stabilized rates throughout all of it. So for the first time again in LIPA's history, we've got an upgrade and a stable outlook from Fitch. So just as you guys get excited about it when the rating agencies do that for the County, and you have guys have experienced a little bit more often than we have, it's great news for us and I'm happy to share that with you today.

Mr. Chairman, if it's okay, I wanted to bring you up to date on a couple of things, tell you where I want to take LIPA, and then I'd be happy to answer any questions on any particular topic that you may have. You know, I'm in my third year at the helm now at LIPA. I spent most of 2008 transitioning, reforming, taking LIPA off the front pages for all the things that it used to be notorious for, building a new management team, and, you know, really setting a foundation for bringing a business-like approach to what is the second largest public utility in the country.

I spent most of 2009 laying the foundation for a clean energy economy. We gave you some handouts of a lot of the things we accomplished in 2009. We kicked off Efficiency Long Island, the largest energy efficiency program in the country, we got the largest solar energy project in the State of New York approved, our Solar Pioneers Program for our residential is going gang busters, we began to introduce smart meters on Long Island, we're doing two pilot projects; one here in Hauppauge, one in Bethpage using two different companies, checking out two different technologies. And the smart meters are a prelude to a smart grid. For the first time in LIPA's history, we attracted federal dollars to LIPA, both in Congressional appropriations and in stimulus funds. We kicked out of backyard wind initiative for those looking to put wind turbines on their property. And just last week I was in the town of Southold where we installed the largest wind turbine on Long Island out in a farm in Laurel.

And we continue to explore what could be the country's largest offshore wind farm with Con Edison, NYPA, the City of New York, about 13 miles off the coast starting in the Rockaways and heading east towards Nassau County. You know, 13 plus miles out. So we've really laid the foundation for a clean energy economy because I think we need to view our energy challenge as economic development opportunities. I'll give you one fun fact. Before LIPA started its solar energy programs, there were only two companies on Long Island involved in the installation and maintenance of solar panels. Today, there are over 30. And they wouldn't be here without our programs. So again, we are helping to create jobs. And we're looking at our energy efficiency programs, our wind programs as opportunities to create jobs as well.

2010, all about planning. While we'll continue to build upon the reforms that I started implementing in 2008 and continue to build upon a clean energy economy as we did in 2009, we got our energy master plan for Long Island approved by my Board of Trustees earlier this year. And essentially what that looks at is we need to figure out where the demand for energy is going through the 2020

and how we are going to meet that demand. While we're going to meet it in a multi-pronged approach, there's no silver bullet. It's going to be a combination of things. First and foremost, we believe energy efficiency is going to be the next best resource so we're investigating a lot of money in our efficiency programs.

We're going to try to introduce more renewable sources of power, whether it's solar or wind into the portfolio of energy that is either used or generated here on Long Island. While some people don't want to hear this, base load plants, the fossil fuel plants are here to stay in LIPA's foreseeable future, you know, to meet our reliability standards set from the State of New York, the New York Independent System Operator. We're going to need some of those plants as well. So we've laid out a plan, a multi-pronged approach to address our future energy demand needs. And that was recently approved.

But one of the major reasons why I wanted to come here to brief you today was on the strategic planning that we're doing for LIPA and the business model that we currently operate on and whether or not makes the most sense or should we change it. And, you know, for those, you know, who already know, forgive me, but to the extent there are some new members of the Leg or some people in the audience who are not familiar, we need to remember the distinction between LIPA and KeySpan which is not National Grid. LIPA owns the transmission and distribution on Long Island; all the poles, all the wires, getting the electricity in and out of your home or business, LIPA owns that. We also own all the trucks, all the equipment.

KeySpan, which has been acquired by National Grid, operates that system for us. So we own it, they operate it. Whenever you call up, if you have a power outage, the call center folks are National Grid employees, the meter readers are National Grid employees. The men and women who are climbing up the poles to fix the wires to get the lights back on are National Grid employees. They do all of that pursuant to a contract, it's a management services agreement. That agreement -- and this is the system that was designed 1998 when LIPA took over LILCO. This is how the State established the system. That agreement expires in 2013.

2013 sounds a whole lot closer now that we are in 2010. Similarly, on the power plants, whether it's Port Jefferson or Northport or the ones in Nassau County, Glenwood Landing, EF Barrett Facility or the one in Far Rockaway, they are also owned by National Grid. We get all of the capacity, meaning that they're available exclusively for our use. And we get all the energy from those plants. We also pay for every drop of fuel, whether oil or gas, that's burned in those facilities. We pay for all of the capital costs associated with those plants and we pay for all the property taxes associated with those plants. That pursuant to another contract called the power supply agreement. That also expires in 2013. And we can't wait to 2013 to decide what we're going to do in terms of the options that are available to us relating to those two major agreements.

Again, these agreements have been in place since 1998, they originally expired in 2006. They were amended and extended to 2013 in 2006 when National Grid acquired KeySpan. What are we doing this year? A couple of things. This public-private partnership with National Grid and with KeySpan, it works, works well. We are the number one utility in the State of New York when it comes to reliability. We're also number two in the State of New York when it comes to rates. So our reliability is, you know, second to none; meaning we get the lights back on quicker than any other utility in the State. But of course they are high. And, of course, just like you guys feel the pressure of property taxes and sales taxes, we feel the rate pressure. Nobody wants to pay more. Are there ways to do things differently at less cost?

One of the criticisms over the years was that from 1998, this arrangement was never put out to bid. It was structured by the powers that be in 1998 in Albany. There was, you know, some criticism that even when LIPA extended it in 2006 that it should have been put out to bid and it wasn't. I've committed to putting it out to bid. Tom DiNapoli, the State Comptroller, when we approved the contract -- the extension, he also requested that we put it out to bid. And why bring up the State Comptroller? Every contract that LIPA enters into over \$50,000 -- you know, we're a \$4 billion

operating budget, we're an \$11 billion -- \$50,000, a lot of money on one hand, a small amount comparatively in the size of the budget we have. But every contract over \$50,000, the State Comptroller and the State Attorney General approves. A lot of people say, oh, LIPA doesn't have any regulation or oversight. Believe me, there's plenty of it.

But we decided -- I committed to putting it out to bid. We started late last year. We put out a request for information to see what type of interest there might be sort of as a precursor to an RFP. Ten companies responded, a lot of local utilities in the northeast, Canada, some major companies, Lockheed Martin has submitted interest. I didn't know this at the time, they operate all the military bases for the Department of Defense. It's called the GOCO, Government-Owned Corporate Operated. Government, LIPA, we're a public entity; corporate, could be -- maybe that's a model that makes sense to us.

But the fact of the matter is there is competition. And we are going to be putting the RFP out by Memorial Day, and we'll see what the results are in how the results come in. So the status quo right now with Grid is fine. You know, when they do good things, I compliment them. When they don't do good things like you read about in the paper today, I hold their feet to the fire. But the status quo is an option. Can we enhance the status quo? Can we tweak this arrangement we have and enhance the current contracts that we operate on. We can take a look at that. We can introduce competition and put out the RFP, which we'll be doing.

We are also looking at municipalizing. Rather than this public-private partnership, does it make sense for LIPA to be a true public utility like all the other major public utilities in the country and have these employees be our own employees and not have this operation contract to administer and oversee and then take the profit margin that Grid has in that arrangement out of the equation? Does that make sense? Sounds like it could, but there's always pros and cons. You know, they are all private employees now with private pensions. Members of the IBEW 1049 do a fantastic job for us. And to make them public employees, brings on a whole lot of legal issues, labor issues, employment issues. So we're going to look at that.

And then we could also look at does it make any sense to go back to an investor-owned utility. Remember, LIPA doesn't have any shareholders, we only have ratepayers, our customers. Does it make any sense to privatize and sell the transmission and distribution assets that we have? And is there some type of savings to our customers, Long Islanders, by doing that. So these are the various options that we'll be taking a look at throughout the remainder of the this year. I promise an open and transparent process. When the results come in, we will share the information. Before if I decided to make a recommendation to my board as to a particular option, before that I will hold hearings, meetings, I'll come back to this Legislature and share with you our findings and answer your questions.

I'll do the same in Nassau County.

So these are the things we are looking at. I feel like we have a fiduciary duty to examine and not just accept the status quo. Maybe we're going to end this process and say you know what, the status quo is the best arrangement. But I want to look at other options to see is there a better way to deliver energy to our 1.1 million customers in a way where we ensure our reliability that we're known for, but also can we do it in a less costly manner. So those are the strategic planning initiatives that we're going to be doing this year on the transmission and distribution side.

On the generation side, you probably read about it last year, National Grid gave us the opportunity to buy all the power plants. Again, whether you like it or not, 13 years ago when -- 12 years ago when the State decided there'd be this separation of transmission and generation, Brooklyn Union Gas got those plans, Brooklyn union Gas became KeySpan -- actually they became Market Span if you remember, then they became KeySpan and now they became National Grid. They offered us the opportunity to buy the plants. We did our due diligence, we hired {Lizar} to assist us in that analysis, and we determined that it was not in Long Island's interest for us to buy the plants. We are not in the generation business right now, and that's consistent with the entire utility model in the

State of New York. There's a separation between generation and transmission and distribution. And it was the State that set out this policy 13 years ago to encourage private investment on the generation side, to have private companies own the generation.

So we made the decision not to buy them. The rating agencies were extremely pleased. They didn't want to see us -- they thought there was too much risk with LIPA being involved in the generation side of the equation. So they were frowning upon it as well. But at the end of the day, I could not make any kind of a compelling financial case to buy these plants. But that doesn't mean we don't need them. It just means that we're not going to own them. So we need, again, a certain amount of capacity available to Long Island so we can meet the peak demand for energy, especially in the summer months when everyone's air conditioning is on.

If Grid decides to sell these plants, whoever buys them is going to take subject to first agreement I told you about, the power supply agreement. And they're going to want to sit down with us and negotiate an extension of that. Otherwise, they're not going to invest in these facilities for just two and a half years left on the contract. So we'll sit down, we'll talk to these companies. Everyone wants to repower these old plants. And we need to be working towards that. But perhaps we don't need all of them. And so these are the things we're looking at on the generation side as we introduce more renewable sources of power into our portfolio, as we become smarter about the energy that we use and become more energy efficient.

And so these are all of the strategic planning processes that we will be carrying out this year. As I said, as we have information to share, I'll be happy to share them with you and answer any questions that you had. So, Mr. Chairman, that's sort of a quick brief summary of what I've been doing over the last three years. I'd be happy to answer any questions from you and your committee, and then we could address the comments that came up from two guest speakers.

CHAIRMAN HORSLEY:

Thank you very much, Kevin. So what have you been doing for the last three years. Let me first congratulate you and LIPA for the upgrade. I know how difficult that is. With the complications involving electrical companies across the country, I don't know of any that I've heard that have actually gotten upgrades. So that's good stuff. We're impressed. We're proud of the fact that you are -- you are representing that end. I have a couple of questions, and then I actually have several more than that. But what I'll do is I'll ask a couple and then I'll share it with my colleagues and see what is on their minds so we can kind of spread this around.

It has come to our attention that National Grid, you know, who does have the contract through 2013, that they have been consolidating their operations in Syracuse, at least that's what our understanding is. And that there is talk that the call center may soon to follow. Now, I know that they -- you know, after 2013 we don't know who is going to be the MSA applicant, but are we, in your thinking, in your processes, getting us from 2013 and beyond, do you see that those operations that we see as very important to Long Island; the call center, the electric control system and all those types of jobs that are Long Island jobs, would stay on Long Island no matter who is your MSA?

MR. LAW:

Yes. A couple of things. First, in your packet that I think Matt handed out to you or Brian did, I include in there an Op-Ed that I did recently. And in there you will see that one of my major concerns is I want to make sure that we do everything we can to protect the Long Island workforce, especially the members of IBEW 1049, as well as the managers who do a great job over at Grid for us in Hicksville. So we need to do that.

To ensure reliability, no matter who -- if we decide to renew and extend with Grid or have somebody else in, I want these men and women who have in a professional and prideful manner taking care of our system as former LILCO employees, KeySpan employees and Grid employees. So we need to do everything we can. We also have some contractual protections that in the MSA that currently goes to 2013, they are not allowed to move the call center off Long Island. Now it doesn't mean that they

don't look for other efficiencies. There have been some legal folks in Hicksville that have been moved to Brooklyn, and I'm not going to lose sleep over that. You know, it stinks for those who have to commute a little longer, but they are a partner in this, and they've got to look for efficiencies. And one of the reasons that we were all sold, all Long Islanders sold that acquisition of KeySpan by Grid was going to be good for Long Islanders was that they were this bigger company with a depth in New York State and New England that there should be some efficiencies and economies of scale that would benefit customers throughout the area.

So we should be open minded to where they could achieve some economies of scale with their larger New York and New England presence, but we need to also make sure that the folks who take care of our system, whether they're reading meters, answering phone calls or getting the power back on, that we protect those folks.

CHAIRMAN HORSLEY:

Just to summarize what you just said, basically what you're saying is, yeah, the MSA, they're going to be protected.

MR. LAW:

Their contract -- again LIPA -- we only have 100 employees at LIPA. No civil service. Like all authorities in the State, they all serve at the pleasure of me. But Grid, their primary workforce are members of the IBEW 1049. Their contract expires next year. They'll be negotiating that with Grid. And whoever -- you know, if there was some new player in town, that company would have to accept, you know, the terms of that extended agreement with the IBEW.

CHAIRMAN HORSLEY:

Excellent. Thank you. I appreciate that. Secondly, if I may, I read your [Game Changing Options for Long Island](#). It was very well written. I was wondering how long it took you guys to write that. It was masterful. It had like every little corner of the business into one page. But I wanted to -- you were talking about sending it out -- and I see with Mark Harrington's article that you are -- you sent out an RFP to consider new fleet of energy sources, which I understand that there are cleaner plants out there; Caithness is certainly cleaner than Port Jefferson may be at this point.

What I want to get an idea of is if the decision comes down 2013 or whenever it may be that this decision is finalized, the communities that rely on -- on the pilots that are -- that go along with those plants; Port Jefferson, Northport, those are the ones we're concerned with here in Suffolk, are there going to be some protections for those communities and how are you going to tackle that end of the issue?

MR. LAW:

First, let me clarify that article. You know, while it was accurately written by Mark, some people were asking me what did he mean by what we were putting out for RFP. Let me tell you what it does mean. First, the RFP is not out yet. We'll have that RFP out by Memorial Day as well. So we're looking to have an RFP for the transmission and distribution system and on the generation side by Memorial Day. So it's not out yet. As for what we're actually going to be putting out, we're looking for 500 to 1000 megawatts. There is no way we could replace all of the Grid-owned plant's capacity in one fell swoop. You know, they provide for about 4000 megawatts here on Long Island.

What we're looking to do is go out and see -- again, maybe we need all 4000, maybe we could do away with some of the plants. I'm not saying which ones, because we haven't done that analysis. But could we introduce other sources of power with a new base load plant like the one that was built in Yaphank or a new transmission line like the one we have underneath the Long Island or the Atlantic Ocean? Would be cheaper than doing a new power supply agreement for all of the old LILCO plants? So, you know, that's what we're looking at. So we're not putting out an RFP to replace every base load plant that's on Long Island now. It's only for about 500 to 1000 megawatts.

As for the taxes, you are right, it's going to be challenging. Let me give you some facts. We spend

-- remember, LIPA is a not-for-profit entity. We spend \$500 million a year in taxes. My budget -- and 400,000,000 million of that is for property taxes. We pay sales tax, which is questionable whether or not we should, and we pay revenue tax to the State of New York and we pay some petroleum bulk storage tax, which we haven't paid too much of lately because we're burning any oil, we buying nothing but natural gas.

So \$400,000,000 goes to property taxes. My operating budget is \$4 billion. So that means 10% of our budget goes just for property taxes. If we didn't pay property taxes like the County of Suffolk doesn't really pay on most of your facilities, you know, I could cut rates 10%. Some of these older power plants, we'll take Port Jefferson since you raised it, I have nothing against Port Jefferson, a great village, a great host community. And I recognize there are some communities that don't want to have these facilities. Port Jeff has been a great host community. We figure that that plant is worth about \$85 million book value. Now we're paying over \$30 million a year in taxes. That's like if you had a house that was worth \$800,000 and you were paying \$300,000 a year on taxes, you would do something about it.

Our energy costs if you look at the last six years of LIPA rates, you know, we're essentially where we were in 2006 levels, yet our property taxes have gone up 30%. Something is wrong here. And this is Island-wide. So, you know, we need to talk a look at the amount of taxes that we're paying and are we paying a fair share. And if we were to do something differently, I realize that we couldn't hurt the communities automatically, but there would have to be some type of phase-down. But we're looking at all of these things.

Again, there's no free lunch here. Thirty cents of every dollar you send to LIPA goes for wither debt or taxes, nothing to do with energy. All of our other costs are comparable to every other utility in the Northeast. We all pay the same fuel, we all pay essentially that same for labor, but what gives us the distinction of having the second highest rates is the fact that we're paying 30 cents for every dollar for debt and taxes. And that's what we do need to address. And I -- so I don't have the answers here for you today. We're looking at it. I'm sensitive to those communities who do host them. I know it's a politically charged issue as well, but we're gathering the facts.

CHAIRMAN HORSLEY:

So do you get one of those little mailers that come to your house and say that your house needs a new assessment? Well, I have something for you. Thank you, Kevin. I appreciate your comments. Yes, Legislator Nowick.

LEG. NOWICK:

Hi, Kevin. Thank you. Thank you for that description of all the things you do. I know you do a great job. Those property taxes that you pay, you pay them individually to the towns I assume whatever your buildings are, is that how you do it?

MR. LAW:

It depends. Certain plants, say the Grid-owned plants, they pay the property taxes and then we have to reimburse them. It's a pass-through.

LEG. NOWICK:

I'm trying to determine how you pay. If the grids run through a certain town, then the town --

MR. LAW:

I'm sorry, I meant National Grid. National Grid owns the power plants, so they pay the property taxes and then they seek reimbursement from us. Pursuant to the contract, we have to pay for all the taxes. LIPA also owns a whole bunch of property; substations and right of ways that we pay taxes on. And they're a mixture of both pilots that we pay and direct property taxes to the towns.

LEG. NOWICK:

So then because you own the buildings for LIPA, you pay property taxes for yours. And National

Grid owns a certain one and they also pay another property tax. So on your town tax bill you find -- well, I guess you are defraying the school district taxes as well.

MR. LAW:

Significantly.

LEG. NOWICK:

You're getting hit that way as well. So it's actually, if you're not going to pay here, you're going to pay there. As a consumer --

MR. LAW:

Right. There's no free lunch.

LEG. NOWICK:

So if I don't pay LIPA and defray your taxes, I wind up paying the school taxes a little extra. You cannot win really.

MR. LAW:

If you thought about it logically, you can't deduct your LIPA bill from your income taxes, you can deduct your property taxes from your income taxes. So, yes, in some communities would taxes go up if we weren't paying, sure. Or they'd have to cut. You know, they are already hurting. The school districts are hurting in light of all the State aid cuts. So it's --

LEG. NOWICK:

I'm not pushing you to pay more taxes. I'm just sitting here thinking you're going to -- one way or the other --

MR. LAW:

You're right, Lynne. We've become a tax collector. Even though we're a non-for-profit State authority.

LEG. NOWICK:

Thank you.

CHAIRMAN HORSLEY:

Legislator Montano.

LEG. MONTANO:

Hi, Kevin how are you? Quick thing. You said earlier that you were number one in terms of restoring power. You did a great job in my neighborhood. I think I was out of power for like four or five hours during the last storm, then you sent ten trucks down the block clearing all the trees. So I'm grateful for that. But the question I had was that you said you were going to -- this management agreement that you have with National Grid is up in 2013, and you're going to send it out for RFP. Now, they own the power plants that supply the power to you. How does the RFP affect that? I mean, how does another company come in and take over the management if they don't own the plants, or does that matter?

MR. LAW:

It's a great question. Again, let's separate generation from transmission and distribution. On the generation side, whoever owns the plants, we're going to buy the power from. We need the plants for two things. We've got to separate two other plants. There's capacity, meaning the plants are available for our use, and then there's energy, when they're actually running and generating. We need to have both available. We need to have capacity available to meet reliability standards. And then when we need energy, we need them to be running. So whoever owns them, we will have agreement with them to purchase that energy and the capacity from them.

On the transmission and distribution side, that is -- we own the system, they operate it for us pursuant to a contract. It's that contract that we're going to put out for an RFP.

LEG. MONTANO:

Is owning the plants a precondition for them doing the management? In other words, can you have a company bid on the RFP and get awarded the contract without them owning the plants? That's basically what I'm asking.

MR. LAW:

Yes. And that's the model most utilities in New York State now operate under. There's a segregation between the generation side and the transmission and distribution side. Just like Con Edison, they own maybe one old steam plant left in New York City. They are a transmission and distribution company like LIPA is. And with the National Grid Upstate, New York. National Grid doesn't own generation Upstate, New York. They are only transmission and distribution.

LEG. MONTANO:

You said you were number two in rates. Number one in service restoration, number two in rates. Who is number one?

MR. LAW:

Con Edison.

LEG. MONTANO:

Thank you.

MR. LAW:

If you include Hawaii, we're number six.

CHAIRMAN HORSLEY:

Presiding Officer Lindsay.

P.O. LINDSAY:

Any update on the solar parking lots? Did they sign a contract? Are we ready to go with that.

MR. DEERING:

We just got approval from the State Comptroller on the purchase power agreement, and I believe we've just finalized the lease agreement with the County. They're finalizing their permits, and we expect construction to begin in the end of the second quarter of 2010.

P.O. LINDSAY:

Good. What is our total usage on any given day?

MR. LAW:

Of all energy capacity? The peak demand, the highest amount of electricity ever used on Long Island was summer of 2006, about 5700 megawatts. Today, we're probably using about 2800. So 57 was our peak. A day like today we're using 28. We have about 7000 megawatts of capacity available to us. Wow, 7000. That's a lot higher than 5800. We, again, need to meet reliability standards. A transmission line can malfunction or a power plant can not operate, so we need backup available to meet reliability standards. So that's where we are right now. We have as much capacity as we're required to have by the New York State Independent System Operator. So while we look for new sources of capacity, what I'm looking to do is replace older less efficient fossil fuels with that.

P.O. LINDSAY:

The quote that you made from the peak demand to today, I mean, some of that's a factor of weather and, you know, a hot heat wave. We're going to hit -- probably the peak was in a hot summer day. But is our average usage declining?

MR. LAW:

We need to distinguish capacity and energy. We have capacity, we have 7000 megawatts of capacity but we only generate as much energy as we need based on the forecast. So while there's 7000 megawatts of capacity today, we'll only utilize 2800. So the plants are only importing as much as we need. In terms of --

P.O. LINDSAY:

Is our average usage going down or is it still going up?

MR. LAW:

Up until the Summer of 2008, the demand for electricity on Long Island had been increasing every year, primarily on average about 2% a year, 7% on the East End of Suffolk County where they build those 30,000 square foot cottages. Up until that point, the end of August 2008, demand had been going up. Last year for the first year ever, it was flat and actually a little negative on the commercial side. This year in 2010, we budgeted a slight increase on the residential side given a slight increase in population and we held our estimates for commercial flat again. But up until this last year and a half, it had been increasing ever year for the last ten years.

P.O. LINDSAY:

So it's starting to slide back. Is that because of our active program of replacing old appliances? Is it because of conservation or is it a product of just the recession?

MR. LAW:

You can't blame conservation and efficiency. It was much more a result of the economy and the cooler than normal summers that we have had the last two summers in a row.

P.O. LINDSAY:

I mean, I just got something the other day about air conditioning systems and the rebate. I mean, you have a very active program now in terms of conservation, but you don't think that's had any affect at all yet?

MR. LAW:

The efficiency programs will reduce the demand, and we want it to. And the goal of the efficiency program is as we change the mindset of our customer and change their behavior, they become smarter with the energy that they use and to use less, that will -- and this is forecasted in our master plan for the next ten years, that's the power plant we don't have to build. You know, again, rather than spend a billion dollars on a new power plant that nobody wants in their backyard that has to be fed fossil fuel and that has emissions, we're going to invest a billion dollars in efficiency to reduce the peak demand to avoid having to build that next power plant. But that doesn't mean there won't be a need for a new power plant. I'm hoping that what we can maybe do is a new plant, whether it's new or repowered, can replace an old, 60 year old, less efficient power plant.

P.O. LINDSAY:

What do we generate on-Island? How much do we generate on-Island or what is our capacity to generate on-Island?

MR. LAW:

About 5000 megawatts. There's about 4000 from Grid, and then the Caithness Plant adds about 300, and we have some smaller facilities. We import close to 2000. We have the ability to import about 2000; 330 megawatts through the Cross Sound Cable which goes underneath the Long Island Sound. We're importing pretty much nothing but pump storage hydropower from Massachusetts, then we have 660 megawatt cable underneath the Atlantic Ocean that comes into Nassau County and goes into New Jersey and ties us into the New Jersey/Pennsylvania/Maryland Grid, and that's about 660 megawatts. So those two combines is about 1000. And then we have two cables tying

us into Westchester for about another 1000. So what's actually interesting, although we're an island and we geographically have limits, we are very well diversified. We're in three different energy market; we're in the New York market, we're in the New England market and we're in the Pennsylvania/New Jersey/Maryland market. That's good for reliability, diversity and competition.

P.O. LINDSAY:

I mean, that isn't just used for excess power when our generation capacity -- I mean, you play a commodities game with that, right, wherever it's cheaper to get it from?

MR. LAW:

We do. We buy what ever is cheaper. And last summer, we imported more energy than we acquired from the base load plants on Long Island except for the Caithness Plant, which has been running most of the time because it's more efficient.

P.O. LINDSAY:

And our renewable, what proportion would be attributed to renewables?

MR. LAW:

Not enough. But they account for about 2%. And we're the number one utility in the State of New York, but it's still a drop in the bucket as to where I'd like us to be.

P.O. LINDSAY:

Does the 2% take into consideration these new solar efforts that you are involved in?

MR. LAW:

Not yet, but it will.

P.O. LINDSAY:

That will give a big boost to the renewables.

MR. LAW:

A boost, not a big boast.

P.O. LINDSAY:

You know, that whole idea of the renewables, we're so far behind the rest of the world, it's just pathetic. It really is. Paul was just showing me online a story about Denmark about how they're using extensively waste for generation, you know? I guess -- I guess that's it. Thanks.

CHAIRMAN HORSLEY:

Legislator Cilmi.

LEG. CILMI:

Thank you, Mr. Chairman. Thank you, Kevin, for coming. A couple of questions. I may be all over the map in terms of where these go, but. Of the decisions that you have to make by 2013 with regard to some of these issues, what -- potentially what portion of people's electric bills will those decisions affect? You know, are we talking about potentially affecting 3% of their bill, 10%, 20%?

MR. LAW:

That's a great question. I don't have the specific number, but I'll do the quick math in my head. The management service agreement of our budget, it's probably a good 15%, I would say. And on the generation side, the power supply agreement, it's probably another good 15%. So I would say about 30%. I could verify those numbers for you, but that would be by the seat of my pants.

LEG. CILMI:

So I guess my question is depending on what your decisions are as far as what to do with our generation and distribution systems, how much will those decisions impact the ratepayers from a

percentage point of view? Could they potentially increase or decrease our rates by 2%, certainly not the entire 30%?

MR. LAW:

Exactly. Again, there's no free lunch. You know, we need to get some market intelligence, and that's going to be one of the major values of the RFP process, because we only know what we have right now. So let's see if they come in cheaper. Maybe they're not going to. So that's a possibility, but I feel I owe to Long Islanders to at least explore it. I may very well come back to you toward the end of the year and say, we took a look at it, we shook everything upside down, and there's really not a better alternative or cheaper alternative. I'm not convinced of that now.

LEG. CILMI:

Let's talk about renewables for a moment. We all see the benefit renewable energy. What I'm curious about is what percentage of our ratepayers are taking advantage of your renewable energy programs? And what percentage of our ratepayers are impacted by the renewable energy programs? And then we'll talk a little bit about -- I'll ask the question now. Maybe you could reflect a little bit on what sorts of renewable energy you believe can be the most cost effective and the most beneficial and the most appropriate for our County and Long Island into the future?

MR. LAW:

Let me start with, you know, some numbers, and then I'll give you my thoughts and opinions. As for the numbers, we have 1.1 million customers, we have about 2500 solar pioneers, those who are using the LIPA programs to install solar panels on their roofs to reduce their utility costs and for other reasons as well. 2500 customer out of 1.1 million. One, it makes us the number one utility in the State. On the other hand, it's a drop in the bucket. But to answer your specific question, the 1.1 -- the one million other customers are paying for those 2500 customers' utilization of the program. Remember, we're a public not-for-profit company, we have no shareholders, we have no pot of money to divvy up.

So every program we do, all LIPA customers are paying for it. Everyone is eligible for it. Not everybody participates. And it's still costly. Not everybody can do it. First, it doesn't work on everybody's home, not everybody has the right exposure. But at the end of the day, Tom, everybody pays for it, the same for our efficiency Programs. That's why now on the LIPA bill, one of the reasons why we broke down the element for the efficiencies and the renewable; one, because every other utility in the State does it that way and we wanted to be consistent with the other utilities in the State of New York. But, two, we thought that if people knew they were paying for it, it may encourage them to participate. So you're going to have participation- - you're participants and non participants. But the end of the day, you're paying for it whether you're participating or not.

As for my views of renewables, you know, we're primarily talking about solar and wind here on the Island. We kicked off a new program this year that we're still getting off the ground for solar thermal, for those who heat hot water with electric. So we're looking at a program for solar thermal heat. But when it comes to solar panels, I think there's great opportunity. We know all of our solar pioneers who are participating, their average LIPA bill is \$5 a month. The pay-back period is now less than seven years. It used to be more than ten. So the prices are coming down. And the federal tax credits that are being offered and with our rebates, you know, our applications are through the roof. I mean, we're pretty much oversubscribed for the balance of the year based on the amount of applications that we have in here. So solar is certainly -- we're demonstrated that it works, it pays for itself, and, you know, most customers are happy with it.

When it comes to wind, we have two issues. We've got terrestrial wind being wind projects on land; and then we have offshore wind. And I'm talking about now wind for LIPA to buy for the grid. We have the customers like I told you about out east last weekend for a big farm out in Laurel, that wind project is just for their needs for their property. In terms of large scale wind for Long Island, we don't have the land to do any large-scale wind projects on the Island. You know, you look at

Long Island now, let's look at it from Brooklyn to Montauk, geographic Long Island, there's no land for any large scale -- we're not going to dot the LIE with wind turbines and you're not going to put them in Pine Barrens.

So now we're looking at offshore we've determined through wind studies Long Island Sound is not windy enough. So now we're only looking at the ocean. Kevin, aren't you the guy who killed the wind project off of Jones Beach. And what I've said consistently, yes. I did that for a couple of reasons I thought it was too small which made it too costly and it too close, which made it too controversial. And just like a lot of businesses do, I wanted to reach out and have partners where I could share the risk and share the cost. So I reached out to Con Edison since we both go into Queens and the Rockaways. That's where the load is, in Nassau, Suffolk County and Queens. And they wanted to participate; NYPA, City of New York, Mayor Bloomberg. So now we're exploring a larger project with the economies of scale, 13 miles or more off the coast. And we're going to see if makes sense.

We're also going to compare it with importing wind from Upstate, New York. There's plenty of wind farms Upstate, New York. In fact, there's a bottleneck of wind. There's also a lot of Canadian hydropower. Is it going to be cheaper -- I don't want to put one against the other, but just for comparison purposes we can explore the cost of an offshore wind project versus importing renewables from Upstate or Canada through new transmission lines that would have to be built through the Catskills, through Westchester and lengthy, environmentally sensitive, may actually be easier and more efficient and cheaper to do an offshore wind. We're going to be looking at that.

But the end of the day, you know, I think we need to be exploring multiple options and seeing what makes the most sense, what we could afford at this point in time. The wind project, what you should be aware about wind too, wind and solar are viewed as intermittent sources of power, meaning if the sun ain't shining or the wind ain't blowing, it's not generating power. So the capacity factors for these projects are a lot lower than a base load power plant.

So trying to compare the cost versus one or the other, if one could operate 24 hours a day and one could only operate eight hours a day, certainly you can make the case that fossil fuels is definitely much more cost effective. But then you're not bringing into any consideration the ancillary benefits of no fossil fuels, no emissions and the positive impacts to our environment. So these are the things that's we're going to be looking at. Again, I'll be happy once we have the results -- we expect to have an RFP for that wind project out by July 1st. And once we have the results in, we'd be happy to come back and share the potential costs of projects like that with this committee.

LEG. CILMI:

Just one more question, not to belabor the discussion, I look forward to having future discussions with you, I guess, privately so we can talk about these issues in much greater depth. But how much money are we spending or how much money does it cost right now to fund LIPA's renewable energy programs annually?

MR. LAW:

In my 2010 budget, we have \$75 million in there for renewables and energy efficiency. Again -- we're doing rounding here. You know, my budget this year is really like 3.7 billion. So let's use four billion. Every \$40 million is 1%. So it's \$75 million or less than 2%.

LEG. CILMI:

So at that expense -- that's your total renewables and efficiency program. If I remember the numbers correctly when I looked at them, they were something like \$16 million a year on just the renewables portion of that program, does that make sense?

MR. LAW:

Yes.

LEG. CILMI:

To the benefit -- and we can argue this -- but to the benefit of 2500 customers at this point, we're spending \$16 million roughly annually. So my question is -- and I know you've just reduced the rebate schedule, right? That will continue to go down as the number of applicants or users increases, correct?

MR. LAW:

Correct.

LEG. CILMI:

At what point do you envision that zeroing out in terms of the number of customers that are utilizing the program?

MR. LAW:

It's a great question. The goal of the program was that eventually the LIPA rebate on the renewable side would phase out. We're not there yet. The Federal Government has stepped up with some healthy tax credits and the State Government has as well. But I think until the cost of the panels come down further, I don't see the LIPA going away any time soon.

LEG. CILMI:

Thank you.

MR. LAW:

I'll be happy to meet with you one on one to go over more LIPA, you know, information that I shared with this committee last year when I was here.

LEG. CILMI:

I appreciate it.

CHAIRMAN HORSLEY:

Good. Thank you very much, Legislator. Yes, Legislator Nowick.

LEG. NOWICK:

Not a question, just a comment from the people of the Town of Smithtown. I want to thank you guys for working together with the Smithtown School district with the solar panels. I know that helps the taxpayers, and I certainly appreciate it. Thank you.

CHAIRMAN HORSLEY:

Are there any further questions from the Legislators? If I may, just a quick follow up Legislator Lindsay's question. Is Indian Point going to make a difference if that should fail on the Grid situation here on the island? Are you going to be shipping up?

MR. LAW:

Indian Point accounts for 4000 megawatts in the City of New York. If that plant wasn't operating, I don't know how they're going to meet the capacity for the City of New York. You're talking about the water quality permit that was recently turned down. Yeah, that's certainly a challenge, you know, for the city. And to the extent they had to replace power, that nuclear power, with other sources of power, yes, at this point in time, that would have an impact because they'd have to go get that power from elsewhere. I don't think that extra capacity exists in the market right now, but it certainly wouldn't make a whole lot available for us to import.

CHAIRMAN HORSLEY:

There's no method in which we would be able to sell to them, would we?

MR. LAW:

You know, we could -- we don't -- again, we only generate enough -- we have generated for us what we need. You know, can we become a net exporter of energy?

CHAIRMAN HORSLEY:

Right. That was my question.

MR. LAW:

It's certainly possibly.

CHAIRMAN HORSLEY:

I think that's kind of interesting. That would be a switch of events.

MR. LAW:

There are times like -- the Cross Sound Cable is bi-directional. We sent power to Connecticut last year. And the New Jersey Cable, the Neptune Cable, we've been importing cheaper sources of power from that. But that's an interesting question. I'm glad you raised it too, because another issue out there, Newsday reported on it last week, DEC is requiring new permit conditions on the National Grid-owned plants for those who cool with the waters from the Long Island Sound.

CHAIRMAN HORSLEY:

That's right. Okay. I did read that.

MR. LAW:

There are, you know, reasons for their concerns; the impact on aquatic life. But we estimate that those costs will be several hundreds of million of dollars. And the way the agreements are with National Grid right now, any cost imposed on those Grid-owned plants, will be borne by LIPA customers. So what are we doing about that? We have a study going on right now, it's out at Shoreham. We're looking at the aquifer underneath the Long Island Sound. You know, it's not just aquifer under the Pine Barrens, the aquifer goes underneath the Long Island Sound. We're researching whether or not we could use the water from under the Sound to do the cooling from the Northport and Port Jeff Power Plants. That we think has a lot of potential. We're still in the R&D stage of it, so we don't have good information to share with you yet, but we're looking at that.

CHAIRMAN HORSLEY:

That's interesting. Thanks for enlightening us on that. Boy, how much -- 100 million did you say?

MR. LAW:

A couple hundred million.

CHAIRMAN HORSLEY:

A couple hundred of million. Wow. I want to get back at one point -- so we don't forget -- the double polls issue and the Verizon controversy. But Legislator Cilmi.

LEG. CILMI:

Last question, I promise. Kevin, where are we at nationally with the use of some of our traditional fossil fuels in terms of offshore drilling in this country, the use of national gas, clean coal technology? How far have we come in terms of making the exploration of those resources and the utilization of those resources more efficient and cleaner.

MR. LAW:

LIPA is not in that business. But we're certainly purchasers of it. We don't do any coal on Long Island, none of the plants on Long Island are burning coal. Most of the power plants on Long Island are dual-fuel capable, meaning they can burn oil or gas. We burn whatever is cheaper. And the last year and a half we've been burning up gas because gas is cheaper. In terms of -- President Obama recently declared he wants to make part of the East Coast outer continental shelf available for offshore drilling. That will go as high as Delaware, so it won't approach us. And I don't see it

happening up here. And, so, you know, who knows if there's potential there. So we'll take a look. And then trying to do things like clean coal, you know, you've got a big debate on that. It's an oxy moron some will say and there's no such thing as clean coal. Then you have the drilling for the Marcellus Shale, Upstate, New York, which is also very controversial. And you know, fortunately, you know, that is not my bailiwick or our responsibility. Those will be controversial issues, but we're going to continue to try to invest in more national gas plants and more renewable sources of power to meet our energy needs here on the Island.

CHAIRMAN HORSLEY:

Thank you. Again, it sounds like new plants that we're --

MR. LAW:

All repowered plants.

P.O. LINDSAY:

Just an observation. I mean, I worked on both Glenwood Landing and Barrett when they were coal burners. To convert them back to coal would -- I don't care how clean the coal is, handling coal is a mess. And the conversion factor would be hugely expensive.

MR. LAW:

Given our air ambient rating out here, DEC would never allow it.

CHAIRMAN HORSLEY:

Sounds like the oxy moron issue. Okay.

CHAIRMAN HORSLEY:

We have Verizon with the double-poles as well as Gershow.

MR. LAW:

I'm going to let Mike Kirby address the Verizon issue, and then I'll address the Gershow issue.

MR. KIRBY:

Thank you. At LIPA, we replace about 5000 poles a year. You could roughly say that half of those are in Suffolk County. I think it certainly makes sense to stand back and look at the overall problem and not just address, as could have been addressed, the poles on the County roads. Addressing the double-poles on the County Roads would, of course, just pushed the problem around a little bit. So it needs to be addressed on a more global basis.

I believe that Verizon has provided for you a commitment for certain rate of pole placement and has identified also in their backlog the number of poles that they've already identified. So there's work that can be worked right now and go ahead. To the extent that there needs to be improved communication, we can certainly work on that. But again, I think the issue is that there's work that can be worked now that looks to me like at that rate of replacement would take several years to work down the backlog. So we will certainly work with Verizon. Verizon is a partner with us in everything that we do.

A little known fact, Verizon replaced many, many poles during the last storm. We worked hand in hand with them. And their crews also were outstanding in replacing poles during the storm. But we will work with them in order to provide any information we can on the poles. I'm sure you're aware that oftentimes LIPA is the company that initiates the pole replacement. That's because it goes straight to our reliability. The phone line can come down or the cable line can come down and the phone and cable may still work, but when the electric line comes down, the electricity goes off. So that's what puts us in the position of being the lead of replacing the poles. We pass along that information to the utilities. There's a process set up through that that we have to reexamine on a periodic basis. We pass that information along. And the phone company is the last company often, they have the responsibility through our agreement to remove that pole.

We can step in and help with that if we are asked. And in fact, we have worked with some of the towns and villages. Just an example of what we might be willing to do, we worked with some of the towns and villages from time to time to replace their streetlights so the poles could be removed. So we will certainly explore our options with Verizon of maybe we can do some of that additional transfer work and move their cables off to help this along so that we could do the removal in one move, in one crew trip out there. We're certainly aware of the problem. And we'll do everything that we can to help to decrease this backlog.

CHAIRMAN HORSLEY:

Thank you very much. I hope that goes a long way to solving the problem. I just wanted to emphasize though to talk to Tracey Edwards, because she made a very pointed -- and I -- and I asked it explicitly -- do you -- you know, what is the problem. And she felt one of the main problems was the lack of communication, that you guys aren't working together. And even if you believe that you are working well together, she doesn't. So maybe we could find out why there is a difference of opinion.

MR. KIRBY:

Well taken. And we'll certainly meet with her directly. But I will point out that Verizon has identified, I believe, 11,000 poles in the backlog. So there certainly are at least 11,000 poles we've communicated on that could be addresses in an orderly manner.

CHAIRMAN HORSLEY:

Okay. Again, please, be in touch, let us know how you make out and stuff like that. It would really be appreciated, because we're with this issue as a Legislature. You know, we've got legislation in front of us. Do we put them on a numbers basis? You know, that's where the 250 per month comes into play. And she -- last month she did over 600. So we know that she could do more than 250. You know, just how long can she sustain it with employees available and that kind of stuff. So, please, you know, we'd like to know and we'd like to know your side of it as the days go on. Thank you, Mike. Okay. Gershow.

MR. LAW:

We received all your letters on Gershow, you got my responses. And I don't accept the premise of the speakers, you know, statements that it's stalemate and nothing's been happening. We have worked with them for the past year and a half on this project. And like everything, there's two sides to the story. In fact, we have another meeting with them on Friday. They've got lawyers involved, we've got our lawyers involved. They keep on switching their plans. Remember, they were the pariah in the community, no politician wanted to work with them, you know, a few years ago. And now everybody is trying to help them out. At the end of the day, there are certainly good benefits to bringing them online; you know, helping the air quality in the area.

But too, from our perspective, this is not a type of use -- yeah, it will generate revenues, but it's not a type of use we're dying to have because it puts a tax on our system. Think of a roller coaster, when they start up the roller coaster and they shut it down and then a few minutes later they start up the roller coaster again, use a whole lot of power, and puts a big tax on the system. And we like more steady uses of power that's much more -- you know, it's easier on the system. But we will deal with that. We have to make sure the system is upgraded enough to handle the type of quick extensive energy demands that they're going to place on the system.

Number two, as you know, Legislator Cilmi, you know, mentioned before, they're trying to shift as much cost to us, we're trying to make them pay their fair cost. And any cost that we incur means everyone incurs. So there's a negotiation going on back and forth. We've been working with them. We've had plenty of meetings. I remain optimistic that we'll eventually get it done. They just came to us last week with a new proposal which could take more time. So we're working with them, and we will continue to work with them. Ultimately, I remain optimistic that we'll get this thing done

soon.

CHAIRMAN HORSLEY:

Thank you. I think we'll just leave that at that. I know we haven't asked you about the storm. And we have been -- I'm surprised that no comments came up. My personal comment is that I think you did a pretty good job. Even though you were a little worried that we were going to come in and comment negatively. The one comment I did have that came from a fire department, from some of our volunteer services, there have been some concerns about the field survey crews using unmarked cars. It is possible for visibility and safety concerns that cars working a scene to be marked to help our first responders know who are LIPA employees and who are not? That came from {Avalese}, and that was sent to us. Apparently, the National Grid, they're using their personal cars and they're arriving at the scenes and no one knows who they are until they start flashing badges. And it's apparently causing disruption.

MR. LAW:

Wayne, I'll have Mike handle that aspect of it. But let me just address the storm itself in general. You know, in terms of outages, this was the fifth worst storm in Long Island's history. We had lost almost 270,000 customers, that's one in five. This was, while not in hurricane season, in March we weren't, but this was hurricane-force winds. And this would have been easily a Hurricane 1, with some winds, because we had poles snapped in half at the top, which would indicate the winds were even higher up top that could have approached Hurricane Level 2 strength.

And we were able -- and again, this was not just a Long Island event, this was a Northeast; New Jersey, New York City and Connecticut event. And while I feel for all of those who were out of power for a few days, we got the lights on 24 to 48 hours quicker than the surrounding metropolitan, you know, region. So we got walloped. We were more than prepared for what was forecasted. What happened was the hurricane-strength winds were not forecasted. But once they were, we we had, by the end of the first day, 80% of the customers restored. By Monday morning, we lost 91 schools, 80 of them opened for business Monday morning. Only 11 missed one day. The Long Island Railroad operated normally for rush hour by Monday morning. They're our largest customer. Every hospital, nursing home was done, open and up and running by Sunday night.

So we prioritized, we got all of our major, major accounts, critical care customers who are those depend upon LIPA for life-sustaining equipment at home. So, you know, we really did do, you know, a good job in terms of getting the lights back on as quickly as we can. But there are some things that, you know, we can do better, and we've identified some of them already. And we've already taken steps. One, there are so many villages, especially in Nassau County, we need to do a better job communicating with the villages. We communicate with the County Executives and the counties because we take our lead from the counties. The counties are in charge. We're not hurricane central, LIPA. We have to take our lead from the counties and the emergency operation centers. They take their lead from SEMO, State Emergency Management Office.

So we coordinate with them and we coordinate with a lot of the Town Supervisors. But a lot of the village mayors are part time. You know, they have other jobs, and so, we're working on ways to do better coordination with the villages as well as all the Highway Superintendents. So we can make sure that we're sending out crews out when they're sending their crews out so if there's trees blocking the road with wires wrapped around them -- you know, if we could become more efficient by sending our crews out at the same time.

So there are some things like that. And also in terms of communication, we take away -- and I've already directed our staff to begin a process where we could collect the cellphone numbers of all our customers so we can text them information, because a lot of people now have their phone on Cablevision, and if they lose electricity, they're losing their phone service. And so being able to do reverse 911 calls and things like that don't really help them if they don't have phone access. So we're looking at ways we can do better communications with cellphones and texting information. So while we did a lot of good things and did a lot of things well, there are things that we could do

better. And we're working on them, and hopefully, we'll have them in place as we enter into the hurricane season for 2010. So thanks for your comments relating to the storm. And as for the particular issue with the fire department, I'm going to put that to Mike Kirby.

MR. KIRBY:

First of all, your observation, I've heard it before in the last week and it certainly is valid. Let me give out a little bit of background on storms also. Normal storms that we have here on Long Island, we restore power in about 130 to 140 minutes on average for the average customer, some are longer obviously and some are shorter. The rest of the state utilities restore, on a sunny day, not a storm day, about 180 to 190 minutes. So we're a good hour shorter on a storm than the rest utilities are on a sunny day. So we have a pretty good organization of several hundred people who come out and do this restoration normally.

For this very large type of storm such as we experienced on the 13th, we are able to ramp up our staffing by going through all of the available lineman and serviceman, other field forces, contractors that are available to us requesting mutual aid. But one of things that we also do is that we basically enlist every employee at National Grid who had a second assignment, a storm assignment. And they're trained once a year on that assignment. One of those groups that you heard the story about is going out and survey ore ven perhaps relieving a police or fire department from watching a wire down. And since it's not part of the normal operation, we do ask them to go out in their employee vehicles. They have signs on their cars that say "LIPA Survey Team" on them for the most part.

We found that we were under equipped with some of those signs with the amount that we ramped up this particular storm. They do have companies ID on them and can take whoever the incident commander at the site is and talk with them and certainly help out with communications on the site there. As I've indicated before, perhaps relieving a fire or department Police Department from standing by on a wore down. We have identified this. I should back up and say in this particular storm, we had just under 4000 total deployed. If you remember, I mentioned on a normal storm it's several hundred. We ramped up to almost 4000 by the time we called in all sorts of contractors from out-of-state and mutual aid from upstate and other states.

So it turned into a tremendously large operation. We had several hundred engineers; this is anywhere from engineers to lawyers to office workers doing this survey-type of work. And one of the things that we -- that we went to do after the storm if we've gone to every one of these employees and collected their impressions on what could have done better. The particular issue that you brought up came out loud and clear among those employees. They also felt that we could have done better from a safety aspect from their personal safety and site safety. So we are looking at ways to address that; whether that's different markings, whether that's portable barricades and barriers, whether it's communicating with DPW and coordinating with DPW on barriers. We don't know the answer to that, but it is something we have already identified and plan to address as we look at corrective action we can take.

CHAIRMAN HORSLEY:

Thank you, Mike. I appreciate that. All right. Are there any further questions for the team? I want to thank you. Sometime we're going to talk about the board maybe, Kevin, and my public advocate questions that I threw out to poke at you a little bit to see how that can go.

MR. LAW:

Wayne, again, you know, we are regulated by a 15 member board, our Board of Trustees, they're all LIPA customers. None of them serve without any compensation, a mix of people from Nassau and Suffolk, businessmen and women, and, you know, civic types. And, you know, always happy to listen. You know, always feel free. Please, we'll come here when you need us. We don't need legislation to direct LIPA to come to you, you guys just pick up the phone and I'll be here.

CHAIRMAN HORSLEY:

Thank you very much. We appreciate you coming down. Thank you, guys. All right. We are going

to move to the agenda. We're going to run through these I hope pretty quick.

1147, Dedicating the revenue generated by the County's lease with Eastern Long Island Solar Project. (Romaine)

I'll make a motion to table. Can I get a second on the motion? Second by Legislator Nowick. All in favor? Opposed? So moved. **TABLED (VOTE:4-0-0-1 - Not Present - Legislator Steve Stern).**

1159, Appointing William C. Goggins to the Suffolk County Community College Board of Trustees. (Romaine)

I'll make a motion to table.

LEG. MONTANO:

Subject to call.

CHAIRMAN HORSLEY:

Subject to call. Okay. Subject to call. Do you want to make that motion, Mr. Montano?

LEG. MONTANO:

Yeah.

LEG. HORSLEY:

Okay. Made by Mr. Montano, I'll second the motion. All in favor? Opposed? So moved. **TABLED SUBJECT TO CALL (VOTE:4-0-0-1 - Not Present - Legislator Steve Stern).**

1190, Adopting Local Law No. -2010, A Local Law to strengthen tourism promotion in Suffolk County, (Schneiderman)

CHAIRMAN HORSLEY:

I understood -- is this the one that Legislator Schneiderman was going to come down to talk to us about? Has he reached to you guys at all?

LEG. CILMI:

He's reached out to me, I haven't been able to get back to him yet though.

CHAIRMAN HORSLEY:

I see.

LEG. NOWICK:

Motion to table.

LEG. MONTANO:

Second.

CHAIRMAN HORSLEY:

Okay. There's a motion on the floor by Legislator Nowick and seconded by Legislator Montano. All in favor? Opposed? So moved. **TABLED (VOTE:4-0-0-1 - Not Present - Legislator Steve Stern).**

1303, To appoint Lyn Boland as a member of the Suffolk County Citizens Advisory Board for the Arts. (Viloria-Fisher)

Is this a reappointment? It's a new appointment. Is Lyn here by chance?

LEG. MONTANO:

Question. Is this an appointment that's made by the Legislator by district?

CHAIRMAN HORSLEY:

I don't believe so.

LEG. MONTANO:

I thought it was.

MR. NOLAN:

I don't believe it's by district, but the individual members of the Legislature can move to appoint somebody to this particular board. This is to replace somebody who is serving in a holdover capacity.

CHAIRMAN HORSLEY:

Carolyn, do you know anything about her?

MS. FAHEY:

It's a Legislative appointment.

LEG. HORSLEY:

Well, since she is not here, you're making a motion to table until we do -- maybe she'll be down on Tuesday. Brian, maybe we should reach out and see if we can find her and maybe get her down here on Tuesday. Motion to table, seconded by Legislator Cilmi. All in favor? Opposed? So moved.

TABLED (VOTE:4-0-0-1 - Not Present - Legislator Steve Stern).

1347, To reappoint Ronan Mulvey as a member of the Suffolk County Citizens Advisory Board for the Arts. (Muratore)

That's a reappointment. Okay. I'll make a motion to approve, seconded by Legislator Cilmi. All in favor? Opposed? So moved. **APPROVED. (VOTE: 5-0-0-0).**

What we're going to do, Brian, is invite her down to the next committee meeting instead.

1361, Authorizing 2010 funding for the Suffolk County Cultural Arts Community Re-grant Program. (Co. Exec.)

Carolyn, do you have anything you want to --

MS. FAHEY:

Any questions?

CHAIRMAN HORSLEY:

Are there any questions involving the regrant program? Make a motion to approve by Legislator Nowick, seconded by Legislator Stern. Welcome back. All in favor? Opposed? So moved.

APPROVED (VOTE: 5-0-0-0).

1365, Amending Resolution No. 965-2009, establishing a Local Home Energy Efficiency Task Force. (Viloria-Fisher).

Any thoughts on this? Motion to approve?

LEG. MONTANO:

I have a question.

CHAIRMAN HORSLEY:

Sure. I'll make a motion to approve, is there a second on the motion? Legislator Stern seconds the

motion. And move to Legislator Montano for comment.

LEG. MONTANO:

I read the bill. It adds two members to the task force. My question is, this task force, what is it -- is it a task force that submits reports? Is it a perpetual task force?

MR. NOLAN:

I'll pull up the original resolution. I doubt that it's a perpetual task force. It probably is going to issue a report, but I'll pull up the resolution if you'd like me to.

LEG. MONTANO:

Well, if it's going to issue a report, then I don't have a problem with it. If they want two new members, that's fine with me.

LEG. CILMI:

It's a new task force.

LEG. NOWICK:

Is it new or are they just adding to it?

LEG. MONTANO:

No, they're adding two members -- let me pull it up again.

LEG. CILMI:

It says establishing a local Home Energy Efficiency Task Force.

LEG. MONTANO:

Amending. Amending Resolution. Apparently there's -- when is the Commissioner of Consumer Affairs -- that's a new member. And the one is a representative of a public utility to be selected by the Presiding Officer of the Suffolk County Legislature. I'm just wondering what the task force does, and is this going -- you know, is it a continual task force? Or are we going to get something from them? It's not critical. If you want to pass it, I'm not going to oppose it.

MR. NOLAN:

The task force is to issue a written report, and they are set to expire December 31st, 2010.

CHAIRMAN HORSLEY:

All right. There's a motion on the floor to approve. All in favor? Opposed? So moved. **APPROVED (VOTE: 5-0-0-0)**.

1366, Adopting Local Law No. -2010, A Local Law to maximize promotion of tourism in Suffolk County. (Schneiderman)

I think that has to have a public hearing, so I'll make a motion to table, seconded by Legislator Stern. All in favor? Opposed? It has been **TABLED (VOTE: 5-0-0-0)**.

All right. The meeting has been adjourned. Thank you very much for attending. It was a good time. It was a good meeting though.

(*THE MEETING WAS ADJOURNED AT 4:07 P.M.*)

{ } DENOTES BEING SPELLED PHONETICALLY