

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 216th MEETING

HELD ON MARCH 24, 2011

The Long Island Power Authority (the "Authority") was convened for the two-hundred-and-sixteenth time at 11:15 a.m. at the at the Omni Teleconference Center, Uniondale, NY, pursuant to legal notice given on March 21, 2011; verbal notice given by the Chair at the February 24, 2011 meeting of the Board of Trustees; and electronic notice posted on the Authority's website.

The following Trustees of the Authority were present:

**Howard Steinberg, Chair
Laurence Belinsky
David Calone
X. Cristofer Damianos
Gemma de Leon
John Fabio
Michael Fragin
Neal Lewis
Susan Gordon Ryan
Suzette Smookler
Lawrence Waldman
Diana Weir**

The following Trustees of the Authority were absent:

**Lawrence Elovich
James Herrmann**

Representing the Authority were Michael D. Hervey, Chief Operating Officer; Lynda Nicolino, General Counsel and Secretary; Herb Hogue, Vice President and CFO; Paul DeCotis, Vice President – Power Markets; Mike Deering, Vice President-Environmental Affairs; and Bruce Germano, Vice President-Retail Services

Chairman Steinberg welcomed everyone to the 216th meeting of the Long Island Power Authority Board of Trustees. He then led the Board in a moment of silence to honor the men and women serving our country, followed by the Pledge of Allegiance.

Chairman Steinberg made a motion to accept the minutes of the January 27, 2011 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 then adopted by the Trustees, with Trustees Calone and Trustee Smookler abstaining.

Upon motion duly made and seconded, the following motion was approved:

1034. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JANUARY 27, 2011 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 27, 2011 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.

Chairman Steinberg made a motion to accept the minutes of the February 24, 2011 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 then unanimously adopted by the Trustees.

Upon motion duly made and seconded, the following motion was unanimously approved:

1035. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE FEBRUARY 24, 2011 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on February 24, 2011 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.

Chairman Steinberg then turned to Chief Operating Officer Michael Hervey for his report.

Mr. Hervey reported on the following items:

- *The reliability of the electric system with respect to storms in 2011;*
- *The status of the customer satisfaction initiatives at LIPA and National Grid;*
- *The status of the repair of the Northport/Norwalk Cable and the impact of the cable's failure on LIPA's system;*
- *The National Grid reorganization and its impact on LIPA;*
- *The recent meeting between Senior Staff and the Office of the New York State Comptroller, Senator Maziarz and Assemblyman Cahill;*
- *The status of the search for a Vice President of Operations;*
- *His keynote address at the Hauppauge Industrial Association's Annual Energy Update;*
- *LIPA's seminars for commercial businesses regarding the Commercial Efficiency Program;*
- *The kick-off of the Remodel Your Home with Energy Star Pilot Program in cooperation with the Department of Energy;*
- *Special incentives in the Town of Babylon and Southampton regarding home*

remodeling for home efficiency;

- *LIPA's receipt of the Home Performance with Energy Star Leader of the Year Award;*
- *The status of Utility Services Management RFP negotiations;*
- *The status of the Power Supply Agreement negotiations with National Grid;*
- *A request for proposals regarding the replacement of the Brightwaters/Fire Island Captree Cable;*
- *An upcoming request for proposals regarding the Voltage of Power Factor Regulation Project; and*
- *The status of the LIPA executed Rails-To-Trails Agreement.*

After concluding his remarks Mr. Hervey took questions from the Trustees.

The Chair stated that the next item on the agenda is the Financial Report, to be presented by Mr. Hogue.

Mr. Hogue then presented the Financial Report, which included the financial results for the two months ended February 28, 2011.

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

The Chair stated that next on the agenda is the Presentation of the Reliability Report, to be presented by Mr. Hervey.

Mr. Hervey presented the Reliability Report, which included reporting on the frequency of interruptions for the average customer and the average restoration time, among other metrics. He indicated that LIPA reliability performance continues to rank among the first quartile of electric utilities nationally.

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

The Chair stated that the next item on the agenda is the Consideration of the Financial Report and for its inclusion in LIPA's 2010 Annual Report.

After requesting a motion on the matter, which was seconded, the Chair indicated that the matter would be presented by Mr. Hogue.

Mr. Hogue presented the following action item:

Requested Action

The Trustees are being requested to approve the proposed financial report in the 2010 Annual Report of the Long Island Power Authority (the “Authority”), prepared in accordance with Section 2800(1) of the Public Authorities Law (“PAL”), in the form attached hereto as Exhibit A.

Background

Section 2800(1) of the Public Authorities Reform Act of 2009 (“PARA”) requires the Authority to submit to the Governor, the Chairman and ranking minority member of the Senate Finance committee, the Chairman and ranking minority member of the Assembly Ways and Means committee, the State Comptroller, and the Authorities Budget Office, within ninety days after the end of the Authority’s fiscal year, an Annual Report, which includes, among other things, its financial report. Under Section 2800(1)(a)(2) of PARA, the “financial report” is comprised of the following: audited financials; grant and subsidy programs; operating and financial risks; current bond ratings; and long-term liabilities (the “Financial Report”).

Section 2800(3) of PARA requires the Financial Report to be certified in writing by the chief executive officer and chief financial officer and approved by the Trustees. Accordingly, the proposed Financial Report has been so certified in writing by the Authority’s Chief Operating Officer and Chief Financial Officer, and thoroughly reviewed by the Finance and Audit Committee of the Board, which has approved a resolution recommending the Trustee’s approval of the Financial Report at this time.

Recommendation

Based upon the foregoing, Mr. Hogue recommended that the Trustees adopt a resolution in the form of the draft resolution attached hereto as Exhibit B.

After a discussion by the Trustees and the opportunity for the public to be heard, the following resolution was unanimously adopted by the Trustees:

1036. APPROVAL OF FINANCIAL REPORT IN 2010 ANNUAL REPORT OF THE LONG ISLAND POWER AUTHORITY

WHEREAS, Section 2800 (1) of the Public Authorities Reform Act of 2009 (“PARA”) requires public authorities such as the Long Island Power Authority (the “Authority”) to prepare an Annual Report; and

WHEREAS, the Annual Report includes, among other things, a financial report, as defined under Section 2800(1)(a)(2) of PARA (the “Financial Report”); and

WHEREAS, the Authority has prepared its Financial Report, which has been, in accordance with Section 2800(3) of PARA, certified in writing by the Chief Operating Officer and the Chief Financial Officer; and

WHEREAS, the Finance and Audit Committee has thoroughly reviewed the Authority’s Financial Report and approved a resolution recommending its approval by the Trustees at this time:

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby approve the Financial Report in the 2010 Annual Report of the Long Island Power Authority, in the form presented at this meeting.

The Chair stated that the next item on the agenda is the Consideration of Approval of a Vendor to Provide Small Business Direct Install Program Services.

After requesting a motion on the matter, which was seconded, the Chair indicated that the matter would be presented by Mr. Zaweski.

Mr. Zaweski presented the following action item:

Requested Action

The Trustees are being requested to adopt a resolution authorizing the Chief Operating Officer, or his designee to engage Lime Energy, Co. (“Lime Energy”) to provide Small Business Direct Install (“SBDI”) contractor services to the Long Island Power Authority (“LIPA”) for a period of five years.

Background

The SBDI program is an integral component of LIPA’s Efficiency Long Island (“ELI”) initiative that offers small business customers located in specified load pockets the incentive to offset the cost of replacing existing electric lighting and refrigeration equipment with more energy-efficient systems. Historically, penetrating the small business market for energy efficiency has been challenging; thus, LIPA determined that engaging a contractor to assist with providing turnkey retrofit services to small business customers (i.e., those with an average peak demand of 145 kW per month or less), is desirable. The SBDI contractor would help such customers identify cost-effective efficiency opportunities and provide direct installation, financial incentives, education, and other strategies to encourage them to replace existing equipment with high efficiency alternatives.

The SBDI program requires fixed-cost pricing for total-installed equipment, with the understanding that LIPA would bear financial responsibility for a percentage of the project cost and the customer would be directly responsible to the SBDI contractor for the balance. Initially, the split would be seventy percent by LIPA and thirty percent by the customer. In the event that program participation is more or less than anticipated, the split would be adjusted to achieve the overall desired level of participation. It is anticipated that LIPA would pay its share directly to the contractor, on a per-project basis, and then the contractor would bill the customer for the remaining percentage of installed cost. The contractor's success would be measured against pre-established annual goals for electric demand savings, electric energy savings and the overall SBDI budget. For 2011, the goals are to reduce demand by 5.56MW, and energy by 23,000 MWh, with a \$10.2 million total budget.

Discussion

To this end, on November 12, 2010, a Request for Proposals ("RFP") seeking one or more contractors to provide turnkey lighting and refrigeration retrofit services to small business customers was affirmatively distributed to a list of 62 firms (including 38 MWBE companies), advertised in the NYS Contract Reporter, and posted on LIPA's website. On December 17, 2010, eight firms responded to the RFP. Seven firms responded to the lighting scope and one firm responded to the refrigeration scope¹. A selection committee carefully examined each proposal for compliance with the terms of the RFP and against the cost and non-cost criteria set forth therein and interviewed the three top-scoring firms in order to more fully evaluate the written proposals. The three firms interviewed were Lime Energy, EnerPath Services, Inc. and Willdan Energy Solutions.

Based upon the written proposals, the interviews and an assessment of LIPA's needs, it was determined that Lime Energy achieved the highest total score and would provide the best value to LIPA for the services sought. Lime Energy is an established and publically traded firm, and would operate LIPA's program out of its Jericho, Long Island office. It has 3 warehouses located in Riverhead, Jericho and Glendale to ensure fast and efficient delivery of project materials. Further, Lime Energy demonstrated extensive experience and success in providing similar services to other utilities, including having achieved 50,000 MWh of energy savings in National Grid's SBDI program in Western NY and is the leading firm in NY and NJ, having participated in SBDI programs for Con Edison, Central Hudson and Orange & Rockland utilities.

Mr. Zaweski noted that the estimated cost proposed for the services of Lime Energy is not to exceed the average amount of \$7.3 million per year, which would result in \$5.1 million payable by LIPA, and the remaining \$2.2 million by the customer based on a 70%-30% split.

¹ Since LIPA only received one proposal for the refrigeration component of the scope of services, and since that proposal reflected a disproportionately higher cost than anticipated, LIPA is not recommending selection of a contractor at this time.

LIPA believes that the SBDI program will have a direct, positive impact on small businesses located in the specified load pockets, by reducing their overall energy consumption, and consequently, electric bills. In turn, such reduced consumption will defer the need for capital improvements to the transmission and distribution system, which will save customers money and provide environmental benefits. Furthermore, the program will positively impact the Long Island economy by adding “green” jobs, and providing for subcontracting opportunities for local and MWBE businesses.

Recommendation

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

After a discussion by the Trustees and the opportunity for the public to be heard, the following resolution was unanimously adopted by the Trustees:

1037. ENGAGEMENT OF FIRM TO PROVIDE SMALL BUSINESS DIRECT INSTALL CONTRACTOR SERVICES

RESOLVED, that consistent with the attached memorandum, the Chief Operating Officer or his designee be, and hereby is, authorized to engage Lime Energy Co. to provide Small Business Direct Install Contractor Services to the Long Island Power Authority with the contract term to be five years.

The Chair stated that the next item on the agenda is the Consideration of Approval of Revisions to the Governance Committee Charter.

After requesting a motion on the matter, which was seconded, the Chair 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 a revised Long Island Power Authority (the "Authority") Governance Committee Charter in the form attached hereto.

Background

The Governance Committee Charter (the “Charter”) establishes, among other things, the purpose, powers, composition and key responsibilities of the Governance Committee (the “Committee”). Consistent with the Charter, the Committee has recently undertaken a thorough review of the Charter’s sufficiency and determined that certain changes are desirable to more clearly reflect changes in the law and desired practices.

The proposed revisions to the Charter include the following:

- Adding to the Committee’s responsibilities the examination of ethical and conflict of interest issues, as required by the Public Authorities Reform Act;
- Requiring meeting agendas to be circulated to the Committee at least two days in advance of meetings rather than five days; and
- Requiring the Committee to report any changes to its Charter to the Board bi-annually instead of annually.

Ms. Nicolino noted that the Committee believes that the proposed revised Charter is in all respects reasonable and appropriate and has adopted a resolution recommending approval of the Charter by the Trustees at this time.

Recommendation

Based upon the foregoing, Ms. Nicolino recommended 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 the opportunity for the public to be heard, the following resolution was unanimously adopted by the Trustees:

1038. APPROVAL OF REVISED LONG ISLAND POWER AUTHORITY GOVERNANCE COMMITTEE CHARTER

WHEREAS, the Trustees adopted a Governance Committee Charter (“Charter”) on June 26, 2008, with respect to the purpose, powers, composition and key responsibilities of the Governance Committee (the “Committee”); and

WHEREAS, consistent with the accompanying memorandum, it is proposed that the Charter be revised to incorporate changes in the law and to more clearly reflect desired practices; and

WHEREAS, the Committee has reviewed the Charter and believes that the proposed changes are reasonable and appropriate:

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby adopt the “Long Island Power Authority Governance Committee Charter (March 24, 2011)” in the form presented at this meeting.

The Chair stated that the next item on the agenda is the Consideration of Approval of Lobbying Guidelines Regarding Procurements, Rules Regulations or Ratemaking

After requesting a motion on the matter, which was seconded, the Chair 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 the Long Island Power Authority (“LIPA”) Lobbying Guidelines Regarding Procurements, Rules, Regulations or Ratemaking (the “Guidelines”) in the form attached hereto.

Background

In furtherance of LIPA’s commitment to transparency and accountability, and to enhance the comprehension of existing law, staff believes it is desirable to combine the requirements and restrictions related to “lobbying” activity in one centralized document. Specifically, the Guidelines set forth LIPA’s policies related to the “Procurement Lobbying Law” found in the State Finance Law and the “Lobbying Contacts” provisions of the Public Authorities Reform Act. The Guidelines are applicable to all employees, officers and trustees of LIPA and outline the separate, but similar, requirements related to recording attempts to influence the outcome of LIPA’s (a) Procurements and (b) Rules, Regulations or Ratemaking activities.

The Guidelines are divided into two sections, “Procurement Lobbying” and “Rule, Regulation or Ratemaking Lobbying,” and set forth the definitions, exemptions, procedures, and responsibilities related to each policy, and include the various forms that are associated with their implementation, including the ones that LIPA personnel must complete in certain circumstances as prescribed under each policy.

The Guidelines have been reviewed by staff and determined to be reasonable and appropriate at this time.

Recommendation

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

After a discussion by the Trustees and the opportunity for the public to be heard, the following resolution was unanimously adopted by the Trustees:

1039. APPROVAL OF LONG ISLAND POWER AUTHORITY LOBBYING GUIDELINES REGARDING PROCUREMENTS, RULES, REGULATIONS OR RATEMAKING

WHEREAS, in furtherance of the Long Island Power Authority's ("LIPA") commitment to ensure the transparency and accountability of its operations, and to enhance the comprehension of existing law, staff believes it is desirable to combine the requirements and restrictions related to "lobbying" activity in one centralized document; and

WHEREAS, the Lobbying Guidelines Regarding Procurements, Rules, Regulations or Ratemaking (the "Guidelines") have been prepared and set forth LIPA's policies related to the "Procurement Lobbying Law" found in the State Finance Law and the "Lobbying Contacts" provisions of the Public Authorities Reform Act; and

WHEREAS, the Guidelines apply to all employees, officers and trustees of LIPA and outline the separate, but similar, requirements related to recording attempts to influence the outcome of LIPA's (a) Procurements and (b) Rules, Regulations or Ratemaking activities:

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby approve and adopt the "Long Island Power Authority Lobbying Guidelines Regarding Procurements, Rules, Regulations or Ratemaking ("March 24, 2011)" in the form presented at this meeting.

The Chair then allowed public comment to be heard, after which he announced that the next Board meeting is scheduled for April 28, 2011 at 11:00 a.m. in Uniondale.

The Chairman called for a motion to enter Executive Session to discuss a litigation matter. Upon motion duly made and seconded, the following motion was unanimously approved:

1040. EXECUTIVE SESSION - PURSUANT TO SECTION 105 OF THE PUBLIC OFFICERS LAW

RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Trustees of the Long Island Power Authority shall convene in Executive Session for the purpose of discussing personnel and litigation matters.

At approximately 1:27 p.m. the open session of the Board of Trustees was temporarily adjourned on a motion to enter into Executive Session, which commenced at 1:30 p.m.

After noting that no votes were taken in the Executive Session, Chairman Steinberg entertained a motion to adjourn, which was duly made and seconded, after which the meeting ended at 1:53 p.m.

Respectfully submitted,

Lynda Nicolino