

ECONOMIC DEVELOPMENT AND ENERGY COMMITTEE
OF THE
SUFFOLK COUNTY LEGISLATURE
MINUTES

A meeting of the Economic Development and Energy Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, 725 Veterans Memorial Highway, Smithtown, New York, on November 28, 2012.

Members Present:

Legislator Horsley - Chairman/ Deputy Presiding Officer
Legislator Stern - Vice-Chair
Legislator Cilmi
Legislator Gregory
Legislator Nowick

Also In Attendance:

George Nolan - Counsel to the Legislature
Legislator John Kennedy - 12th Legislative District
Terry Pearsall - Chief of Staff/Legislature
Tom Vaughn - County Executive's Office
Robert Lipp - Deputy Director - Budget Review Office
Michael Pitcher - Aide to Presiding Officer Lindsay
Paul Perillie - Aide to Legislator Gregory
Greg Moran - Aide to Legislator Nowick
Maria Barbara - Aide to Legislator Tom Cilmi
Bill Schilling - Deputy Clerk/Legislature
Dr. Matthew Cordaro - LIPA Oversight Committee
Rick Brand - Newsday
All Other Interested Parties

Minutes Taken and Transcribed By:

Gabrielle Skolom - Court Stenographer

(*The meeting was called to order at 2:10 p.m.)

CHAIRMAN HORSLEY:

Good afternoon, everybody, and welcome to the Economic Development and Energy Committee of November 28. May we all stand for the pledge.

(Pledge of Allegiance)

May we all stand for a moment of silence for those men and women who protect our freedoms both home and abroad.

(Moment of silence observed)

All right. Welcome, everybody. This is -- we have a -- we don't have a long agenda today at all, but what I wanted to do, because of all of the issues relating to LIPA and the pending actions by the governor, that we invite down just for a quick overview of where we're at with our LIPA Oversight Committee and see if we can get some words on where they believe we should be going, what actions the County should be taking, those types of questions.

With that, I have invited Matt Cordaro, my good friend -- Dr. Matt Cordaro, who is formerly with LILCO, formerly with universities, at Dowling and CW Post, and has got a history as long as my sleeve on energy issues and frequently quoted in Newsday about LIPA matters, and so I just wanted to ask Matt if he would come on up. I don't have any cards, right? Matt, why don't you take a seat?

All right, Matt. Welcome, and so much has gone on since the last time we've talked concerning LIPA from Sandy to the issues relating to the LIPA board or the lack of actions taken by the Board, the vacancies and the like, and we just wanted to get your take on where we should be at as a County and maybe give us a little update on what you're thinking as related to LIPA and our energy services.

DR. CORDARO:

Well, thank you very much for inviting me. I will try to be very brief. I was planning to cover the storm initially to give you some highlights on the storm and some of the problems at LIPA evident from the storm which reflect on all the issues that you just outlined. I think I need to start out by saying, obviously, Sandy was a very devastating weather event. There were many, many outages and a lot of confusion. There is still some question on the numbers, how many people were out initially and the rate of restoration and how many people are actually out today.

CHAIRMAN HORSLEY:

Absolutely.

DR. CORDARO:

And there still are people out today, not only those who can't accept electric service, but there are those who have never had power as a result of the storm and are capable of accepting electric service. Fortunately, those numbers are in the hundreds rather than the thousands at this point in time, but it's still sad testimony that a storm occurring weeks ago still has people without power.

LEG. CILMI:

They're not still having their twice-a-day municipal update call, are they?

CHAIRMAN HORSLEY:

I haven't gotten that phone call yet, the last couple days, anyway.

DR. CORDARO:

No, but you can follow it if you go to their website and look at the outages on the outage map, you can follow the numbers, and it vacillates quite a lot. A few evenings ago, I was looking at it in the afternoon, and it showed 400 outages. I looked at it two or three hours later, and it had 9,000. They suddenly included Long Beach, a good chunk of Long Beach that was available to receive power. But there seems to be a constant level of about 3 to 400 outages each and every day, although the number of jobs go down, which means that they are doing a lot more work to install a few customers, or a few customers at a time. This is the real drudgery of storm restoration work when you get down to the numbers at the end because those customers, it takes a lot of effort to restore just one customer where in the initial phases of the storm, a certain amount of effort would restore hundreds or thousands of customers, but you don't see that at the tail-end of a storm.

I think it needs to be said, in all fairness, that this was a storm that would have given any utility a challenge, the best utility in the country. However, I think LIPA fell short of providing a service that we need and we should be receiving from our local utility, and it was not acceptable. I think the root of the problem, before we get to specifics, is the structure of LIPA itself, how it's organized, which is unlike the structure of any utility, public utility in the country like LIPA. It depends on a major, for-profit major outside contractor to actually operate the system. And what this does, especially in a storm, it sets the stage for things like confusion, accountability, who's responsible for what and communications, both internal and external.

As I said in the past, LIPA -- and we've discussed quite extensively at the LIPA Oversight Committee. LIPA should be organized, like the other successful 2,000 other public utilities in the nation, namely as a full service municipal utility that performs all of its functions inhouse, does not rely on outside contractors and is organized like these 2,000 other full service municipalities.

If indeed it was structured in this way, it would have control of its operations like these other utilities also have full accountability. There would be no confusion about who's responsible for what and no finger pointing per se. It's interesting to note that the 2,000 other public utilities organized in this way throughout the country have reputations for very cheap rates, extremely reliable service and very high customer satisfaction, all things that we don't see at LIPA or not mentioned when we start discussing LIPA.

Beyond it, this flawed organization, of course, there's some very specific failings that were evident during Sandy and exhibit or reflect many of the things, many of the shortcomings, which are evident from past experience, other storms; one that comes to mind is Irene in particular. Much of what these deficiencies are appear in an audit report. Following Irene, the governor called for a full investigation of LIPA's performance in Irene and ordered the PSE to retain a consultant to review LIPA's performance during Irene, and they did so. They hired Vantage Consultants to come in and look at how LIPA dealt with Irene, and, lo and behold, they found many of the things which we have come to know as being deficiencies at LIPA in dealing with storms, and came up with over a hundred recommendations on how LIPA should deal with storms. Very broadly characterized as far as the shortcomings, communications was one of the big ones in conjunction with an antiquated outage management system. I could tell you the outage management system in part, I used back in the 80s. It will give you an idea how old it was, and it was a mainframe-based system when I was at LILCO.

They also noted that LIPA's storm hardening activities and tree-trimming efforts were not up to industry standards. Now these were part of the reasons why things were so badly executed during Irene, and they also are the major reasons, without getting into a lot of detail, the major reasons for the performance problems that we saw during Sandy. In the communications area, LIPA legitimately tried to deal with communications and improvements communications after Irene and definitely following the Vantage report. The problem was they relied too much on trying to take

advantage of social networking systems and text messages and things like that to establish community -- communication links with the outside public. What they failed to do, however, or failed to recognize adequately is that these communication links, whether they work or not -- and in fact, there were troubles with these communication links during the storm. But if you don't have any information to communicate, it does no good, even if these systems perform 100 percent.

And one of the main reasons for the failure in communications and not having information was the faulty old outage management system, which I referred to just a moment ago. This was noted by a consultant to LIPA back in 2006, and that consultant made a recommendation that the outage management system be updated, but LIPA didn't. There's an argument whether LIPA ignored it or it just hadn't gotten around to finishing the job. But in any event, they didn't act on it promptly enough and didn't give it the priority it needed so that they would be fully prepared during the storm. As a result, not having a functioning -- an accurate functioning outage management system, there was no accurate information on the extent of the outages and there was difficulty in managing the restoration process itself, and it's why the numbers of outages and the pace of restoration was very questionable, the numbers that were released throughout storm.

The old system was eventually scrapped in the middle of the storm when it was obvious when it wasn't working, and the absence of that system and a better system that can perform the same function became a real problem when LIPA attempted to manage the 14,000 outside workers that were brought on to the Long Island -- to work the storm, especially from the standpoint of deploying those workers and providing assignments to keep those workers productive. As I mentioned a moment ago, the other major area in the Vantage report, the PSE review or areas were storm hardening and tree trimming, and these were problems noted in Irene and essentially problems which carried over which reflected or highlighted how severe these problems could be in Sandy. Usually in major utility storms, in the first two days utilities are able to bring back 40 to 50 percent of their customers very quickly. And the reason for that is they can repair -- they repair substations and transmissions that serve many customers, the bulk of the customers, and by repairing the systems, they can bring back the largest number of customers in the shortest amount of time. And this is usually characteristic of major storms and utilities restoration.

This wasn't the case in Sandy. It took many, many days to repair the substations and clear away trees, and this was reflective of what the Vantage people had seen in observing what LIPA was doing with respect to Irene and the programs it had in place for storm hardening and tree trimming. In fact, the exact words in the Vantage report were that LIPA's storm hardening programs and activities and tree trimming were not up to industry standards and I believe that's almost exactly the words.

Now, this hurt LIPA significantly in being able to restore the damage quickly or make significant progress, because usually, as I said, the restoration curve has a significant drop in the first two days, and then it sort of trails on for a long period of time. But that whole restoration curve was shifted in time to where it took a much longer period and much more effort for LIPA to get to a point where they should have been days before in the initial phases of the storm. And it was evidence that indeed something was wrong with their storm hardening activities and maintenance work where they had such significant damage of these facilities and they were not able to repair it in very short order and bring back large numbers of customers. And, in fact, there's still customers out today from Sandy, as we discussed earlier.

Now, obviously I can go into much more detail, but we have limited time here. There will be much more said about Sandy -- Sandy. There are many investigations underway initiated by the governor and others that will be completed and which will surface a lot more information. Nevertheless, I believe -- and the things I have mentioned and had discussed with you, I have touched on major factors for LIPA's problem with Sandy. The governor already has said he has

problems with LIPA and is considering alternatives with respect to its organization and the nature of its operation. I hope those alternatives that the governor is looking at include transforming the authority into a full service municipal utility like the 2,000 other public utilities in the country like LIPA who function so well, because I believe LIPA's existing structure is the fundamental reason why LIPA struggles today and has failed. It really, in effect, is the only realistic alternative before LIPA; wouldn't require legislation per se; could be done under the existing statute. There might be some administrative tweaks necessary. All that's required is for Albany to bless a movement in that direction. In fact, in LIPA's restructuring study that was carried out during the past year, they did review the full service municipal alternative along with other structures. They ruled out privatization, which I think was a good thing. You really can't afford to privatize LIPA. Your customers can't afford it. I'm basically, having started off at LILCO, a private utility oriented in that direction. However, I have had a view of public utilities because I have been a CEO of a public utility, 10th largest public utility in the country, so I've seen it from both sides of the table.

In this particular situation, when you look at the extent of debt -- LIPA's debt obligations mount to over \$11 billion when you include capital leases in that equation. You really can't -- bringing in a private entity, you would have to refinance the debit based on taxable debt and would also require return on investment and have to pay income taxes, it would make the price of electricity on Long Island so high and challenge ratepayers who now pay among the highest rates in the country. With that, I'll end and offer myself for any questions you may have.

CHAIRMAN HORSLEY:

Thank you very much, Matt. It's appreciated, and let me just first state that I'd like to thank you personally as well as the other members, Peter and -- of the Oversight Board for the Legislature. You guys have done a yeoman's job, and sometimes no one is paying attention to you, and at other times everyone is paying attention to you. So I wanted to just thank you very much for your role in helping the County. It's good stuff.

I do have a couple quick questions. One of them, let me go first to the storm itself. One of things that I recall as a major issue about the hardening of the substations, and, frankly, they apparently did not account for water in that hardening process. I guess the wind and the blowing and all that kind of stuff seemed to be taken care of, but the reality was is that the guys didn't get out in the streets because they are working on the substations for almost, it seemed like a week before we actually saw vehicles out in the street. That hardening seemed to be faulty, at best. I mean, I don't understand how that could not have been taken into account, the fact that we could have had major flooding in relation to a hurricane, particularly on an island. Can you comment on that? It just seemed to me that that was just so bad.

DR. CORDARO:

Well, I was under the impression that flooding was one of their paramount concerns in some of the hardening activities.

CHAIRMAN HORSLEY:

I would have thought so, too.

DR. CORDARO:

I attend the LIPA board meetings on a routine basis, and there were reports about storm hardening, and I've also had discussions with LIPA people, and I know it was their intention --

CHAIRMAN HORSLEY:

But specifically to the substations, that seemed to be their -- that was their major focus after the northeaster and Irene, et cetera.

DR. CORDARO:

Yes, and there were some glowing reports in the progress they were making in storm-hardening activities. There was a presentation by their vice president of transmission on -- I think it was in the spring of last year following Irene -- presenting a report which sort of praised what they were doing in storm hardening and indicated that they were doing a good job and the program was up to date and they were making a significant amount of progress. So that's why I was as surprised as anyone with extent of damage to the substation and much of that damage being wind damage. Now, there was also physical damage to the substation, and this was part of the hardening process. That had to be anticipated where a substation was vulnerable and exposed to physical damage. Fixes had to take place, maybe new exits or trimming back trees or elevating the elevation itself of the substation. All these things were things that were discussed. The Vantage report picked that up. I mean, in their review of what LIPA had done and how they performed in Irene, they highlighted the fact that the storm hardening effort was not up to industry standards. And so, obviously, there was -- something fell through the cracks, and in large part, I think this is because again -- because of the nature of the organization and the division of responsibility between National Grid, who is LIPA's major contractor, and LIPA itself and communication problems, budget competition for expenditure of the limited sources of money to perform these operations. So I was very much surprised. I had some notion about it because of what Vantage had done. Now, we as a LIPA Oversight Committee --

CHAIRMAN HORSLEY:

It was discussed here in front of us when we had board members come and say, "Our primary focus is going to make sure that the substations were hardened and that they could withstand the storm," and, frankly, we didn't see the trucks out in the street for a week after. Why? And the excuse was they were at the substations. So to me it was a glorious failure, and it alarmed me that they just couldn't get that part right because it so affected the regular folks in getting any sort of relief.

DR. CORDARO:

That was a major reason and a problem with the storm and why it took so long for restoration, because before you can do anything down the chain to get to individual customers, you have got to repair the substations and transmission, the major distribution points and collection points for the energy that comes from the power plants that is ultimately distributed. I was surprised to again see the extent of the damage. Now, the argument will be -- I will tell you what the defense is -- the storm was so severe, anything we did would have been defeated. I don't buy it.

CHAIRMAN HORSLEY:

I don't, either.

DR. CORDARO:

It's your responsibility when you're the utility. It's your responsibility to take what measures you need to take to provide reliable service and provide service even under very challenging circumstances like the storm. If you don't succeed or you fail in that, you haven't done your job, especially when you're collecting among the highest rates in the country.

CHAIRMAN HORSLEY:

Thank you, Matt. I appreciate, you know -- because it was a frustrating matter to me. When we were having those conversations with the -- with Ms. Levy-Burgess -- is that her name?

LEG. CILMI:

Tracy Burgess-Levy.

CHAIRMAN HORSLEY:

Tracy Burgess-Levy. She goes, "Oh, they're at the substations. You'll see the trucks soon," and that seemed to be the refrain, and, well, we didn't.

I wanted to ask another question, and let me go to the structure of LIPA itself. There's been talk, maybe, that the New York Power Authority would grow in importance to the Long Island region. Maybe LIPA will go away, NYPA will take over a lot of their duties as the go-between between our power company and the like. I worry about that, with that structure, if NYPA does take over the duties of LIPA that we lose local control. I'm concerned about that, and the fact is, unless there are mitigating circumstances, you know, and what we could be offered to -- for increased role of NYPA. If the 9 -- you say 11 billion; I thought it was at 9, and I thought I was high. Nine billion to \$11 billion worth of debt that LIPA has is spread across the entire State of New York. That might be something we could live with for Albany management. There's a lot of other issues that I'm not sure is in our direct interest to having it run so far away. Do you have any thoughts on that.

DR. CORDARO:

Yes. First of all, the benefits of public power -- the most significant benefit is local control, and people close to home, and that's what's shared among the 2,000 public utilities throughout the country. I think the notion of utilizing NYPA is misleading and not appropriate.

CHAIRMAN HORSLEY:

Matt, can I interrupt just one second?

DR. CORDARO:

Sure.

CHAIRMAN HORSLEY:

Also the other thing, maybe, there might be a mitigating a circumstance if we could get low cost hydropower. Throw that into the mix as well.

DR. CORDARO:

All that low cost hydropower is spoken for already.

CHAIRMAN HORSLEY:

Come on.

DR. CORDARO:

So that's the problem with that. That's always been the case.

CHAIRMAN HORSLEY:

Go, Long Island.

DR. CORDARO:

But NYPA is an excellent wholesale provider of electricity. It's one of the better authorities, public wholesale authorities in the country, and I have worked with them in the past in some of my other positions that I have held. I have worked very closely with NYPA. But NYPA has no experience in running a retail utility. They could help with power plants, perhaps, and power plant issues, but from the standpoint of a day-to-day operation of a retail utility, NYPA almost starts off with little or no experience in running a retail business. That's a misguided hope. Now, if they could come in and spread that \$11 billion in debt throughout the State, that would be like looking a gift horse in the mouth.

CHAIRMAN HORSLEY:

That was my point.

DR. CORDARO:

So you'd have to welcome them with open arms. But knowing the politics of NYPA and how I have seen them function in the State, and how the upstate people view NYPA as their own and are reluctant to share the benefits associated with NYPA running a very low-cost wholesale power system upstate, there would be tremendous opposition to anything like that, where NYPA would actually absorb debt and try to spread it out over the State, so politically and functionally, I think that would be a significant problem.

CHAIRMAN HORSLEY:

You don't see it.

DR. CORDARO:

Now, I do see some advantage in NYSERDA taking over some of LIPA's day-to-day functions in the renewable and energy efficiency area. NYSERDA does that for the State. It collects a system benefit charge from the private utilities and utilizes the monies that it gets through that to conduct some very aggressive and progressive renewable energy programs and energy efficiency programs. So there might be some benefit in having NYSERDA step in and provide some assistance in this regard, because LIPA does have a very aggressive renewable energy and energy efficiency program, very aggressive, and I don't fault them for that. I view renewables and efficiency as an essential part of the energy picture and solutions to our energy problems in time. But those programs are quite expensive. Those alternatives are quite expensive. We have among the highest rates in the country. It might be more appropriate and less of a distraction because LIPA's primary mission should be to provide reliable, cost-effective, cheap electricity for its customers on Long Island. Everything should be geared to that and focused on that. Renewables and energy efficiency are good things and they are essential, but perhaps LIPA's a little bit too distracted with that and should focus more attention on its primary mission.

CHAIRMAN HORSLEY:

So what you are saying is reliable, cost effective -- what was the other?

LEG. NOWICK:

Efficient.

DR. CORDARO:

Cheap.

CHAIRMAN HORSLEY:

Efficient. Cheap. I'm not sure they are meeting their mission.

LEG. STERN:

0 for 4.

DR. CORDARO:

I got to say, in their defense somewhat, it's a tough mission. It's a tough job.

CHAIRMAN HORSLEY:

I understand. Granted. I absolutely agree. Legislator Gregory, you had a question, and then to Legislator Cilmi.

LEG. GREGORY:

Thank you, Mr. Chair, and thank you, Mr. Cordaro, for being here today. I'm not all that knowledgeable about the utility industry, so I have some basic questions. LIPA has about 1.1 million customers or?

DR. CORDARO:

Yes, that's correct.

LEG. GREGORY:

Okay. And about 90 percent of their customers were out of service during the storm or the height of the storm or after the storm?

DR. CORDARO:

If you believe the number. I questioned that number from day one just doing my back-of-the-envelope calculations. I'll give them this: There are a lot of people who are without power. Whether it is 950, whether it was 800,000, or whether it was a million, I'm not sure at this point, especially with the mechanisms they had to be able to determine that number.

LEG. GREGORY:

Okay. Because of their, I guess, their size of their customer base, how does that fit in with other utilities across the country? You mentioned there are 2,000 utility companies.

DR. CORDARO:

Yes. As far as public power, there are 2,000 public power, government-owned utilities, and LIPA is probably number two.

LEG. GREGORY:

As far as size?

DR. CORDARO:

As far as size. Public utilities are traditionally classically small in size. Los Angeles is somewhat bigger in scope than -- that's the largest in the country.

LEG. GREGORY:

Okay. So I would think just because of their size, that would present the unique challenge of some sorts to -- logistically. Doesn't excuse performance but it certainly, I think in that way they face different challenges that other public utilities don't face; would you agree?

DR. CORDARO:

In the public utility vein, but you've got to remember that you've got private utilities. You have got ConEd, our immediate neighbor to the west, which has 8,000,000 customers or maybe eight times the size of LIPA, so there are many larger utilities in the country who also had to deal with this storm and react to the storm. PSE&G, who will step in as a the contractor at some point in 2014 and replace National Grid, has a very large utility in New Jersey and that's many times the size of LIPA also.

LEG. GREGORY:

Now you had mentioned that there was a study and something average of two days, power's back up. Is that, I guess, given the size, is there apples-to-apples comparison where other utilities in a similar circumstance perform better given a storm and not just a blackout or some other event that may have happened?

DR. CORDARO:

Yeah. First of all, I don't want to mislead you. I wasn't talking about repairing all that damage in two days. I tried to lead you through what the process is and what the rate of restoration is, and usually you get the most people back percentage-wise of your customers who are out in those first two to three days because of the ability to repair substations and transmission systems which had many people hooked up to them. Now, the two-to-three day range for 40 to 50 percent restored is a classic number which comes out of the history of many, many storms dealt with throughout the country. I have been involved in my 40 years in maybe 30 of these, and this is the pattern that I personally witnessed that most of those in the industry have. So in saying the LIPA performance was somewhat lacking and atypical because of the fact that they didn't bring many people back in those initial stages of the storm is not, you know, an apples-to-oranges comparison. It's pretty much a fair apples-to-apples type comparison.

LEG. GREGORY:

Okay. I remember, you know, we had a special meeting, and you had the upper executives from LIPA, they came here and they sat at the dais you're sitting at, and one of the problems that I know Legislator Horsley had mentioned, the hardening of the stations. But one of the main things I've still got on my mind was just the communications. They said, "We're going to improve our communications, we're going to improve our communications." I think they've made an effort, but I wasn't really happy with the communications. I know you had County Executive Mangano who called for the military to take over the operations. I don't necessarily agree with that, but I think someone with a military background would certainly be of use, particularly when it comes to communications and logistics, because that's just what the military is. So I say that just to put that out there.

But what is your assessment of the communications? My assessment is, and I think it's public record, that there are crews that are out there, and because of the lack of communication, the people who should have had the information didn't necessarily have the information, so if there were repairs being made or not being made, that wasn't communicated, so there wasn't necessarily accurate reflection of what the current status was. So, you know, they were in a certain area and they brought up, say, 400 homes, they wouldn't necessarily know that in a timely fashion or vice versa.

DR. CORDARO:

Well, communications in storm situations are a difficult challenge. They have always been a challenge. If you go back and read the lessons learned from Gloria back in 1985, the introduction to -- and I was one of the authors of the lessons learned from Gloria, almost read exactly like some of the problems we encountered this storm, and communication being the lead item. In fact, other utilities are continuously criticized for communications problems. PSE&G has been criticized for its communication problems in some of their storm repair efforts, and it's always an obvious criticism, but it's probably the easiest thing for the utility to deal with.

Now, LIPA did make an effort. They tried to put modern communication techniques in place, texting, using the social networks and whatever. It obviously wasn't tested to the extent it should've been tested because it had certain failures, but if you don't have information to go into that communication system, it's worthless. You may find out how many customers you have out. In fact, you have difficulty keeping track of how many customers you have out because without an outage management, an up-to-date modern outage management system, it couldn't keep track of the customers, and it couldn't plan the work and follow the progress of the work in the restoration process. So where things fell really short was in the outage management system and having the information to provide to communicate.

LIPA was sincere in its attempt to try to communicate, but it never developed things or had the tools available to it to allow it to communicate, and one reason for that is the lack of experience. I think it's the lack of experience at National Grid and the lack of experience at LILCO with storms of this nature. They are very, very challenging. And National Grid, even though it's a successor to Keyspan, who is a successor to LILCO, many of the people who had that experience fighting storms on Long Island have long since gone. I mean, they have retired, moved onto other things, and so the level of experience is not there. And one thing that there's no institute for in the utility business is having people who have done the job before, who have been there, been in the command center, been on the lines during a severe storm, and we don't have that depth on Long Island, of course, because of natural factors and also because we've had years of relatively mild weather on Long Island. There were about 20 years there where we were not very challenged by weather incidents. So what experience existed sort of got cobwebs on it because of the fact that people were not out there fighting storms.

LEG. GREGORY:

So are you saying that even though with the -- there's certainly technology issues with the outage management that certainly can be improved, it's more of an experience issue, or does it go together or?

DR. CORDARO:

Yeah, yeah. It's hard to single out one thing. It's an integrated system. It's an integrated process for dealing with it. There are many factors in it. It's like a chain. If you have a weak link someplace, the chain is going to break, so all the different types of functions have to be in place. But one of the more important ones is the communication system and the outage management system.

An excellent example of that is how do you communicate with these outside crews bringing in 14,000 outsiders to Long Island. Their radios are not compatible with National Grid's radios. In fact, one thing that was learned in Gloria, when you bring an outside crew, you should have portable radios ready for every one of those outside crews. Now I don't know what the backup plan was for LIPA at this point. What they did, they sent crew guides out, which is normally what you do with a utility. You send a crew guide out with a foreign utility, a person who knows the region, usually an employee. But with the numbers that were brought in and the extent of the storm, I doubt that they had enough crew guides to go around.

LEG. GREGORY:

Yeah, that was -- last question or last statement. Yeah, I had the similar -- and it was going through my -- my logistical brain was kind of going through these questions too. You have these people from Nova Scotia and Chicago, and how do they know that First Street is next to Williams Street, and, you know, are they sending people out? I answered that question, or you answered it: They have guides that go out was certainly a communications issue. I would -- I have lost a lot of my hair over the years. I would have no hair thinking I'm in charge of an operation, and I have no -- you know, I have very little information as to what is actually being done because of communications, you know, and there are crews that are kind of being directed, from my understanding, from the substation. But somehow that's just not getting back to those that need it and can report it to people like me and others in the community, and I would find that very, very frustrating.

DR. CORDARO:

That was a very big problem internal. You have external communications with the customers and government officials and all, but then you have your internal communications. You know, how do you manage this effort? And, true, in a major storm the ultimate dispatch of the crews and control goes to localized substation areas; that's a good way, actually, to control it. But if you don't have

the communication mechanics to get information to those locations and then out to the crews and then back to the substations and then back to the main headquarters, things become confused very, very quickly, and it's hard to keep track of what's happening, and to also issue assignments on a timely basis to keep these crews occupied.

LEG. GREGORY:

Thank you, sir. Thank you, Mr. Chairman.

CHAIRMAN HORSLEY:

Thank you very much, Legislator Gregory. Legislator Cilmi, we're going to try to move this along too a little bit, okay, if that's possible.

LEG. CILMI:

Good luck with that, Wayne.

CHAIRMAN HORSLEY:

Okay. As long as you want.

LEG. CILMI:

Thank you, Matt, for being here, and for your experience and your wisdom sharing. I have a number of questions, some of which are rhetorical and others which I hope you'll be able to help us answer. From my point of view, the whole thing was a colossal failure of planning. There are a number of questions with regard to them. Before I speak to those, let me just say that it put folks who worked for LIPA and National Grid, I think, in a very bad position because they were working really, really hard, specifically all of the linemen but also sort of the unsung folks in this. Tracy Burgess-Levy I know worked very, very hard. Karyn Kemp Smith, who I see here in our audience, worked very, very hard at trying to deal with all of the pressure and questions that all of us and the 500 other elected officials on Long Island had, and it must have been tremendously difficult, and so I wanted to say how much I really do appreciate their work.

With that said, you know, why wasn't there a management structure in place to deal with all of these extra workers that were coming in from out of town? For example you're having 14,000 people come in; as you said, there's got to be some management structure set up in order to deal with those 14,000 people. It was interesting to me that the 14,000 people finally got here near the end of the storm recovery effort when it seems to me you should've had a greater number of personnel planned for the initial recovery and then work your way down from there.

Why wasn't there a plan in place to deal with the gasoline terminals that really impacted us economically and socially, even, in a very significant way. When those gasoline terminals went out and we had folks lined up and we had our police department, for example, spending their time dealing with fights on gas lines, it was really something to behold. And as you say, the outage management system, I heard stories about how people in the substations had these little hand-drawn maps with pushpins in them to tell them where their problems were. So all of this, I think, just goes to the planning question.

You mentioned experienced personnel; some of those people had left. Well, to me, if I'm doing a job, if I'm the president of an organization, if I'm the presiding officer of the Legislature, one of my biggest responsibilities is making sure that I have a succession plan in place so that if at some point if I cease to be in that role, somebody down the chain can pick up the pieces where I left off. So all of those are questions that really beg answers from a management point of view at LIPA, I think.

So with that said, my question to you is how much of this -- correct me if I'm wrong, but from an accountability point of view, the public -- public officials hold LIPA accountable for all of this stuff.

LIPA, in turn, I suppose, would hold National Grid accountable for most of this stuff because it's National Grid that's doing most of the work as a contractor of LIPA; is that correct?

DR. CORDARO:

Yes, they are. They are the major contractor. If they don't adequately perform or if they haven't adequately performed in the past, it's LIPA's job to replace them.

LEG. CILMI:

And that's happening now or will happen?

DR. CORDARO:

Well, now it is. The question is maybe it should have been done a long time ago.

LEG. CILMI:

Specifically -- let me take a quick tangent. I noted that the -- I believe he was a vice president of National Grid's transmission system -- Long Island transmission system was promoted to run the transmission system for National Grid nationally, and I think it's not until 2014 that PSE&G takes over. Have you any information about what happens, who's going to be running that piece of the puzzle, that part of the show during 2013?

DR. CORDARO:

Well, the same individual who was promoted -- he's the president of electric on Long Island, so it's John Bruckner who was hired under me when I was at LILCO, he's obviously got to have some good stuff behind him. But he's a quality guy, he really is. But he was promoted to take over pretty much the same job for the entire state as he phases out of the responsibilities on Long Island. He will continue to do what he's doing now on Long Island through the remainder of 2013 until 2014. So he wouldn't take over these additional duties totally until his job on Long Island is complete.

LEG. CILMI:

With respect to what Legislator Horsley brought up in terms of NYPA and the possibility of them having a greater role here, and I know you said it's unlikely for a variety of reasons, some political, some logistical, and then he mentioned the cost of power, and you said that the hydropower specifically is already spoken for, but I seem to remember something about an energy super highway or something like that. And I know that folks upstate pay far less per kilowatt hour for the energy that they use than we do, and I think it's exclusive of the debt issue. It's just the cost of the energy. Could you speak to that a little bit?

DR. CORDARO:

Yeah. Most of the hydrofacilities are upstate, so it's no surprise that the original customers of the hydrosystem are upstate people, and it's evolved since then. Some of that hydro is spread out throughout the rest of the State. It's used for economic development purposes in small chunks. In fact, some of our other municipal utilities on Long Island get some share of that hydropower. Freeport, for example, gets a small portion of hydropower, but as you can imagine, because of the low cost, it's in demand and it's been subscribed to. It gets restricted to some extent in these business economic programs and things like that over time. But essentially the lion share of this capacity is consumed upstate.

However, there is a surplus of energy upstate. It's not necessarily a surplus due to hydro that's used, but they have a lot of wind energy upstate which is locked in because of the lack of transmission, the lack of a super highway, transmission super highway to move some of this wind energy down to the lower state region, which has a need for additional capacity. There are also some cold plants upstate New York whose capacity it locked in; they can't compete with the hydro and they can't ship that cold capacity out because of limitations and -- in transmission as well as

environmental restrictions that are being put on cold plants.

So the governor has put in place an energy highway task force. I've participated with that task force. I've submitted material and proposals to it. A report was just issued maybe a couple months ago by the governor, which said the obvious: that we need to develop new sources of capacity. We need to improve our transmission system, eliminate the bottlenecks. Somehow free up this excess capacity in upstate New York. There's about 4,000 megawatts in locked-in excess capacity upstate.

In fact, that's what makes another proposal a little bit uneconomic and impractical. The proposal is that the Champlain Hudson Express -- I don't know if you've heard about that, but it was a DC transmission line from Canada all the way to New York State, which would move hydropower that is to be built in Canada down to the New York State region, down to the lower New York State region. However, that is not as economical as finding ways to reenforce the transmission system and get this already built capacity from upstate down to downstate. But the hydrocapacity in New York State, per se, is fully subscribed. In fact, you know, the little bits that do get out and get redistributed, Brookhaven Laboratory got some of that not too long ago, about a year ago, got some of that economic power.

LEG. CILMI:

So the infrastructure -- the physical infrastructure is in place to do it?

DR. CORDARO:

To a limited extent. You know, small amounts of capacity can be moved. A lot of it is bookkeeping too. A lot of people don't realize that. When you assume that Brookhaven is buying hydropower, it doesn't necessarily mean that the electrons from the hydroelectric plant are finding their way down to Brookhaven. It means there is displacement in the system, and from an accounting standpoint, they are paying the rates for hydropower, but they may be using electrons generated in a nuclear plant or a cold plant somewhere in New York physically.

LEG. CILMI:

So doesn't it stand to reason if you can do it on paper and not necessarily have to do it physically, then there should be little standing in -- other than in politics, I suppose -- standing in the way of us reducing our costs here. If I'm not mistaken, the difference is very significant between -- and maybe you can answer that question. What is the average cost for the power that's generated upstate compared to the average cost per kilowatt hour for the power we use?

DR. CORDARO:

It's probably 30 percent of the cost or less what we pay.

LEG. CILMI:

What do we pay?

DR. CORDARO:

That's another -- that's a very involved question. LIPA rates are about 22 cents a kilowatt, but that's split up -- if you took the energy component of that, you're probably talking 12 to 14 cents a kilowatt hour.

LEG. CILMI:

So they're paying -- the cost up there is like four or five cents, something like that.

DR. CORDARO:

Yes.

LEG. CILMI:

So I guess this is my last question. As the governor talks about doing away with or restructuring or whatever he plans to do with LIPA, what, then, Matt, should we be looking for as, you know, as stewards of our -- as watchdogs for our residence in this whole process?

DR. CORDARO:

I would recommend the most practical thing to do, and something that the LIPA oversight Committee has looked at in tremendous detail, and LIPA has studied also and didn't rule out as a distinct possibility going into the future, is this full municipal type or organization where LIPA becomes a self-contained entity, not depending on outside contractors. One qualification to that, though, it would have to be staffed at the top by professional utility people who would have to be hired to do that job. Now, we could argue what the form of the board should be and how it's selected. It would still have to be a public board because it would be a government-owned entity, and you could talk about electing trustees or appointing trustees or a combination of that. So that's an issue that could be resolved, but with the LIPA statute being what it is, there's no reason why LIPA can't do away with the outside contractor contract with the union employees directly who do the physical work at National Grid, which is what PSE&G is doing, by the way, in this transition to taking over the operating function of the LIPA system. You could contract with the union without necessarily making them State employees and provide them with the same benefits because customers are funding those benefits right now. The ratepayer is paying for that, and they would continue to pay for that.

But, you know, that would be a reasonable structure. It would resemble pretty much what the other public utilities looked like in the country. I think something that could, perhaps, even better the situation is having regulatory oversight of the functions of LIPA, even though it was a public utility. You should know that Freeport, which is a municipal fully -- full service, municipal utility on Long Island has PSE oversight, so that's not unheard of. I think that would be a good thing and provide added insurance to the customer that there's a professional entity that's got oversight -- and objective professional entity that has oversight of the day-to-day functions of the utility. I think that's something to get behind that's doable. You read editorials in Newsday, and I have written comments on those, and some of them are published. Some of them will be published this week, in fact. There will be an op-ed piece and a letter to the editor that talks about this.

All this talk about privatization is unrealistic. I wish that we could do that. It would be a simple thing to do. But from an economic standpoint, it would be devastating for the ratepayers of Long Island, so it's just not practical. You could have your cake and eat it too by going to the full service municipal utility. You could provide many of the benefits that the private utility would provide but retain the tax-exempt nonprofit status of a government utility. A key to that would be having the right people staff LIPA too, I mean, at the top. The professional people would have to be people with utility experience.

LEG. CILMI:

Well, thank you, again, for your time and for your insight, and I fully expect and hope that you'll be with us as this whole thing evolves over the next several months. Thank you, Mr. Chairman.

DR. CORDARO:

I might say, just on what you said on planning, which is a very good comment, by the way, that's where a storm is dealt with, in the preplanning, and I don't mean preplanning a month or week before the storm; I mean years before the storm. I took pride in that when I was in the utility business, and I was the CEO of several utilities and had to come up with these plans. We would work on drilling the plans, perfecting the plans, testing the plans, and when I walked into the command center after a major catastrophe, I would have confidence in knowing we did our job walking into that command center. In fact, I'd stay out of the way. I'd be in the background. I'd

be observing how the functions were being carried out, who was doing what, and I wouldn't try to interfere with that. I'd try to stay out of the crossfire because my job was done in the months and the years before that storm hit.

CHAIRMAN HORSLEY:

Okay. Thank you very much, Legislator Cilmi. We have one quick question by Legislator Nowick, and then we'll start to wrap it up.

LEG. NOWICK:

Actually, I'm not even sure if this is -- I know it's LIPA Oversight, and I'm not even sure if this was a LIPA call, but I don't know about the rest of you, but four times a day, my cell phone would ring with this damn power thing alert. And here you are in the dark and the phone would ring, and you would fumble for it, and I'm not sure if that was from Albany or was it LIPA producing those calls? And they actually had nothing to say, literally nothing to say, other than you'd answer the phone, and after a while you would do, "Damn," and you'd throw the phone. That doesn't seem to me to be a good way of communicating with all of us to enlighten us as to what was going on. They would tell you on those robo-calls, "Tune in tomorrow at 4:00." I don't know if anybody got any information from that when you tuned in, but I did not.

And so I think my concern, again, and my colleagues have made this point, is more information. The more we could tell our constituents when they called us, they understand or understood we couldn't do anything. We couldn't mandate anything. We tried as hard as we could. But if we could tell people, "Listen, by -- in two days, you are going to be good." We couldn't tell them anything, and those robo-calls probably wasted a lot of time and money and probably a lot of cell time for people. It's just a thought. One of the most important things I found for my area were the questions: "When, how, can you talk to them, can you talk to them," and I have no answers.

DR. CORDARO:

Well, it's a very important issue, and I talked about it earlier. I mean, there was too much reliance on the fact that we had these new technological gizmos that we have right now; let's use them. Obviously, there's some benefit to use them, but it's how you use them and what you're broadcasting that counts. You've got to have the stance and the information to be able to -- to provide to people with them, and it can be an annoyance if it's too frequent.

I have to say this, though, in defense of the utilities or to make our expectations realistic. There's no utility out there, I don't care how good it is or what reputation it has, that's going to tell you in the beginning of the storm that you're going to be restored tomorrow at 4:00, any customer. Technically, there's no capability to do that. When you're able to actually give people repair timeframes, it's later on in the storm, when you're street-to-street and you have many people deployed and you have a good outage management system that allows you to do that. So in the three to four days after the storm, you should start getting good information about what your expectations are for restoration.

LEG. NOWICK:

Well, if I could just stop you. Day 12 at my house, it was getting old. Day 13, I was hoping to get some type of information, as you recall.

DR. CORDARO:

What I'm saying is that should be in the capability of the utility system, to be able to give you some information as the storm unfolds and as it develop its plan, as it deploys its people, and based on the intelligence and guidance that they get from there, they're systems, they're computerized systems, which are recording the outage calls and managing the restoration effort. We had a breakdown in that here, and so there was no information. In many cases, the information they

should provide should be a little more meaningful than a robo-call which says little or nothing. It should be, "We're aware you're out. We're working on it. We should have estimates available at such and such a time. We can't give it to you now, but we will have them available at such and such time."

LEG. NOWICK:

That's what I'm thinking. Estimates that say -- the robo-call that says, "By tomorrow, you could call and type in your address and get some type of an answer." That's -- they started with that, but then you would call back two days later and then they would have no estimate.

CHAIRMAN HORSLEY:

Two weeks.

(LAUGHTER)

LEG. NOWICK:

But who's counting? And the robo-calls on the cell phones, you know, some people were holding onto their batteries and hoping they didn't have to answer the phone.

DR. CORDARO:

If you don't have the information going into the system, you have nothing to give the customer.

LEG. NOWICK:

You're right.

DR. CORDARO:

That's the problem. And they had a complete breakdown on their ability to synthesize, collect, and manage the information and provide feedback.

LEG. NOWICK:

And that's what angered most people: the lack of communication. I think if you told somebody, "You'll have your power back, hopefully, in two days, 48 hours," people would understand it. It's being in the dark, literally. Was that a pun?

CHAIRMAN HORSLEY:

Yes, it was.

LEG. NOWICK:

But not knowing, just not knowing. And I think most of us just want answers. Our neighbors, our constituents just want answers, and these poor businesses.

CHAIRMAN HORSLEY:

Okay, Matt. I think that's the questions we had for you today. We appreciate you coming down. Anything else you would like to add or you're good? I think you did a fine job, and I realize you take no responsibility for any of their actions.

DR. CORDARO:

No. Fortunately, I don't have to. I still, when a storm hits, I wake up in the morning mobilized and ready to go; you get that conditioned when you're in the utility business, but then you feel very good about the fact that --

CHAIRMAN HORSLEY:

I used to run parkways, and I remember the snow nights. I got it. I understand.

DR. CORDARO:

Right. You don't have a responsibility to function is good. But just to very quickly mention that, you know, there was some comment about having more people there at the outset. Usually in the initial phase of the storm, you have to be concentrated on repairing the substations and the transmissions -- transmission system, and it doesn't require thousands and thousands of outside guys. In fact, if you have them, they get in the way many times. Until you repair those systems, you really can't do wholesale restoration. In the end of Sandy, I think we had too many people here, and part of the reason was that the political spotlight the storm occupied and the pressure of the governor and more people were brought in than was necessary, and I think that was a misuse of our resources.

CHAIRMAN HORSLEY:

Unfair question: How much do you think this is going to cost us? What do you think the cost of LIPA's -- what's the bill do you think is going to be at the end of this?

DR. CORDARO:

The bill -- the popular notion --

CHAIRMAN HORSLEY:

It's not fair. I have no idea, either.

DR. CORDARO:

The popular notion is about \$800 million, something in that realm.

CHAIRMAN HORSLEY:

LIPA's bill?

DR. CORDARO:

Right, LIPA's bills, not the total cost.

CHAIRMAN HORSLEY:

It doesn't shock me. I understand. That's got to be reflected back into the rates and stuff and for us, we'll get FEMA payments.

DR. CORDARO:

I wouldn't necessarily sleep well at night to know -- to assume that FEMA will reimburse 100 percent of that.

CHAIRMAN HORSLEY:

But you think 800 million, we'll see how that flies as time goes on. There's a lot of folks out there. Thank you very much, Matt. I appreciate everything you do for Suffolk County and your involvement. It's well appreciated. Thanks. Meeting adjourned.

(Meeting adjourned at 3:20 p.m.)