LONG ISLAND POWER AUTHORITY

MINUTES OF THE 239th MEETING

HELD ON APRIL 25, 2013

The Long Island Power Authority (the “Authority”) was convened for the two-hundred-and-thirty ninth time at 11:13 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on April 22, 2013; and electronic notice posted on the Authority’s website.

The following Trustees of the Authority were present:

Lawrence Waldman, Chair
Matthew Cordaro
John Fabio
Jeffrey Greenfield
Neal Lewis
Susan Gordon Ryan
Michael Maturo
Suzette Smookler

Trustees Gemma deLeon, Laurence Belinsky and Peter Tully were not present.

Representing the Authority were Michael Taunton, Chief Operating Officer and Chief Financial Officer; Lynda Nicolino, General Counsel and Secretary; Kenneth Kane, Vice President - Finance; Paul DeCotis, Vice President - Power Markets; Michael Deering, Vice President - Environmental Affairs; and Nicholas Lizanich, Vice President of Transmission & Distribution Operations.

Chairman Waldman welcomed everyone to the 239th meeting of the Long Island Power Authority Board of Trustees and led the Pledge of Allegiance.

Chairman Waldman then remarked on the following items:

➢ The appointment of John McMahon as LIPA’s new Chief Operating Officer; and
➢ The primary objectives of the Authority.
Chairman Waldman turned the meeting over to Chief Operating Officer McMahon to address the Board.

Chief Operating Officer McMahon thanked the Board for welcoming him.

The Chair stated that the next item on the agenda is the Operating and Reliability Report, to be presented by Mr. Lizanich and Mr. Spatz of National Grid.

Mr. Lizanich then presented the first part of the Operating and Reliability Report, which included an overview of the 2012 reliability metrics results. Mr. Lizanich concluded his portion of the presentation.

Mr. Spatz then presented the second half of the presentation, which included a description of the various activities that are taking place to address reliability across the system.

Mr. Lizanich and Mr. Spatz took questions from the Trustees.

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

Mr. Taunton then presented the Financial Report, which included the financial results for the three months ended March 31, 2013.

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

Chairman Waldman called for a motion to accept the minutes of the March 21, 2013 meeting of the Board of Trustees, which was seconded. He asked if there were any changes or deletions. Upon hearing none, the resolution was then adopted by the Trustees.

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

RESOLVED, that the Minutes of the meeting of the Authority held on March 21, 2013 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.

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The Chair stated that the next item on the agenda is the Consideration of Authorization to Extend Standby Bond Purchase Agreement.

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

Mr. Taunton presented the following action item:

Requested Action

The Trustees are being requested to approve a resolution authorizing the Chief Operating Officer or his designee to negotiate and execute a three month extension of the standby bond purchase agreement related to the remaining outstanding Dexia supported debt.

Background

In 2003, the Long Island Power Authority ("Authority") issued $587 million of variable rate demand bonds ("VRDBs") of which $226 million is currently outstanding, the remainder having been refunded over the past several years. All $226 million of these VRDBs are currently allocated to one of the Authority’s floating-to-fixed-rate interest rate swaps. The bonds were issued with insurance provided by Financial Security Assurance ("FSA") and are now supported by Assured Guaranty Municipal ("AGM"). Liquidity support for the put feature is provided through a stand-by bond purchase agreement with Dexia Credit Local ("Dexia"), which is set to expire on May 29, 2013.

Discussion

In anticipation of the expiration of the Dexia agreement, the Authority issued a Request for Proposals to our lead banks and received proposals from our six senior managers on the proposed refinancing of the remaining Dexia-supported VRDBs. After reviewing the proposals, the Authority selected two banks as co-leads for the refinancing, which contemplated a tax-exempt Floating Rate Note with two tranches of equal size (roughly $113 million per year) for a 3 and 4-year maturity. The Authority would like to refinance these notes such that their final maturity would be to the original 2027-2029 maturity range.

However, due to the continued review of the Authority’s organizational structure and the uncertainty that it brings, it is not clear that the Authority will be able to issue long-term, tax-exempt debt at this time. In addition, costs related to Superstorm Sandy and the timing of the reimbursement of such invoices from FEMA remains uncertain. As a result, Staff is requesting a three-month extension of the existing standby agreement with Dexia in order to more clearly understand our liquidity needs and get a better sense of our access to the
capital markets for the issuance of tax-exempt debt, which would include refunding the $226 million. The three-month extension would require an upfront payment of $175,000 and an 85 basis point facility fee. This equates to an annualized fee of 131 basis points, which is essentially the same as our recently negotiated credit facility.

Recommendation

Based upon the foregoing, Mr. Taunton recommended that the Trustees adopt 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 then adopted with Trustee Cordaro abstaining due to a family member being employed by E&Y.

1158. APPROVAL OF EXTENSION OF STANDBY BOND PURCHASE AGREEMENT

WHEREAS, in 2003, the Long Island Power Authority (“Authority”) issued $587,225,000 variable rate demand bonds (“VRDBs”) of which $226,225,000 is currently outstanding, the balance of which have been refunded over the past several years; and

WHEREAS, all $226 million of these VRDBs are currently allocated to one of the Authority’s floating-to-fixed-rate interest rate swaps; and

WHEREAS, liquidity support for these bonds is provided through a stand-by bond purchase agreement with Dexia Credit Local (“Dexia”), which is set to expire on May 29, 2013; and

WHEREAS, in anticipation of the expiration, the Authority issued a Request for Proposals to its lead banks and received proposals from six senior managers on the proposed refinancing of the remaining Dexia-supported VRDBs; and

WHEREAS, after reviewing the proposals, the Authority selected two banks as co-leads for the refinancing, which was to be a tax-exempt Floating Rate Note with two tranches of equal size (roughly $113 million per year) for a 3 and 4 year maturity note that the current bonds have maturities in the 2027-2029 range; and

WHEREAS, due to the continued review of the Authority’s organizational structure and the uncertainty that it brings, it is not clear that the Authority will be able to issue long-term, tax-exempt debt at this time; and

WHEREAS, the costs related to Superstorm Sandy and the timing of the reimbursement of such invoices from FEMA remains uncertain and creates liquidity concerns for the Authority; and
WHEREAS, as a result, a three-month extension of the existing standby agreement with Dexia is desirable to more clearly understand the Authority’s liquidity needs and to get a better sense of its ability to access the capital markets for tax-exempt debt; and

WHEREAS, the three-month extension would require an upfront payment of $175,000 and an 85 basis point facility fee which equates to an annualized fee of 131 basis points, which equates to essentially the same cost as the Authority’s recently negotiated credit facility:

NOW, THEREFORE, BE IT RESOLVED, that the Chief Operating Officer or his designee is authorized to extend the existing standby agreement with Dexia for an additional three-month period, and take any further actions necessary to effectuate the extension.

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The Chair stated that the next item on the agenda is the Consideration of Authorization to Execute Gas Transportation Agreement.

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

Mr. Shansky 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 execute a gas transportation service agreement (“Service Agreement”) between the Long Island Lighting Company d/b/a LIPA (“LIPA”) and KeySpan Gas East Corporation d/b/a National Grid (formerly known as KeySpan Energy Delivery Long Island or “KEDLI”) for the continuation of interruptible gas transportation service to the power plants supplying LIPA with electricity under the Amended & Restated Power Supply Agreement (“A&R PSA”), as set forth herein.

Background

LIPA is contractually obligated to obtain natural gas fuel for most of the power plants from which it purchases electricity, including the plants owned by National Grid Generation LLC pursuant to the original Power Supply Agreement, as well as the A&R PSA, which will commence on May 28, 2013 for a term extending up to another 15 years (“PSA Plants”). Since 1998, natural gas purchased by LIPA has been delivered to the PSA Plants, among others, by KEDLI, the local gas utility.

LIPA’s current agreement with KEDLI for interruptible gas transportation service for the PSA Plants is set to expire on May 28, 2013. Absent any agreement to the contrary, the future terms of service for these plants would be governed by KEDLI’s Service Classification No. 14 (“SC-14”) tariff which is approved by the New York State Public
Service Commission ("PSC"), and would apply several new charges not currently applicable to LIPA. After more than two years of negotiation, LIPA staff and KEDLI have agreed on a new Service Agreement for the PSA Plants.

Discussion

The proposed new Service Agreement would have an initial term of 5 years and could be extended, subject to then prevailing tariff provisions. The Service Agreement would preserve the transportation rate for fully interruptible service that LIPA has paid since 1998, but would apply other charges required under SC-14, including imbalance charges, a value added charge (a feature that captures a percentage of a generator’s electricity market revenues for the benefit of gas ratepayers), and an annual take-or-pay obligation. While KEDLI is required by the PSC to price its services on a non-discriminatory basis to all similarly situated customers, the PSC permits negotiated rates in certain circumstances. In recognition of this opportunity, the Service Agreement would allow LIPA to petition the PSC to approve alternative terms. Accordingly, LIPA would need to effectuate the new Service Agreement, while at the same time LIPA will submit its request to the PSC for relief from the more onerous terms of the agreement or for a phase-in of all new charges to mitigate the rate impact to LIPA’s customers.

Staff has concluded that the Service Agreement’s pricing is reasonable compared to the general SC-14 rates, and the option for PSC review gives LIPA the opportunity to seek improvements.

The estimated total contract value of the 5-year initial term is approximately $125 million, based on the rates set forth in the Service Agreement.

Recommendation

Based on the foregoing, Mr. Shansky 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:

1159. AUTHORIZATION TO EXECUTE GAS TRANSPORTATION SERVICE AGREEMENT

WHEREAS, the Long Island Lighting Company d/b/a LIPA ("LIPA") is contractually obligated to obtain natural gas fuel for most of the power plants from which it purchases electricity, including the plants owned by National Grid Generation pursuant to the original Power Supply Agreement, as well as the A&R PSA, which will commence on May 28, 2013 for a term extending up to another 15 years ("PSA Plants");
WHEREAS, KeySpan Gas East Corporation d/b/a National Grid (formerly known as KeySpan Energy Delivery Long Island or “KEDLI”) is the local gas transportation service provider on Long Island;

WHEREAS, KEDLI offers interruptible gas transportation service to electric generators, pursuant to its Service Classification No. 14 (“SC-14”) tariff, which is approved by the New York State Public Service Commission (“PSC”);

WHEREAS, LIPA’s current agreement with KEDLI for interruptible gas transportation service to the PSA Plants is set to expire on May 28, 2013;

WHEREAS, LIPA has negotiated a new gas transportation service agreement (“Service Agreement”) with KEDLI for the continuation of interruptible gas transportation service to the PSA Plants beginning May 28, 2013 for an initial term of five years; and

WHEREAS, Staff has concluded that the Service Agreement’s pricing is reasonable with respect to the terms of SC-14, and allows LIPA to petition the PSC to approve alternative terms:

NOW THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Chief Operating Officer or his designee be and hereby is authorized to execute the Service Agreement with KEDLI and any other related agreements, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chief Operating Officer or his designee, to enable LIPA to continue to receive interruptible gas transportation service for the PSA Plants.

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The Chair stated that the next item on the agenda is the Consideration of Authorization to Execute Landfill Gas Generation Agreement.

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

Mr. Shansky presented the following action item:

Requested Action

The Trustees are being requested to approve and adopt a resolution authorizing the Chief Operating Officer or his designee to execute a power purchase agreement between the Long Island Lighting Company d/b/a LIPA (“LIPA”) and Wehran Energy Corporation (“Wehran Energy”) for the continued purchase of power by LIPA from the landfill gas–to–electricity (“LFGE”) plant located at the Town of Brookhaven’s Yaphank Landfill, as set forth herein.
Background

The Public Utility Regulatory Policies Act of 1978 (“PURPA”) was passed to encourage the conservation and efficient use of energy resources and to encourage the development of alternative technologies, such as LFGE, cogeneration and renewable energy. PURPA requires electric utilities to purchase power from “qualifying facilities” or “QFs” at the purchasing utility’s avoided cost (i.e., the cost the utility would incur to obtain the same amount of power itself). The Federal Energy Regulatory Commission (“FERC”) promulgated rules for PURPA, which provide two pricing options for purchases from QFs: (1) on an “as-available” basis using the utility’s short-run avoided cost; or (2) under a contract using an estimate of the utility’s long-run avoided cost.¹

In New York State, the federal PURPA rules were implemented by the New York Public Service Commission (“PSC”), which required utilities, including the Long Island Lighting Company (“LILCO”) to enter into power purchase agreements (“PPAs”) with various QFs, including the Wehran Energy LFGE plant in the Town of Brookhaven. The Wehran Energy LFGE plant, which converts methane gas collected from the Yaphank Landfill, was originally installed in the 1980’s and provided approximately 1.3 MW to LILCO. If not used for the generation of electricity, the collected methane gas would be burned with no useful energy production.

LIPA continued to purchase the electrical power made available from the Wehran Energy LFGE plant through its PPA at prices set by LIPA’s Tariff for Electric Service, Service Classification No. 11 for Buy-Back Service (“SC-11”) rates. Although the Wehran Energy PPA expired in 2008, as required by the PURPA obligation, LIPA continued to purchase the output of the plant directly through LIPA’s SC-11 tariff on a month-to-month basis until the plant became inoperable in 2012.

Discussion

The Town of Brookhaven has renewed Wehran Energy’s site lease for another 20 years, which includes a revenue-sharing provision, allowing Wehran Energy to install replacement diesel engines and generators that would produce up to 1.2 MW and an estimated 8,000 MWh per year. In September 2012, pursuant to its rights under PURPA and the SC-11 Tariff, Wehran Energy sought to negotiate a new PPA for the replacement LFGE facility. LIPA Staff engaged in extensive negotiations with Wehran Energy and reached agreement on a new PPA in April 2013. The PPA provides for a 10-year term commencing with commercial operation of the new generating facility. It should be noted that the PPA would be similar to the PPAs that the Trustees approved and LIPA executed with the waste-to-energy (“WTE”) plants in 2012, with appropriate changes to reflect the nature of the plant and the commercial terms. The PPA would provide for the purchase by LIPA of the electricity produced by the LFGE plant, with pricing based on the volume of energy produced.

¹ A short-run avoided cost reflects the cost of existing generation, while a long-run avoided cost reflects the cost to construct and operate new generation.
Furthermore, since LFGE qualifies as a renewable energy resource pursuant to the New York State Public Service Commission’s Renewable Portfolio Standard (“RPS”) requirements, LIPA would also purchase the renewable attributes associated with the LFGE energy production at a price based on the RPS Main Tier auction clearing price determined by the New York State Energy Research and Development Authority.

The energy price in the PPA would be fixed for the base year of 2013 and subject to escalation thereafter at an inflation-based index. The 2013 base price was derived from the formula used to set prices in the WTE PPAs, which measures LIPA’s average wholesale power costs, as a proxy for LIPA’s long-run avoided costs. The formula uses LIPA’s budgeted fuel and purchased power costs (which are recovered through the Power Supply Charge) as a starting point, subject to adjustments to add wholesale power supply costs that are not recovered through the Power Supply Charge (such as the Power Supply Agreement and Nine Mile Point Unit #2), and remove retail power supply costs recovered through the Power Supply Charge (such as costs incurred to serve retail customers regardless of the source of power).

The estimated total contract value of the 10-year term would be $8 million.

LIPA Staff has concluded that the PPA pricing is favorable with respect to other renewable resource costs, and is within the range of other proxies for LIPA’s avoided costs. The PPA fulfills LIPA’s obligations under PURPA and supports LIPA’s commitment to renewable resources.

Recommendation

Based on the foregoing, Mr. Shansky 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:

1160. AUTHORIZATION TO EXECUTE LANDFILL GAS-TO-ELECTRICITY POWER PURCHASE AGREEMENT

WHEREAS, the landfill gas-to-electricity (“LFGE”) facility owned by Wehran Energy Corporation (“Wehran Energy”) and located at the Town of Brookhaven’s Yaphank Landfill is a “qualifying facility” (or “QF”) pursuant to the Public Utility Regulatory Policies Act of 1978 (“PURPA”);

WHEREAS, PURPA requires electric utilities to purchase the electrical output of QFs at the utility’s avoided cost;

WHEREAS, the Long Island Lighting Company d/b/a LIPA (“LIPA”) had purchased the electrical output produced by Wehran Energy’s LFGE plant first through a power
purchase agreement (“PPA”) and then under LIPA’s Tariff for Electric Service, Service Classification No. 11 for Buy Back Service (“SC-11”), until May 2012 when the plant became inoperable;

WHEREAS, Wehran Energy proposes to rebuild its LFGE plant and is seeking a new PPA pursuant to its rights under PURPA;

WHEREAS, LIPA has negotiated a PPA with Wehran Energy whereby LIPA would purchase the electrical output from the rebuilt LFGE plant at a negotiated price for a 10-year term, for energy volumes similar to what LIPA previously purchased from Wehran Energy, as well as the renewable attributes associated with the LFGE energy production at a price based on the RPS Main Tier auction clearing price determined by the New York State Energy Research and Development; and

WHEREAS, Staff has concluded that the PPA pricing is favorable, and is within the range of other proxies for LIPA’s avoided costs so that the PPA fulfills LIPA’s obligations under PURPA and also supports LIPA’s commitment to renewable resources:

NOW THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Chief Operating Officer or his designee be and hereby is authorized to execute the PPA with Wehran Energy and any other related agreements, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chief Operating Officer or his designee, to implement LIPA’s continuing obligation to purchase electricity from the Wehran Energy LFGE plant.

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The Chair stated that the next item on the agenda is the Consideration of Authorization Extending Engagement of Independent Auditor.

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

Mr. Taunton presented the following action item:

Requested Action

The Trustees are being requested to approve a resolution authorizing the Chief Operating Officer or his designee to extend the contract with KPMG, LLP (“KPMG”), which expires by its terms this month, to provide independent financial auditing services to the Long Island Power Authority (“LIPA”) for an additional two-year term.
Background

In accordance with the LIPA Act (Public Authorities Law §§ 1020, et seq.), the State Division of the Budget ("DOB") is responsible for selecting LIPA’s independent auditors. Pursuant to a competitive solicitation process, in January 2008, DOB selected KPMG to serve as LIPA’s independent auditors for a five-year period. That contract, which commenced on April 15, 2008, expires this month.

In light of LIPA’s transition efforts related to the commencement of a new management services contract in 2014, staff believes that it is important to continue a professional relationship with external auditors familiar with LIPA’s operations, accounting practices given the changes that will be implemented during and after the transition process. Extending the contract with KPMG for a two-year period will provide for such continuity. LIPA communicated this belief to DOB, and obtained their agreement that an extension of the contract is warranted.

It is further noted that pursuant to Public Authorities Accountability Act of 2005 (at Public Authorities Law § 2802(4)), the lead auditing partner of any accounting firm providing auditing services to an authority may not continue to serve that authority if they have served in that capacity for the five previous fiscal years. For the audit year ended 2011, KPMG engaged a new lead auditing partner that LIPA has determined to be qualified and acceptable, and as such a two-year extension will allow the lead partner to remain unchanged throughout this period.

KPMG has agreed to provide service during the extended term at the same rates currently being charged, as follows: hourly rates between $144-420, with maximum of 3000 billable hours, with a cost not-to-exceed $644,800 for each year of the extension period. In addition, any additional auditing services performed during the extension period (i.e., those outside of the base audit) will be provided at the same hourly rates.

Recommendation

Based on the foregoing, Mr. Taunton recommended that the Trustees adopt 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:

1161. AUTHORIZATION TO EXTEND ENGAGEMENT OF INDEPENDENT AUDITOR

RESOLVED, that the Chief Operating Officer or his designee be, and hereby is, authorized to extend the contract with KPMG, LLP dated October 31, 2008 to provide independent financial auditing services to the Long Island Power Authority (the “Authority”), for a term of two years.
The Chair stated that the next item on the agenda is the Consideration of Engagement of Vendors to Provide Temporary Finance Staffing Services.

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

Mr. Taunton presented the following action item:

Requested Action

The Trustees are being requested to approve a resolution authorizing the Chief Operating Officer or his designee to engage four vendors to provide temporary finance staffing services on an as-needed basis to the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA (collectively, “LIPA”), for a three-year period.

Background

LIPA expects, from time-to-time, the need for temporary finance staffing services to supplement its existing staff and capabilities, particularly in light of LIPA’s upcoming transition to a new management services contract in 2014. The assistance sought requires a level of skill and familiarity related to accounting, treasury, analytical and technical matters and functions that are not available from every temp agency. In the past, LIPA has used existing state contracts issued by the New York State Office of General Services (“OGS”) for temporary services as needed, but was recently advised that there are no current contracts available to place temporary financial staff in LIPA’s geographic area at this time.

Discussion

Accordingly, on February 15, 2013, LIPA issued a Request for Proposals (“RFP”) seeking qualified firms to provide temporary finance staffing services to LIPA, on an as-needed basis. The RFP was distributed to twenty firms (including nine M/WBE firms), advertised in the NYS Contract Reporter, and posted on LIPA’s website.

On or before March 12, 2013, eight firms responded to the RFP. A selection committee comprised of LIPA staff carefully examined each of the eight proposals for compliance with the threshold criteria and terms of the RFP, including the cost and non-cost evaluation criteria set forth therein.

Based upon the written submissions and an assessment of LIPA’s needs, it was determined that the four highest scoring firms, as set forth below, would provide the best value to LIPA’s customers.

- AcctPositions – a Division of TemPositions, New York, NY
- Execu Search Group, Inc., New York, NY
- Ranstad North America LP, Wakefield, MA (with a local office in Garden City, NY)
Montco, Inc. d/b/a Rotator Staffing Services, Inc., East Brunswick, NJ (with a local office in New York, NY)

These firms would be assigned work on an as-needed basis by requesting that each firm provide resumes and the dates of availability of their respective candidates. The firms have proposed different hourly rate structures ranging from $17.29-$85.00 per hour depending on the scope of the service. LIPA will review the proposals for each project on a case-by-case basis to determine which firm can provide the best candidates based on the candidates’ experience and qualifications. LIPA may conduct interviews in order to make its determination. Mr. Taunton noted that each of these firms have considerable experience providing temporary finance staffing.

Recommendation

Based upon the foregoing, Mr. Taunton recommended approval of the above-requested action by adoption of the 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:

1162. ENGAGEMENT OF FIRMS TO PROVIDE TEMPORARY FINANCE STAFFING SERVICES

RESOLVED, that the Chief Operating Officer or his designee be, and hereby is, authorized to engage 1) AcctPositions, 2) Execu Search Group, Inc., 3) Ranstad North America LP, and 4) Montco, Inc. d/b/a Rotator Staffing Services, Inc., to provide temporary finance staffing services to the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA, with the contract term to be three years.

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The Chair stated that the next item on the agenda is the Consideration of Authorization Related to Acquisition of Easement Agreement for Shelter Island to Southold Undersea Cables.

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

Mr. Nicolino presented the following action item:

Requested Action

The Trustees are requested to adopt a resolution authorizing the Chief Operating Officer or his designee to execute an easement agreement with the New York State Office of General
Services (“OGS”) for existing distribution and transmission cables from Shelter Island to Southold, for a 25-year term.

Background

The Long Island Lighting Company d/b/a LIPA (“LIPA”) has an existing easement agreement with OGS whereby LIPA has the right to maintain two 13kV undersea distribution cables and two 69kV undersea transmission cables on underwater property owned by New York State extending from Crescent Beach, Shelter Island to Conkling Point, Southold. The current easement is set to expire on June 17, 2013.

Discussion

In order to maintain a continuous and reliable supply of electricity for LIPA’s customers, LIPA is seeking a new 25-year easement to commence on June 18, 2013 and expire on June 17, 2038. Pursuant to Title 9 of the New York Code, Rules and Regulations, Section 271-1.7, easement fees for cables, conduits, pipelines and like facilities are determined using a rate per lineal foot established by OGS and adjusted annually based on the U.S. Department of Labor consumer price index. The current adjusted standard rate per lineal foot is $19.97. The proposed easement measures 142.5 feet wide and 3386.17 feet long. Accordingly, based on the statutory calculation, the total easement cost would be $321,204 for the 25-year term.

Ms. Nicolino noted that LIPA is currently preparing for the repair of one of the 13kV cables in the easement area, which failed during Superstorm Sandy. In the event that the easement area is not sufficient to complete the repair, and a material increase in the easement area is required, this matter will be brought back to the Board for further action as necessary.

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.

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

1163. AUTHORIZATION TO EXECUTE EASEMENT AGREEMENT FOR SHELTER ISLAND TO SOUTHOLD UNDERSEA CABLES

WHEREAS, the Long Island Lighting Company d/b/a LIPA (“LIPA”) has an existing easement agreement with the New York State Office of General Services (“OGS”) whereby LIPA has the right to maintain two 13kV undersea distribution undersea cables and two 69kV undersea transmission cables on underwater property owned by the State of New York extending from Crescent Beach, Shelter Island to Conkling Point, Southold; and
WHEREAS, the current easement is scheduled to expire in June 17, 2013; and

WHEREAS, in order to maintain a continuous and reliable supply of electricity for LIPA’s customers, LIPA is seeking a new 25-year easement to commence on June 18, 2013 and expire on June 17, 2038; and

WHEREAS, pursuant to Title 9 of the New York Code, Rules and Regulations, Section 271-1.7, easement fees for cables, conduits, pipelines and like facilities are determined using a rate per lineal foot established by the OGS and adjusted annually based on U.S. Department of Labor consumer price index; and

WHEREAS, LIPA and OGS have agreed to the terms of a new easement agreement and the statutory cost of the easement is $321,204 for the 25-year term; and

WHEREAS, LIPA staff believes that the easement price is in all respects reasonable and appropriate and consistent with statute:

NOW, THEREFORE, BE IT RESOLVED, that the Chief Operating Officer or his designee, is authorized to execute and effect an agreement with the New York State Office of General Services for the acquisition and renewal of the easement in the amount of $321,204, and to perform such further acts as may be necessary, convenient or appropriate, in the judgment of the Chief Operating Officer, or his designee, to acquire the easement.

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The Chair stated that the next item on the agenda is the Consideration of Authorization Related to Disposition of License Agreement in Bethpage.

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

Mr. Nicolino 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 execute a property disposition contract in the form of a license agreement for use of a portion of the Long Island Power Authority’s (“LIPA”) right-of-way in Bethpage, New York.

Background

LIPA is the owner of real property constituting a transmission and distribution right-of-way that crosses Winding Road in Bethpage, New York (the “Right-of-Way”). LIPA previously leased 26,078 square feet of the Right-of-Way adjacent to 311 Winding Road in Bethpage,
New York (the “Property”) to a third party. Once that lease expired, LIPA believed that the tenant desired to continue its use of the Property, and LIPA prepared to offer the Property for public bid.

Discussion

Pursuant to the Public Authorities Accountability Act, LIPA may not dispose of its property unless it is offered for public bid. In addition, LIPA’s Property Disposition Guidelines (the “Guidelines”), permit LIPA to enter into Property Disposition Contracts to transfer, among other things, an interest in property that is no longer necessary or useful for LIPA’s operations, provided that the disposition will result in the receipt of valuable consideration or other benefits. Based on LIPA’s review, it was determined that there is no need for this Property related to LIPA’s utility operations, and it is appropriate to deem the Property available for disposition on a temporary basis.

Accordingly, and as required by the Guidelines, LIPA obtained appraisals for the Property, which provided a range of rental value from $20,000 - $26,250 for one year. On June 22, 2009, LIPA issued a request for sealed bids to license the property, which was publicly advertised in the New York State Contract Reporter. On January 5, 2011, one bid was received from Family Residences and Essential Enterprises, Inc. (“FREE”), which proposed rent in the amount of $26,000 for the first year of rent with 4% annual increases. FREE’s bid was deemed responsible as the proposed license amount exceeds the appraised value, and the entity is an established non-profit organization and adjacent property owner.

LIPA successfully negotiated a 5-year term for the license, with one 5-year option to renew, which would result in an estimated total contract amount of $312,159. The license agreement sets forth certain approved activities that would permit FREE to access the property solely for the purpose of ingress and egress, as well as customer and employee vehicle parking in connection with FREE’s office building that is adjacent to the Property. Staff believes it would be appropriate and beneficial to license the Property for the consideration proposed.

Recommendation

Based on the foregoing, Ms. Nicolino recommended that the Trustees adopt 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:

1164. AUTHORIZATION TO DISPOSE OF REAL PROPERTY PURSUANT TO LICENSE AGREEMENT IN BETHPAGE

WHEREAS, the Long Island Power Authority (“LIPA”) is the owner of real property constituting a transmission and distribution right-of-way that crosses Winding Road in Bethpage, New York (the “Right-of-Way”);
WHEREAS, LIPA previously leased approximately 26,078 square feet of the Right-of-Way adjacent to 311 Winding Road in Bethpage, New York to a third party; and

WHEREAS, once the lease expired, LIPA believed that the tenant desired to continue its use of the Property; and

WHEREAS, pursuant to the Public Authorities Accountability Act, LIPA may not dispose of its property unless it is offering for public bid; and

WHEREAS, LIPA’s Property Disposition Guidelines allow LIPA to enter into Property Disposition Contracts to transfer an interest in property that is no longer necessary or useful for LIPA’s operations if the disposition will result in the receipt of valuable consideration or other benefits; and

WHEREAS, consistent with the Property Disposition Guidelines, LIPA obtained appraisals for the rental value of the Property, and on June 22, 2009, issued a request for sealed bids to license the Property which was publicly advertised in the New York State Contract Reporter; and

WHEREAS, one bid was received from Family Residences and Essential Enterprises, Inc. (“FREE”) in the amount of $26,000 for the first year of rent with 4% annual increases, which is within the range of the appraised values obtained by LIPA;

WHEREAS, LIPA successfully negotiated a 5-year term for the license, with one 5-year option to renew, which would result in an estimated total contract amount of $312,159:

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Chief Operating Officer or his designee, be and hereby is authorized to execute a property disposition contract in the form of a license agreement for the above-referenced Property and take such other further actions as necessary to effectuate the disposition.

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The Chair stated that the next item on the agenda is the Consideration of Approval of Finance and Audit Committee Charter.

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

Mr. Taunton presented the following action item:
Requested Action

The Trustees are being requested to adopt a revised Long Island Power Authority (the “Authority”) Finance and Audit Committee Charter in the form attached hereto.

Background

The Finance and Audit Committee Charter (the “Charter”), which was approved by the Board of Trustees on April 30, 2008, as updated on September 23, 2010, establishes, among other things, the purpose, powers, composition and key responsibilities of the Finance and Audit Committee (the “Committee”) and serves as the governing document for the Committee. Consistent with the Charter, the Committee has recently undertaken a thorough review of the Charter’s adequacy and determined that a number of changes are desirable to expand and clarify the scope of the Committee’s financial responsibilities to more clearly reflect current and desired practices.

The principle modifications proposed to be made to the Charter include the addition of certain key responsibilities, particularly with respect to the functions of the independent auditor and the internal auditor which the Authority now employs. The additions to the Charter include inter alia:

Independent Auditor:

- Mandating that the independent auditor report directly to the Committee and meet with the Committee at least annually to discuss the financial statements of the Authority.
- Requiring that the Committee approve, in advance, all requests for services to be performed by the independent auditor.
- Allowing Committee members to obtain any information and training needed to enhance their understanding of the role of internal audit, the independent auditor, the risk management process, internal controls and familiarity with applicable financial standards and processes.
- Reviewing in consultation with management of the Authority and the Authority’s independent auditor, the planned scope of the annual audit of financial statements, including a review of staffing and coordination of audit efforts between the independent auditor and internal auditors.

Director of Internal Audit:

- Giving the Committee authority over the appointment, dismissal, compensation and
performance reviews of the Director of Internal Audit who shall report functionally
to the Committee and administratively to the President and Chief Executive Officer.

- Reviewing with management of the Authority and the Director of Internal Audit, the
Charter, annual internal audit plan, activities, staffing and organizational structure
of the internal audit function.

- Overseeing the implementation and/or management of an effective system of internal
control that promotes the achievement of management’s objectives.

- Reviewing and presenting the results of any audit findings to the Board including
those conducted by the State and any of its agencies, and recommend any policy
changes related thereto.

- Reviewing the scope and terms of the Authority’s insurance policies and liability
coverage on an annual basis.

Mr. Taunton noted that the proposed revised Charter also provides for other modifications
in order to provide greater clarity and consistency of the responsibilities and activities set
forth therein. Mr. Taunton further noted that the Committee believes that the proposed
revised Charter is in all respects reasonable and appropriate. Accordingly, the Committee
has adopted a resolution recommending approval of the Charter by the Trustees.

**Recommendation**

Based upon the foregoing, Mr. Taunton 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
resolution was not adopted. Due to Trustee Lewis’ abstention there was a lack of majority of
the board members present to carry the vote.*

*The Chair stated that the next item on the agenda is the Consideration of Approval of
Personnel and Compensation 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 requested to adopt a resolution approving the Long Island Power Authority’s (the “Authority”) Personnel and Compensation Committee Charter (the “Charter”) in the form attached hereto.

Background

On December 16, 1997, the Trustees established a Personnel and Compensation Committee (the “Committee”). The Authority’s By-Laws outline the Committee’s duties to review and make recommendations to the Board of Trustees regarding the development of the Authority’s personnel and compensation policies and programs, the hiring of Authority personnel, and the development of an overall staffing plan vis-a-vis the Authority’s needs with both internal staff resources and outside consultants. Additionally, the By-Laws provide that the Committee shall recommend for approval by the Trustees, the compensation of the President and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and General Counsel. In furtherance of the Authority’s efforts in this regard, it is desirable to formalize the purpose, powers, activities, structure, composition and responsibilities of the Committee through the adoption and implementation of a governing Charter at this time.

Consistent with its responsibilities under the By-Laws, the Charter provides for certain key responsibilities related to the Authority’s personnel policies and programs, overall staffing plan, and compensation for the four highest-ranking officers in the Authority, and adds additional responsibilities related to employee compensation and benefit plans, executive compensation and performance and senior management succession planning.

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

Recommendation

Based upon the foregoing, Ms. Nicolino recommended that the Trustees adopt 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 resolution was not adopted. Due to Trustee Lewis’ abstention, there was a lack of majority of the board members present to carry the vote.

Trustee Lewis made a motion that LIPA adopt an annual review of major storm preparation and response plan and set an annual public hearing before the Board of Trustees for that purpose.
After a discussion of the motion by the Trustees, the motion was withdrawn.

The Chair then allowed public comment to be heard, after which he announced that the next Board meeting is scheduled for May 23, 2013 at 11:00 a.m. in Uniondale. The Chair then asked for a motion to adjourn to Executive Session to discuss Litigation Matters and the Generation and Transmission RFP.

1165. 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 litigation and the Generation and Transmission RFP.

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At approximately 12:56 p.m. the Open Session of the Board of Trustees was adjourned on a motion to enter into Executive Session, which commenced at 1:05 p.m.

After noting that no votes were taken in the Executive Session, Chairman Waldman entertained a motion to adjourn, which was duly made and seconded, after which the meeting ended at 1:40 p.m.

Respectfully submitted,

Lynda Nicolino