

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 205th MEETING

HELD ON FEBRUARY 25, 2010

The Long Island Power Authority (the "Authority") was convened for the two-hundred-and-fifth time at 11:09 AM at the LIPA Board Room, in Uniondale, NY, pursuant to legal notice given on February 22, 2010; verbal notice given by the Chairman at the January 28, 2010 meeting of the Board of Trustees; and electronic notice posted on the Authority's website annually.

The following Trustees of the Authority were present:

**Howard Steinberg, Chairman
Laurence Belinsky
David Calone
Lawrence Elovich
John Fabio
Michael Fragin
Christopher Hahn
Neal Lewis
Susan Gordon Ryan
Suzette Smookler
Diana Weir**

The following Trustees of the Authority were absent:

**X. Cristofer Damianos
James Herrmann**

Representing the Authority were Kevin S. Law, President and Chief Executive Officer; Lynda Nicolino, General Counsel and Secretary; and Herbert L. Hogue, CFO.

Also present were Michael Deering, Vice President-Environmental Affairs; Michael Hervey, Vice President-Operations; and Bruce Germano, Vice President-Retail Services.

Chairman Steinberg welcomed everyone to the 205th meeting of the Long Island Power Authority Board of Trustees. He led the Board in a moment of silence to honor the men and woman serving our country, followed by the Pledge of Allegiance.

Chairman Steinberg made a motion to accept the minutes of the January 28, 2010 meeting of the Board of Trustees which was seconded. He asked if there were any additional changes or deletions. Upon hearing none, the resolution was adopted, with Trustee Calone abstaining:

977. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JANUARY 28, 2010 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on January 28, 2010 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

The Chairman next remarked on the following items:

- *The recent storms and the excellent performance of LIPA's system;*
- *The organization of the LIPA Board of Trustees, including its various committees;*
- *The upcoming presentation that Mr. Germano will give on customer satisfaction;*
- *LIPA's historic performance related to customer satisfaction;*
- *LIPA's goals regarding customer service going forward, and*
- *LIPA's Electric Resource Plan or "Master Plan."*

After concluding his remarks the Chairman turned to President Law for his report. Before giving his report, President Law asked Mr. Hervey to give an update on LIPA's storm

preparations for today's storm.

Mr. Hervey gave his update noting that the weather was being watched closely, that staffing was set up for the next 24 hour period and storm restoration strategy is in place.

President Law thanked Mr. Hervey. The President then reported on the following items:

- *LIPA's primary obligation to keep the lights on;*
- *LIPA's preparedness for the weather;*
- *Lawrence Waldman's anticipated reappointment to the Board of Trustees by the Governor;*
- *LIPA's accomplishments in 2008 and 2009;*
- *LIPA's planning goals for 2010;*
- *The current status of the Management Services Agreement (MSA) and Power Supply Agreement (PSA) with National Grid which are both set to expire in 2013;*
- *Responses to the Request for Information related to the MSA;*
- *LIPA's other strategic planning options, including municipalization and privatization;*
- *LIPA's decision not to purchase power plants from National Grid;*
- *Upcoming meetings with the rating agencies;*
- *LIPA's consideration of issuing a Request for Proposals for additional capacity resources;*
- *The current status of the off-shore wind project;*
- *Analyzing the cost of importing hydro or wind from upstate against the cost of constructing off shore wind;*
- *His testimony before the New York State Assembly Energy Committee;*
- *A meeting of the advisory panel related to LIPA's strategic planning initiative;*

- *His meeting with New York State Senate President, Malcolm Smith, regarding initiatives in Far Rockaway;*
- *His meeting with the East End Supervisor Association and Mayors, to update them on LIPA's initiatives;*
- *An upcoming meeting with the New York State Senate and Assembly delegation, related to LIPA's energy and strategic planning efforts;*
- *His meeting with Nassau County Executive, Ed Mangano, as well as with the new Chairwoman of the Nassau County legislature, Norman Gonsavles, Chair of the Energy Committee of the Nassau County Legislature;*
- *His attendance at a wind conference at Hofstra University; and*
- *His meeting with the Newsday editorial board, related to LIPA's strategic planning efforts.*

President Law then concluded his report and took questions from the Trustees.

The Chairman stated that the next item on the agenda is the Operating Report, to be presented by Mr. Hervey.

Mr. Hervey then presented the Operating Report, which included reporting on reliability, storm events, storm costs and some power supply issues.

Mr. Hervey concluded his report and took questions from the Trustees.

Chairman Steinberg stated that next on the agenda is the Financial Report, to be presented by Mr. Hogue.

Mr. Hogue presented the Financial Report, including reporting on the actual versus budgeted results for the year ended January 31, 2010.

Mr. Hogue concluded his report and took questions from the Trustees.

Chairman Steinberg stated that the next item on the agenda is the consideration of

the approval of the Long Island Power Authority's Electric Resource Plan 2010-2020. After requesting a motion on the matter, which was seconded, the Chairman indicated that the matter would be presented by Mr. Parmelee.

Mr. Parmelee presented the following action item:

Requested Action

Mr. Parmelee indicated that the Trustees are being requested to approve the Long Island Power Authority's ("LIPA") proposed Electric Resource Plan 2010-2020 (the "Resource Plan" or the "Plan"). The Plan is a comprehensive strategy for addressing the future energy requirements of LIPA's electric customers on Long Island for the ten-year planning period 2010 through 2020.

Mr. Parmelee indicated that approval of the Resource Plan by the Trustees would not constitute approval for undertaking the specific tasks and actions that are associated with implementing the Resource Plan. Approval for such tasks and actions will be requested from the Trustees in the form of future resolutions, as required.

Background

Mr. Parmelee noted that on March 18, 2009, LIPA released a Draft Resource Plan and made it available to the public through LIPA's website and other means. Developed in response to dramatic changes in the electric industry, the Resource Plan is the result of a dynamic planning process that incorporated investment in customer programs, energy efficiency, conservation, and new technologies, while managing costs and maintaining high levels of reliability of the bulk transmission and distribution systems. The Plan provides a blueprint for LIPA's energy future by identifying several strategic objectives for the planning process, articulating a flexible planning process for developing a balanced and comprehensive energy policy, and discussing the methodologies employed and rigorous technical analyses undertaken in preparing the Plan.

Mr. Parmelee stated that the plan also incorporates the valuable oral and written commentary received from concerned customers and other interested parties. As part of the development of the Resource Plan, LIPA provided an opportunity for interested parties to respond to the Plan. In April 2009, three public hearings were held in Nassau, Suffolk and Far Rockaway, and on June 15, 2009, LIPA held a technical workshop. After which, the public comment period was held open until June 30, 2009. Many of the comments received were incorporated into the Resource Plan, where appropriate. On February 1, 2010, LIPA released its final Draft Resource Plan, and on February 16, 2010, LIPA held a technical workshop to address the final Draft Resource Plan with interested stakeholders.

Discussion

Mr. Parmelee continued that LIPA's mission is to provide highly reliable electric service at stable costs through its valued workforce, with a commitment to superior customer service and transparency in all of its operations, while being recognized as a leader in the advancement of energy efficiency and renewable energy. In fulfilling this mission, LIPA is committed to supporting the region's economic growth and being responsible stewards of the environment. To achieve its mission, LIPA is pursuing strategies that:

- 1. Provide for reliable electricity service and leadership in clean energy development while aggressively managing costs and customer bills;**
- 2. Maintain high levels of reliability of the bulk transmission and distribution systems; and**
- 3. Promote a healthy environment through compliance with applicable environmental laws and regulations and demonstrated leadership in energy efficiency and renewable energy development.**

These strategies support five primary planning goals, which collectively ensure that LIPA will reliably meet its customers' service needs at a reasonable cost while maintaining its national leadership in clean energy development. LIPA's five planning goals are:

- 1. Goal 1: Reliability - Meet LIPA's reliability requirements established by the New York State Reliability Council and New York Independent System Operator;**
- 2. Goal 2: Cost Control - Improve operating efficiencies and attract private and government funding to support LIPA's technology and resource planning initiatives to reduce customers' bills and support economic development on Long Island;**
- 3. Goal 3: Energy Efficiency - Pursue a cost-effective strategy and plan for reducing electricity use 15% by 2015, in recognition of the State's 45 x 15 clean energy initiative;**
- 4. Goal 4: Renewable Energy – Pursue a cost-effective strategy and plan for increasing LIPA's mix of renewable energy resources in its power generation portfolio, to voluntarily support its share of the State's goal of increasing electricity generation from renewable energy resources to 30% by 2015, consistent with the State's 45 x 15 clean energy initiative; and**
- 5. Goal 5: Greenhouse Gas Reduction - Study and implement, as practicable, strategies for reducing emissions of harmful air, water, and land pollutants and support reductions in greenhouse gas emissions to a level 20% below 2005 levels by 2020, in recognition of Governor David A. Paterson's Executive Order No. 24, which established a goal to reduce greenhouse gas emissions eighty percent by the year 2050.**

Mr. Parmelee stated that in addition to the Plan, five more detailed Reference Documents have been prepared that provide the technical underpinnings of the Plan, describe the energy situation on Long Island, set forth responses to comments received on the Plan, and provide the more technical materials that will be used by LIPA management and staff to guide implementation of the Plan. He specified that the Trustees are not being asked to approve the following Reference Documents:

- **Appendix A, Action Plan, provides information regarding the actions to be taken to implement the Plan;**
- **Appendix B, Technical Analysis, includes a summary of the planning analyses and results that support the Plan;**
- **Appendix C, Energy Primer, provides an overview on the current state of the energy industry, background on LIPA, and a review of the initiatives LIPA is undertaking to promote customer understanding of the critical energy issues facing Long Island today;**
- **Appendix D, Response to Comments, summarizes the comments received during the Draft Resource Plan public hearing processes in 2009; and**
- **Appendix E, Technical Appendices, provides additional details on studies, methodologies, and criteria.**

Mr. Parmelee concluded that the Plan reflects a significant and comprehensive work effort and represents a valuable milestone in LIPA's energy planning process. The final Plan, if approved, will provide LIPA with the strategic objectives and overall planning process necessary for meeting customers' future electricity requirements. Moreover, the information provided by the Plan will give the public an understanding and greater appreciation for the process and considerations that LIPA relies upon and incorporates in the strategic planning process for meeting those energy requirements.

Recommendation

Based upon the foregoing, Mr. Parmelee recommended the approval of the above-requested action by adoption of a resolution in the form of the draft resolution attached hereto.

After a discussion by the Trustees and comments by the public, the following resolution was adopted by the Trustees with Trustee Lewis opposing:

978. RESOLUTION APPROVING LIPA'S ELECTRIC RESOURCE PLAN 2010-2020

WHEREAS, the Long Island Power Authority (“LIPA”) has considered the proposed Electric Resource Plan dated February 2010 (the “Resource Plan” or the “Plan”) prepared by LIPA’s staff; and

WHEREAS, the Plan is a comprehensive strategy for addressing the future energy capacity requirements of LIPA’s electric customers on Long Island for the period 2010 through 2020; and

WHEREAS, the Plan was developed in response to changes in the electric industry, and is the result of a dynamic planning process that incorporated investment in customer programs, energy efficiency, conservation, new generation, transmission and distribution, and smart-grid technologies; and

WHEREAS, on March 18, 2009, LIPA released its initial Draft Resource Plan that assessed the region’s electricity needs for the planning period; and

WHEREAS, in April 2009, a series of three public hearings was held to receive oral and written public input on the initial Draft Resource Plan in locations in the Rockaways section of Queens, and in Nassau and Suffolk Counties; and

WHEREAS, LIPA held a technical workshop on June 15, 2009 in response to its Draft Resource Plan and accepted additional oral and written comments throughout the planning process; and

WHEREAS, the initial Draft Resource Plan was modified to incorporate the valuable oral and written commentary received from concerned customers and other interested parties as provided during the open public comment period; and

WHEREAS, on February 1, 2010, LIPA released its final Draft Resource Plan with a set of technical appendices, which support the Plan now being finalized, including one appendix containing the comments received on LIPA’s initial Draft Resource Plan and LIPA’s response to those comments; and

WHEREAS, LIPA held a technical workshop on February 16, 2010, to address the final Draft Resource Plan with interested stakeholders; and

WHEREAS, the Resource Plan sets forth the strategic objectives and overall planning process necessary for meeting the future electricity requirements of LIPA’s customers on Long Island; and

WHEREAS, the Trustees recognize the strategic objectives contained in the Plan are as follows: 1) meet the reliability requirements established by the NYS Reliability Council and the NY Independent System Operator; 2) improve operating efficiencies and attract funding to reduce customer bills and support economic development on Long Island; 3) pursue cost-effective energy efficiency programs and assistance to reduce electric use; 4)

pursue cost-effective renewable energy resources; and 5) pursue the reduction of greenhouse gas emissions; and

WHEREAS, the Plan is consistent with and supports the objectives of the State's 45 x 15 clean energy initiative;

WHEREAS, the Trustees wish to retain oversight of individual actions and elements that are required for implementing the Plan; and

WHEREAS, LIPA's staff will periodically apprise the Trustees on the status and progress of the Plan, and identify any changes or deviations required from the Plan; and

WHEREAS, the Trustees and LIPA staff require a dynamic and flexible planning process that allows for modification and change in direction in response to significant changes or new opportunities available in the marketplace; and

NOW, THEREFORE, BE IT RESOLVED, that the attached "Long Island Power Authority Electric Resource Plan 2010-2020" dated February 2010, be and hereby is approved; and be it further

RESOLVED, that approval of the Resource Plan does not constitute approval for undertaking the specific tasks and actions that are associated with implementing the Plan or of the data and analysis and supporting documentation contained in the appendices; and be it further

RESOLVED, that approval for the specific tasks and actions related to the Resource Plan's implementation will be requested from the Trustees under future and specific resolutions, as required; and be it further

RESOLVED, that periodic reports on the Plan's implementation and progress will be provided to the Trustees; and be it further

RESOLVED, that future updates of the Resource Plan will be accomplished using a similar open public comment process, where appropriate, with public hearings and an opportunity for interested parties to provide oral and written comments on the Plan.

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Chairman Steinberg stated that the next item on the agenda is the consideration of the approval of the guidelines regarding Property Disposition Contracts.

After requesting a motion on the matter, which was seconded, the Chairman indicated that the matter would be presented by Ms. Nicolino.

Ms. Nicolino presented the following action item:

Requested Action

The Trustees are being requested to adopt revised Guidelines Regarding Property Disposition Contracts (the “Guidelines”) in the form attached hereto as Exhibit C.

Background

Ms. Nicolino noted that the Long Island Power Authority (the “Authority”) has existing Property Disposition Guidelines regarding the use, awarding, monitoring and reporting of contracts for the disposition of real and personal property, which incorporate the requirements set forth in the Public Authorities Accountability Act of 2005 (the “2005 Act”) relating to such property dispositions. Recently, Governor Paterson signed into law the Public Authorities Reform Act of 2009 (the “Reform Act”), which, among other things, amends the property disposition provisions of the 2005 Act, to be effective as of March 1, 2010. Accordingly, the Authority has revised the Guidelines to conform to the new requirements of the Reform Act, as set forth in Exhibit B.

Ms. Nicolino noted that the significant modifications to the Guidelines are as follows:

- replaces the current exception that permits a less than fair market transfer to “further the public health, safety or welfare or an economic development interest of the state or a political subdivision” with an exception that permits a less than fair market transfer “within the purpose, mission or governing statute of the public authority”. (See, Section III. C. 4)
- lowers the threshold amount that requires ninety-days notice to certain state offices for negotiated lease transfers from \$100,000 to \$15,000. (See, Section III. C. 7)
- sets forth minimum informational and reporting requirements related to less than fair market value transfers, and provides that the Trustees must make a written determination that there is “no reasonable alternative” to such transfers. (See, Section III. C. 6.)

Ms. Nicolino further noted that a further review of the Guidelines will be conducted by the Governance Committee at a future date, and any additional recommended revisions will be brought to the Board accordingly.

Recommendation

Based upon the foregoing, Ms. Nicolino recommended approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution hereto as Exhibit A.

After a discussion by the Trustees and comments by the public, the following resolution was then unanimously adopted by the Trustees:

979. APPROVAL OF LONG ISLAND POWER AUTHORITY GUIDELINES REGARDING PROPERTY DISPOSITION CONTRACTS

WHEREAS, the Long Island Power Authority (the “Authority”) has existing Property Disposition Guidelines (“Guidelines”) regarding the use, awarding, monitoring and reporting of contracts for the disposition of real and personal property, which incorporate the requirements set forth in the Public Authorities Accountability Act of 2005 (the “2005 Act”) relating to such property dispositions; and

WHEREAS, Governor Paterson signed into law the Public Authorities Reform Act of 2009 (the “Reform Act”), which, among other things, amends the property disposition provisions of the 2005 Act, effective as of March 1, 2010; and

WHEREAS, the Authority has revised the Guidelines to conform to the new requirements of the Reform Act:

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves and adopts the “Long Island Power Authority Guidelines Regarding Property Disposition Contracts” in the form presented at this meeting; and be it further

RESOLVED, that such Guidelines Regarding Property Disposition Contracts are to be effective with respect to the use, awarding, monitoring and reporting of all Property Disposition Contracts as defined in such Guidelines Regarding Disposition Contracts entered into after the date hereof.

The Chairman stated that Mr. Germano would now give a presentation on customer satisfaction.

Mr. Germano gave his presentation on customer satisfaction. After concluding his presentation he took questions from the Trustees.

The Chairman then allowed public comment to be heard, after which he announced that the next Board meeting is scheduled for March 25, 2010 at 11:00 a.m. in Uniondale.

The Chairman noted that there would not be an executive session today.

Chairman Steinberg then entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 1:20 pm.

Respectfully submitted,

Lynda Nicolino