

LONG ISLAND POWER AUTHORITY  
PROPOSERS' CONFERENCE TRANSCRIPT

Request for Proposals

RE: Fuel Management Services for the Caithness Long Island Energy Center

on behalf of the Long Island Power Authority

333 Earle Ovington Boulevard

Assembly Center

Uniondale, New York

June 3, 2009

10:05 o'clock a.m.

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B e f o r e:

RICK SHANSKY, Manager of Power Markets Contracts, Long Island Power Authority

APPEARANCES:

For the Long Island Power Authority:

Tamika Mendoza - Deputy General Counsel

William Funk - Contract Specialist

James Wittine - Manager of Power Markets Policy

For Navigant Consulting:

Robert Kendall

Gordon Pickering

Dia D. Koujak

ALSO PRESENT:

PROSPECTIVE BIDDERS:

Market Leippert

John Schroeder

Todd Zerecheck

Matthew Brown

Anthony Castellano

Marc Russo - Reporter

## PROCEEDINGS

MR. SHANSKY: Good morning, everyone. Thank you for coming. Okay. This is the proposers' conference for the Caithness Fuel Management Services RFP. This afternoon we will be having a conference at 1:00 for the Natural Gas RFP associated with the Caithness Plant. My name is Rick Shansky. I'm the Manager of Power Markets Contracts at LIPA. And with me today are some members of the selection committee. I will ask them to introduce themselves.

MS. MENDOZA: Tamika Mendoza. I'm the Counsel here for the Long Island Power Authority.

MR. FUNK: Bill Funk. I'm a Contract Specialist for the Long Island Power Authority.

MR. WITTINE: Jim Wittine. Work in power markets.

MR. KENDALL: I'm Bob Kendall. I'm advisor to LIPA with Navigant Consulting.

MR. PICKERING: And I'm Gordon Pickering. I'm with Navigant also, advisor to LIPA.

MR. SHANSKY: Okay. And Ben Chu, our Director of Fuel and Power Operations is not with us today. He's at another meeting. He is also on the selection committee. I'd like to go over a few details. First of all, anyone who's here should have signed at the reception desk. This presentation, discussion this morning is being transcribed. So when you ask any questions, if you please introduce yourself so the stenographer can get your names. And we will be posting the minutes of the meeting on our website. The purpose of this conference is to give you an overview of the RFP. I strongly urge you to read everything that's been posted in detail because we won't cover every single detail here. And what's in the document is obviously what we intended unless after further discussions we come across any errors. And we will be happy to answer any questions we can today. And any questions we can't, we will come back with an answer and post it on the website. There are copies of the presentation here on the desk. As we go through the presentation, if you have any questions, clarifications, I'll be happy to take them. Anything that involves maybe a more in-depth discussion we will try to hold until after we've gone through the presentation. What we're going to cover today is an overview of the RFP, some of technical background and technical details, as well as all the procedural aspects of it. And then, as I said, we will entertain whatever questions you may have. As you may know, the Long Island Power Authority is responsible for providing electric service to Long Island as well as the Rockaway Peninsula in Queens. We do that through a fleet of generating resources under contract to LIPA as well interchange with the New York ISO and neighboring, through neighboring ISOs through interties that we have with New England and PJM. This summer the Caithness Power Plant, located in Suffolk County in Yaphank, is going to come on-line. It's nominally a 326-megawatt plant which LIPA has contracted nominally 286 megawatts. Under our contract with Caithness, we're responsible for providing fuel to the plant, principally natural gas as well as low-sulfur distillate oil which is used on a limited basis when gas is not available to the plant. LIPA has transportation arrangements on Island through National Grid to deliver gas from the City Gates to the plant. And the RFP, which is the subject of this afternoon's conference,

involves firm supply to the City Gate. The topic of conversation today will be the fuel management services for LIPA's share of the plant involving the oil and natural gas that's brought to the plant. Our current arrangement for fuel management services beginning in 2009 will expire at the end of this year and this RFP is for a period beginning January 1, 2010. The term of this RFP, or at least the fuel management arrangement that we're looking to get, would be through May 28, 2013. The reason for that date is that is the date upon which fuel management services for our other plants will be up for renewal, excuse me. And at that time we may explore our options in terms of rolling this fuel management in with the other fuel management services. So right now we're just looking for fuel management for Caithness. The fuel management services would be the entire scope of fuel management for our share of the plant that would involve, again, principally natural gas in the first place; Daily nominations, coordination with the local distribution company, National Grid; Managing the gas portfolio which would consist of any gas that LIPA has procured.

(Mark Leippert and John Schroeder enter the Assembly Room.)

A VOICE: Excuse us.

MR. SHANSKY: We have copies of presentation here for you. We've just been going over the preliminaries. My name is Rick Shansky. I'm the Manager of Power Markets Contracts for LIPA and I'm the project manager for this RFP for Fuel Management Services. As I indicated a moment ago, this conference is, the minutes are being taken so if you have any question as we go along or afterwards, please introduce yourselves so that the stenographer can get your name. If we can't answer any questions during the conference, we'll post the answer on the website.

A VOICE: Thank you. We apologize for our lateness.

MR. SHANSKY: Well, we were going over the basic fuel management service for Caithness. Daily gas nomination, managing the gas portfolio which would consist of any gas that LIPA has procured under separate contracts which would be, for example, the gas that will be the subject of the RFP this afternoon, as well as any gas procured by the fuel manager as agent for LIPA. And that would principally be swing gas, any gas needed by the plant in excess of the amount already procured by LIPA. And those amounts have not been predetermined yet so you will consider how much of that gas you will need to be involved with. Any gas that's procured by the fuel manager would be subject to contracts that would be executed by the fuel manager as agent for LIPA. The fuel manager would also be responsible in terms of managing this gas portfolio with matching the gas that gets delivered to the plant with the plant fuel consumption so as to minimize any balancing charges as well as reselling gas, when appropriate, back into the market. On the oil side, LIPA will be getting firm local transportation of the gas. The upstream gas contract hasn't yet been established. Whether that will have any recall provisions, that's one of the options in the RFP. So the fuel manager will be responsible ultimately for determining when oil needs to be brought to the plant either as a result of some curtailment of gas supply or for economic opportunities, all within the air permit limitations which are roughly a 30-day oil burn. Distillate oil will be procured by the fuel manager, again, as agent for LIPA. And the manager will be responsible for making sure that the fuel is procured and meets all the EPA specifications for the appropriate quality of

the oil, as well as monitoring and maintaining records of oil inventory. The manager will also be responsible for checking the monthly invoices for all the fuel that goes to the plant including that procured by LIPA. The manager would be responsible for paying invoices for any fuel it procures subject to reimbursement by LIPA. Any fuel that LIPA procures, LIPA will pay for after the manager has verified the invoices. And now, in terms of credit support, there are a two options proposed in the RFP. We welcome your proposals on both options. However, you may choose to only propose one of the options. The option -- the first option would be that the fuel manager provides the credit support. The second option would be that LIPA provides the credit support. Again, all related to the fuel that the fuel manager has to procure. Bob, do you want to do this? And I'll turn it over to Bob Kendall from Navigant Consulting who's an advisor to the selection committee.

MR. KENDALL: Thanks, Rick. Good morning. Welcome, everybody. I'd like to just kind of briefly hit the proposal submittal requirements we have in the RFP. Those are laid out in section three of the RFP. And rather than go through all of them in great detail, I just want to kind of focus on and kind of hit some of the highlights. There's a general information section. We need to know, you know, contact information essentially so that during the course of the RFP we have a point of contact with each of the proposers. So that's very important to give us information in that area. Also, we need to make sure that you include a statement that your prices that you propose are firm through the end of February of next year. The reason we've gone out that long is even though we are intending to make our selections and go to LIPA's board in the September '09 timeframe, in the event that there's delays or in the event that there's a delay getting Comptroller approval, which is required, and that can take three months, we want to make sure that the prices remain firm throughout the time that's relevant. Respondent's professional experience. That's pretty self-explanatory. You know, we want to know what your experience is in providing these types of services to other clients that you've worked with in the past or any particular clients you currently have, giving us references for those and detailed information relative to the types of services you're performing. Financial condition. Your credit worthiness is important to us. We want to have three years of audited financial statements as part of your proposal. If you're a private company and don't have audited financial statements, we'll take unaudited statements, but we need three years of history of your financial condition. The fuel management agreement, we will be talking about that in a minute, Tamika will, but we want to make sure that you include any exceptions that you're taking to our agreement which is attached to the RFP. And those exceptions we want to have detailed contract language that you would like to see in the resulting contract, not just, need to discuss. LIPA has restrictions by the State as to what it can and cannot do during the selection process. After the bids come in and before we make a selection, we are not able to negotiate. And so it's important that we know, with a great deal of specificity, what your exceptions are to the contract, if you take any. We would prefer you not take any exceptions and we've tried to set forth an agreement that is industry standard. So we're hoping there are few, if any, exceptions. But if you do take exceptions, please provide detailed contract language so that we really understand what your point is. The conflict of interest provision. If you did have any potential conflict of interests in providing these services, we want to know that. And in addition, since we do have two RFPs, the one that we're talking about here, the Fuel Management RFP and then what we're calling the Upstream Gas Supply RFP that we're going to talk about this afternoon. If you are proposing on both proposals, we need to make sure that you

provide a good statement as to if we would select you, you know, there would not be a conflict if you perform the services in this RFP, the Caithness Fuel Management RFP and the Upstream Gas Firm Supply RFP. Some of the other submittal requirements. These are things that people tend to forget when they put their proposals in. We need -- we need you to identify all confidential materials. So LIPA is subject to FOIL, New York State FOIL. And to the extent that you identify information that's confidential we can -- we'll do what we can to keep it confidential. We lay out in the RFP what we do and in the contract. But it's important that you identify any confidential information. And don't just say the whole proposal is confidential, you know, please just identify the specific areas that are confidential. There are various disclosures that are required and required forms. These forms, again, are sometimes missed. We're required to submit these forms to the New York State Comptroller so it's important you include those forms with your proposal, having them fully filled out. We also need a CD-rom of your proposal so that we can distribute it within LIPA and so forth. And then the last point here is the pricing. We have an Excel Spreadsheet program that we've attached to the website. We want to make sure your pricing is included in that Excel Spreadsheet so that it really facilitates our evaluation of your proposal. So anyway, that's in summary why we are here. And I'll turn it over to Tamika to talk about the agreement.

MS. MENDOZA: Good morning, everyone. As Bob Kendall has discussed, we've provided for our Caithness Fuel Management agreement on the LIPA RFP website. What we want is for any proposals that are submitted to, again specifically state any alternative language or changes or exceptions to the form of the Caithness Fuel Management agreement and any specific language that you may have. We want underscore that the nature and extent of any exceptions taken to the agreement, if any, will be a factor in our evaluation of your proposal. So, again, please provide any specific language that you have. The Caithness Fuel Management agreement, once we review your proposal, including any exceptions, will not be valid until it's been approved by our Board. We are going to go to LIPA's Board of Trustees and ask for authorization to execute this CFMA which we expect, based upon the schedule, to be at the September 2009 board meeting. After selection, we will give you some specific details about when that will occur. And then any agreement that we enter into, the Caithness Fuel Management agreement will be not approved until we've received New York State Comptroller approval. Based upon the New York State Finance Law, we're required to have Comptroller approval for our agreements. Typically after we receive that approval it takes about 90 days statutorily for them to have to review and approve. Typically they come back before 90 days and give us that approval. And, again, in most instances, in fact, all that I know, the Comptroller has approved our agreements. And any specific questions that you have about the Caithness Fuel Management agreement, please submit them through the question section of our RFP website. We can address some, you know, general questions that you may have, but we prefer to have any specific questions regarding the agreement at that website. And I'll turn it over to Bob again.

MR. KENDALL: We also lay out in the RFP the evaluation criteria that we plan to use in this RFP as well as the process. And just to kind of summarize, LIPA has a selection committee. The members of the selection committee are before you this morning other than the members that we indicated that are not able to be here. The purpose of the selection committee is to review all the proposals. We go through a step process of reviewing the proposals first for responsiveness to what we've asked for in the RFP. And

during that process we may very well ask questions to you. If there's part of your proposal that is unclear to us or if there are some parts that are missing, we will attempt to essentially clear up ambiguities and make sure that we have everything that we need so that we can review your proposal. Just to kind of follow through with the process. LIPA also has an executive committee of LIPA's officers that the selection committee reviews the process with, and reviews kind of the progress of the selection during the time between when your proposal comes and our September board meeting. And then before the September board meeting, LIPA would -- the selection committee would brief LIPA's CEO and President and then also brief the board members in private sessions prior to a selection recommendation going to the board hopefully at its September 2009 meeting. At that meeting the board would be asked to approve the selection of who the selection committee recommends. And assuming that the board approved it, we would then be authorized, seeking authorizing in our board resolution to sign a contract with the winning proposer. Following that board meeting, LIPA would sign the contract. The contract would have already been signed by the proposer and we would submit it to the Comptroller and the Attorney General. The Attorney General reviews it as to form. The Comptroller reviews it as to substance. As Tamika pointed out, statutorily the Comptroller has 90 days to go through that process. So as soon as we receive Comptroller approval, the contract is then effective and binding and LIPA's able to pay for services. We cannot pay for any services unless and until we have both board approval and approval of the Attorney General and the Comptroller. And as I mentioned, that process takes about 90 days. In terms of the criteria, we've laid them out in the RFP. But just to kind of hit some of the highlights: Obviously the price and the risk involved is a very important criteria. We already mentioned, I mentioned earlier the conflict of interest. This is an area that both LIPA's management and the Comptroller are particularly interested in to make sure that we have covered conflict of interest very well. If you have any conflicts or even potential conflicts, it is important that we know about them, that they're enumerated and that we have contract provisions to make sure that no actual conflict will arise during the term of the contract. The service provider's experience and just overall professional qualifications in terms of past work you've done, present work you're doing. How applicable is that work to what we're asking in this RFP. Financial strength. We have credit requirements in the RFP and I mentioned earlier about needing your audited financial statements. The way you'll staff the contract is obviously important as well in terms of what kind of professional experience do the people have. We obviously don't want all junior people working on our project. We want people that have experience, you know, providing fuel management for other large generators. And then Tamika already mentioned the exceptions to the contract is, to the extent you take any, are very important considerations. So with that, Bill. Bill Funk will talk about communications.

MR. FUNK: The RFP lays out communications during the RFP process. And communications during the RFP will be via LIPA's website. The RFP website home page is accessible without registration. The website has two password-protection sections accessible from the home page. Documents, if any, and instructions for obtaining a user name and password are posted on the website, the home page in the section entitled: RFP website. Documents distributed throughout the RFP process will be maintained in the document section of the website. Respondents may ask questions as indicated in the RFP using the Q&A section of the RFP website. And LIPA will post answers in the Q&A section of the RFP website. Above listed are the named contacts for this RFP: Michael Standridge, myself, Bill Funk, Rick Shansky,

and we will serve as the primary points of contacts during the RFP. And no other contact with LIPA trustee staff or consultants during the RFP process will be allowed. And violation of this requirement may be grounds for disqualification from the RFP. Let me go over the target schedule. The RFP was issued on May 19th. The proposer's conference, we're here right now for that. The deadline for the submission of questions will be June 19th. The notice of intent to submit a proposal is due June 26th. Proposals are due July 7th by three p.m. It's important to make that deadline. We do not consider RFPs after that deadline. The proposal selection will be at the September 2009 board of trustees meeting and we anticipate the commencement of services January 1, 2010. And with the submission of the proposal, five copies are to be submitted to Rick Shansky at this address here, 333 Earle Ovington Boulevard, Suite 403. And then five copies are to be delivered to Navigant, attention Bob Kendall. And proposals received after the above stated due date and time will not be considered nor will e-mailed or faxed proposals be received. And also highlight the fact that we need not only five copies, we need copies to each addressee on a CD.

MR. SHANSKY: Excuse me, Bill.

MR. FUNK: Yes.

MR. SHANSKY: I think we've got a typo on the bottom half of the slide.

MR. FUNK: Okay.

MR. SHANSKY: The reference for the submission to LIPA is Caithness Fuel Management Services RFP. The reference below is natural gas supply. I believe it should both be labeled Fuel Management Services RFP.

MR. FUNK: Thank you. And with that said, I will turn it back over to Rick for questions and answers.

MR. SHANSKY: Thanks, Bill. I know we went through everything quickly. But now if you have any questions at all, anything else you would like us to delve into, go back on, we'd be happy to entertain. As Bill indicated, any questions that you have after today you can submit via the website by June 19th and we will post answers on the website.

MR. ZERECHECK: I'm Todd Zerecheck, Nextera Energy. The contracts for the interruptible gas supply that would be the -- be as agent, you had said in the proposal is written in standard NAESB. Is that standard NAESB with no special provisions whatsoever or similar to the contract that you guys have for the supply?

MS. MENDOZA: For the NAESB contract we didn't post that on the website. But one thing that would be added would be LIPA's standard contract provisions. That would be something that will be supplemented with the standard NAESB. That's going to provide for our provisions required by law and also our payment provisions as well.

MR. ZERECHECK: So basically very similar to the NAESB that I saw for the supply side minus the confirmation page that was specific to that. It is going to be basically the exact same agreement for the most part?

MS. MENDOZA: It will be that agreement. And actually I misspoke. We won't need the provisions required by law because we're not anticipating sending that, those NAESB agreements to the Comptroller. So actually it will just be the standard NAESB.

MR. ZERECHECK: Standard NAESB with no special provisions?

MS. MENDOZA: With no special provisions.

So, again, those contracts you'll be entering as agent for LIPA, so that the form, the actual Caithness Fuel Management agreement will be the agreement that will be entered into between LIPA and whatever the selected proposer. The specific agreement will be sent to the Comptroller for approval. The standard NAESB will just be the basic NAESB as entered -- as agent for LIPA.

MR. ZERECHECK: Between -- as the -- whoever the winning respondent is and agent for --

MS. MENDOZA: And the supplier, yes.

MR. ZERECHECK: Excellent. Are specific questions too allowed to be asked here or we have to use the website for that? I'm not talking about not necessarily just general, I'm talking about as I went through I actually --

MR. SHANSKY: Anything related to the RFP.

MR. ZERECHECK: Anything is open game?

MR. SHANSKY: You can ask anything and if we can't answer them, then we will get back to you.

MR. ZERECHECK: The upstream supply that's coming in showed that there was two delivery points, the Transco Long Beach as well as the South Commack on Iroquois.

MR. SHANSKY: Yes.

MR. ZERECHECK: Is there any -- I know it's possible on the KeySpan system to get other deliveries, in particular, Texas Eastern. Is that available to the respondent or only those two that are listed? Is it basically --

MR. SHANSKY: The local gas transportation arrangements are tagged to those delivery points. I don't know that we'll have the ability to move gas from any other points.

MR. PICKERING: That's right.

MR. SHANSKY: I think we would be restricted to that.

MR. ZERECHECK: Okay.

MR. KENDALL: To the extent that interruptible gas is purchased by the fuel manager that would supplement, you know, the firm gas supply that LIPA procures upstream, there are other delivery points that could be used, I believe, for the interruptible gas.

MR. SHANSKY: But isn't it all funneling -- it's all funneling through the same local transportation arrangement.

MR. KENDALL: But we have the -- you know, we have the omnibus --

MR. SHANSKY: I don't know if that would apply.

MR. KENDALL: Okay. We will probably need to look at that.

MR. SHANSKY: We will give that some further consideration and if we have any change in an answer, we will post it.

MR. ZERECHECK: And will the -- in that -- along those same lines it says that LIPA not only monthly, but I guess daily can ask for changes, because you're going to get a monthly allocation, if you will, between those two points. And it says intra-day and daily it's available. Is that -- is LIPA going to be making that call or is the fuel manager going to be making that call to move things around between the two points?

MR. SHANSKY: I believe it will be the fuel manager who's responsible for balancing all of the suppliers that are available to come in or having been contracted for.

MR. ZERECHECK: And does the fuel manager have the opportunity to shut off supply that he's contracting for and bring in other supply? In other words, if the -- because you propose a first-of-the-month type index. Let's say it falls well below that, can the fuel manager shut that incoming supply off and replace it with cheaper, daily-bought spot supply?

MR. SHANSKY: I don't think the fuel manager can shut it off so much as if it's already been contracted for, could we sell it if the economics worked out.

MR. ZERECHECK: So it's only for operation. It's not an economic --

MR. SHANSKY: I take that back. It all depends on the provision of the upstream gas supply. If that one is fully nominatable everyday, then you can choose to nominate whatever makes sense on that one or supplement it with something else. If that one has a must-take provision, then you have to respect the must-take provision and you need to resell.

MR. ZERECHECK: Right. But if there's no must-take provision, then it's fair game. You can turn it off and on when you want.

MR. SHANSKY: Yes. And that's part of our responsibility as fuel manager.

MR. ZERECHECK: Got it.

MR. KENDALL: Just to put it another way. The fuel manager's responsible for having the gas and liquid at the plant so that it can, you know, burn it.

MR. ZERECHECK: Correct.

MR. KENDALL: It's got several tools it can use, one of which is the upstream gas agreement that LIPA's going to enter into as a result of the other RFP. So that's one of the tools you'll have. And then, of course, is whatever restrictions are in the contract between LIPA and the upstream gas supplier, need to be factored into, you know, the decision making in terms of supplying the overall needs of the plant. So you have that as well as then you have the interruptible gas contracts that you enter into as agent for LIPA as well as the liquid contracts. And so those are sort of the pieces that the fuel manager would use consistent with the contracts to meet the plant's needs.

MR. ZERECHECK: Got it.

MR. KENDALL: Does that help?

MR. ZERECHECK: Yes, it helps to clear it up. So basically if there's no restrictions in the upstream agreement, then the fuel manager can do whatever they want on any given day. They don't have to take it. They can take it. They can take half of it. Whatever they want to do

MR. SHANSKY: Within the bounds of what's --

MR. ZERECHECK: Right, it's all hinging on the supplier.

MR. WITTINE: Right. When you say, "the fuel manager can do anything they want to do," at that point, I mean the unit may have already been committed or has a commitment or an obligation to produce electricity on a particular day. So the fuel manager is obligated to come up with the fuel. The fuel manager himself can't make a determination as to whether or not fuel is going to be delivered on that day.

MR. ZERECHECK: No, I'm speaking more from the gas supply. In other words, if the fuel supply agreement is wide open with no restrictions, then the fuel manager can leave that gas and procure other more economical gas on behalf of LIPA because that's the correct economic thing to do.

MR. PICKERING: Optimizing; optimizing is the fuel manager's responsibility. Yes, at least along with the guidelines of least cost of gas to the facility.

MR. SHANSKY: And then coordination of the fuel side or the electric side, right? Because you have -- the fuel pricing is going to have to be worked into the ISO bid and then the ISO schedule is going to come back and the fuel is going to have to match up to that.

MR. ZERECHECK: Right.

MR. CASTELLANO: And Rick, just to follow with Todd's question. It's Anthony Castellano, Con Ed Energy. It's contingent on that other RFP that's going to be talked about this afternoon about the

arrangement for that supply that's going to be procured upstream. Now, if it's firm supply -- and I don't know if you know if it's firm supply or interruptible supply, or whatever it is that's being delivered to those points and so it's whatever the fuel manager is going to do has to know about that agreement as well.

MR. PICKERING: Yes.

MR. CASTELLANO: And as a follow up, one other thing, Bob. You mentioned the omnibus agreement. Is Caithness part of that omnibus agreement?

MR. KENDALL: I think we need to get back to you on that.

MR. SHANSKY: Which transportation arrangement applies is something that we'll provide a more definitive answer on.

MR. CASTELLANO: Okay.

MR. ZERECHECK: On the timing of nominations it says that, within there it says, up to the nomination deadline. I know that, you know, operation concerns can do that. But is that -- you know, taking it all the way up to the nomination deadline, is that a standard practice or is it usually known earlier in the morning on a daily basis? I'm just trying to -- I'm not talking about -- you know, I'm not trying to hold anyone's feet to the fire. I'm just trying to get a rough idea of, you know, of how that flows. Is it usually, you know, the ten a.m.? Is it more the 11 a.m.? Is it also -- is it pushed right onto the deadline? I'm just trying to get a feel for it in general.

MR. PICKERING: So the dispatch of the facility will be an electric decision. And what you're talking about is trying to match a gas nomination or a gas schedule --

MR. ZERECHECK: Correct.

MR. PICKERING: -- to that nomination. So what will come first will be the range of dispatch orders from -- through the ISO for the facility and then keyed on that will be what needs to happen on the gas side.

MR. ZERECHECK: Right.

MR. PICKERING: So it is the same as any other electric generation facility.

MR. ZERECHECK: Okay. We don't play up in that. Our -- I know every ISO has a, you know, has a different time, timing so-to-speak. We did put a lot in PJM but not in the New York ISO. So I'm not real familiar with the timing of when those units get put versus when the -- when the confirmation of the facility got --

MR. PICKERING: Are you asking for the timing, specific timing of the --

MR. ZERECHECK: Yes.

MR. PICKERING: Okay --

MR. WITTINE: We intend on developing a specific schedule to address the very question that you've got so that we make sure that at the times that different decisions need to be made by various parties, they're coordinated and there's no dispatch and there's an opportunity to respond in a reasonable way.

MR. ZERECHECK: Okay.

MR. SHANSKY: And related to that I guess within each of our contracts there's a set of operating instructions. And the fuel manager would be privy to those operating instructions that identify the timing of all these communications.

MR. ZERECHECK: Okay. Great. So it's kind of also -- this question also kind of hinges on what happens on the supply side as well --

MR. WITTINE: Exactly.

MR. ZERECHECK: -- in addition to what's happening on the ISO side.

MR. WITTINE: Exactly.

MR. ZERECHECK: Thank you. From the balancing perspective, understanding that the fuel manager is really supposed to mitigate the balancing. However, any balancing on the, you know, National Grid or KeySpan system, if you will, that all of that falls on LIPA 'cause that agreement is in your name; is that correct?

MR. SHANSKY: That's correct.

MR. ZERECHECK: It's just the responsibility of the fuel manager to try to mitigate any charges associated with balances.

MR. SHANSKY: Right.

MR. PICKERING: Correct.

MR. KENDALL: I guess more broadly than that even, as Gordon indicated, the duty is to optimize and optimization may or may not mean minimizing balancing costs 'cause there's other considerations as well. For example, using liquid fuel could be an option depending upon the role of your cost differential between liquids and gas and incur balancing penalties.

MR. ZERECHECK: Right.

MR. KENDALL: So this optimization concept is key to this.

2MR. ZERECHECK: Correct.

MR. PICKERING: So just to be --the balancing and responsibility of the fuel manager for balancing are not upstream of a delivery point, just to be clear.

MR. ZERECHECK: Right.

MR. PICKERING: The delivery point. So the only balancing that we're talking about is on the transportation agreements that are held by LIPA for Caithness.

MR. ZERECHECK: Got it.

MR. SHANSKY: We will be available here for a while longer. If you think of any more questions, we certainly, any questions that you have after today, you can submit to the website and we will post the answers, and we'll post the clarifications or further information based on our discussion today.

Thank you all for coming. Thank you for your time. And we look forward to your proposals, and as I said, we will remain available for a little while longer if anything else comes to mind.

Thank you.

(At 10:46 a.m., the proceedings were concluded.)