

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 207th MEETING

HELD ON APRIL 29, 2010

The Long Island Power Authority (the "Authority") was convened for the two-hundred-and-seventh time at 11:10 AM at the LIPA Board Room, in Uniondale, NY, pursuant to legal notice given on April 26, 2010; verbal notice given by the Chairman at the March 25, 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
X. Cristofer Damianos
Gemma de Leon
Lawrence Elovich
John Fabio
Christopher Hahn
James Herrmann
Neal Lewis
Susan Gordon Ryan
Lawrence Waldman
Diana Weir**

The following Trustees of the Authority were absent:

**Michael Fragin
Suzette Smookler**

Representing the Authority were Kevin S. Law, President and Chief Executive Officer; Lynda Nicolino, General Counsel and Secretary; Kenneth Kane, Controller; Michael Hervey, Vice President-Operations and Mike Deering, Vice President-Environmental Affairs. Also present was Bruce Germano, Vice President-Retail Services.

Chairman Steinberg welcomed everyone to the 207th 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 woman serving our country, followed by the Pledge of Allegiance.

Chairman Steinberg made a motion to accept the minutes of the March 25, 2010 meeting of the Board of Trustees which was seconded. He asked if there were any additional changes or deletions and after hearing none the following the resolution was then adopted, with Trustee de Leon abstaining:

983. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MARCH 25, 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 March 25, 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.

Next the Chairman introduced Gemma DeLeon as LIPA's newest Trustee and welcomed her to the Board. He then reported on the following items:

- *LIPA's upgraded bond rating from Fitch;*
- *The potential impact to LIPA's ratings if legislation regarding PSC regulatory oversight was enacted;*
- *The status of the RFP for strategic advisory services; and*
- *The status of LIPA's review of its property taxes;*

After concluding his remarks Chairman Steinberg turned to President Law for his report.

The President then reported on the following items:

- *LIPA's newest Trustee, Gemma DeLeon;*
- *LIPA's upgraded bond rating from Fitch;*
- *His attendance at two post-nor'easter storm events: one held by Senator Hannon and his colleagues in the State Senate and one before the Suffolk County Legislature;*
- *An upcoming meeting with the Nassau County Legislature regarding the storm response;*
- *President Obama and Secretary Salazar's approval of the Cape Wind Project;*
- *The status of the procurement for an advisor for strategic advisory services;*
- *The continued work of LIPA staff regarding potential strategic initiatives;*
- *LIPA's recent briefing of the New York State Delegation on the status of LIPA's current initiatives;*
- *The status of the search for potential new office space in anticipation of LIPA's current lease expiration in April, 2011;*
- *His meeting with Supervisor Mark Lesko regarding Brookhaven's "Blight to Light" program during which they discussed the future of the Shoreham Nuclear Power Plant property;*
- *LIPA's recent announcement with Suffolk Transportation regarding the installation of solar panels on Suffolk Transportation's roofs through LIPA's Solar Entrepreneurs Program;*
- *LIPA's contribution to the recent move of Leviton Manufacturing to LIPA's service territory through the Efficiency Long Island and Economic Development Program;*

- *His recent participation in a ribbon-cutting ceremony in Southold for the largest wind turbine on Long Island, accomplished through LIPA's Backyard Wind Initiative;*
- *The recent announcement of several energy efficiency upgrades at North Shore University Hospital;*
- *His recent participation with Senator Carl Marcellino on Earth Day related to Jericho Water District's involvement in LIPA's Solar Entrepreneur Program;*
- *His anticipated participation with the Governor and County Executives on the groundbreaking of Canon's world headquarters in Melville, relative to LIPA's collaboration with the Empire State Development Corporation;*
- *A matter involving a National Grid employee; and*
- *His decision to hire three new employees to help control consulting costs, including two IT positions and one operations/billing position to review invoices from National Grid relating to storm costs.*

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

In response to the President's report, the Chairman remarked on the following:

- *LIPA's role in economic development by influencing Canon and other businesses to come to Long Island; and*
- *FEMA's recent declaration of Long Island as an Emergency Disaster Area, which will entitle LIPA to a reimbursement of approximately 75% of the total costs related to the most recent storm.*

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 among other things, addressed his meeting with FEMA regarding funding, continued efforts related to the recent

storm, and LIPA's summer preparation plan.

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. Kane.

Mr. Kane then presented the Financial Report, which included the financial results for the three months ended March 31, 2010.

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

Chairman Steinberg stated that next on the agenda is Consideration of the Approval of the Acquisition of Real Property for Future Substation.

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

Mr. Hervey presented the following action item:

Requested Action

The Trustees are being requested to approve and adopt a resolution authorizing the President and Chief Executive Officer or his designee to execute an agreement for the acquisition of real property necessary to construct a future substation in Center Moriches.

Background

In 2007, LIPA staff identified the need for a new substation connecting the Moriches Substation and the Eastport Substation based on the ongoing residential growth occurring in southern Brookhaven Town and the additional commercial load expected along the local corridors in the future. With a new substation proposed to be operational in 2012, LIPA commenced a search for suitable property to accommodate its development along the existing 69 kV transmission line on Sunrise Highway South Service Road, between Wading River Road and Railroad Ave/Bernstein Blvd in Center Moriches. Despite its efforts, LIPA was unable to find any landowners interested in selling their parcels at that time.

In August 2009, however, 3 acres of suitable property became available along LIPA's existing 69 kV Transmission Line and situated mid-way between the Moriches and Eastport Substations (the "new parcel"). The new parcel's location is highly desirable and will avoid the expense related to potential extensive transmission work that might otherwise be required if a location further away from the existing transmission line had to be used. The asking price for the new parcel was \$1.2 million, but LIPA was able to

successfully negotiate a purchase price of \$818,000. This proposed price is lower than both of the current appraisals LIPA obtained for the property.

Mr. Hervey noted that future actions related to the substation development will be presented to the Trustees as appropriate.

Recommendation

Based on the foregoing, Mr. Hervey recommended that the Trustees adopt 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 unanimously adopted by the Trustees:

984. AUTHORIZATION TO ACQUIRE REAL PROPERTY IN CENTER MORICHES FOR FUTURE SUBSTATION

WHEREAS, the Long Island Power Authority (“LIPA”) is committed to providing reliable electric service to its customers on Long Island; and

WHEREAS, the growing Long Island economy and other factors have resulted in an increasing demand for electricity on the south shore of the Town of Brookhaven that is projected to continue into the foreseeable future; and

WHEREAS, LIPA Staff has concluded that in order to ensure timely, adequate and reliable electric service to LIPA’s customers and meet reliability criteria, it is necessary for LIPA to acquire real property for the purposes of constructing a new substation on the 69 kV transmission line connecting the Moriches Substation and the Eastport Substation; and

WHEREAS, after searching for property over a two year period, in August 2009, 3 acres of suitable vacant land came on the market for sale located less than 500’ from LIPA’s existing 69 kV transmission line and situated mid-way between the Moriches and Eastport substations (the “new parcel”); and

WHEREAS, the new parcel’s location is highly desirable and will avoid the expenses related to potential extensive transmission work that might otherwise be required if a location further away from the existing transmission line had to be used; and

WHEREAS, LIPA was able to successfully negotiate a purchase price of \$818,000 for the new parcel which, based on the recent appraisals LIPA received, has been determined to be less than the current market value.

NOW, THEREFORE, BE IT RESOLVED, that the President and Chief Executive Officer, or his designee, be and hereby is authorized to execute an agreement for the acquisition of

the new parcel and take such other further actions as necessary to effectuate the acquisition.

* * *

Chairman Steinberg stated that next on the agenda is the Consideration of Approval of Selection of Vendors to Provide Transmission and Distribution Asset and Business Management Services.

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

Mr. Hervey presented the following action item:

Requested Action

The Trustees are being requested to approve a resolution authorizing the President and Chief Executive Officer, or his designee, to engage seven firms to provide on an as-needed basis Transmission and Distribution Asset and Business Management Consulting and Technical Services to the Long Island Power Authority and its wholly-owned subsidiary, LIPA (collectively “LIPA”), as set forth below, for a period of five years.

Background

On November 16, 2009, LIPA issued a Request for Proposals (“RFP”) from experienced firms to provide Transmission and Distribution Asset and Business Management Consulting and Technical Services to LIPA, in some or all of the twelve following distinct scopes of services: 1) System and Asset Performance; 2) System Efficiency and Losses; 3) System Adaptability and Planning; 4) Situational Awareness; 5) Risk and Risk Mitigation; 6) Process Effectiveness; 7) Security; 8) Safety and Environmental Protection; 9) Customer Satisfaction Improvement; 10) Cost Effectiveness; 11) End of Contract Risk; 12) Regulatory Compliance and Strategy Optimization.

The RFP sets forth that the services to be provided to LIPA would be on an as-needed basis only. That is, the firms selected would have no guarantee of work in any particular scope during the contract term, since all work would be controlled by LIPA’s management and budgeting processes. The RFP further set forth that in determining which firms would be best-suited to perform such work, LIPA would be engaging in a “mini-bid” process for individual projects, and would evaluate proposals from suitable firms in each scope based on both technical expertise and cost.

On December 15, 2009, 7 firms responded to the RFP proposing in one or more of the scopes of service. A selection committee comprised of LIPA staff carefully examined each proposal for compliance with the terms of the RFP and against the cost and non-cost

criteria set forth therein. Based on this evaluation, the proposals were scored and ranked separately within each scope of service in order to determine the top-qualifying firms available to meet LIPA's needs. Based upon this evaluation and in light of LIPA's anticipated needs over the next five-year period, it is desirable to have the following 7 firms available to participate in the above-referenced mini-bid process to provide services to LIPA in the areas identified below:

<u>Proposed Firms</u>	<u>Area(s) of Responsibility</u>
1. Interpro US, Inc.	System and Asset Performance, Situational Awareness, Risk and Risk Mitigation, Process Effectiveness, Cost Effectiveness
2. KEMA, Inc.	System Efficiency and Losses, System Adaptability and Planning, Situational Awareness, Security, Safety and Environmental Protection, Customer Satisfaction Improvement, End of Contract Risk and Regulatory Compliance
3. Navigant Consulting, Inc.	System Efficiency and Losses, System Adaptability and Planning, Security, Safety and Environmental Protection, End of Contract Risk, Regulatory Compliance and Strategy Optimization
4. Quanta Technology LLC	System Efficiency and Losses, Risk and Risk Mitigation, Process Effectiveness, Customer Satisfaction Improvement, Cost Effectiveness and Strategy Optimization
5. TRC Companies, Inc.	System and Asset Performance, System Adaptability and Planning, Situational Awareness, Risk and Risk Mitigation, Security, Safety and Environmental Protection, End of Contract Risk and Regulatory Compliance
6. Williams Consulting	Customer Satisfaction Improvement and Strategy Optimization
7. The Woodhouse Partnership Ltd.	Process Effectiveness and Cost Effectiveness

The hourly rates for the selected firms vary by firm and staff level, but generally range from \$175-\$485 for principal staff time and from \$140-\$348 for technical staff time. Stated

differently, the average hourly labor rate for all staff levels in all of the firms proposed to be selected is approximately \$271 per hour.

Recommendation

Based upon the foregoing, Mr. Hervey 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 comments by the public, the following resolution was unanimously adopted by the Trustees:

985. ENGAGEMENT OF FIRMS TO PROVIDE TRANSMISSION AND DISTRIBUTION ASSET AND BUSINESS MANAGEMENT CONSULTING AND TECHNICAL SERVICES

RESOLVED, that consistent with the attached memorandum, the President and Chief Executive Officer or his designee be, and hereby is, authorized to engage the following seven firms to provide Transmission and Distribution Asset and Business management Consulting and Technical Services in the areas identified below, on an as-needed basis to the Long Island Power Authority and LIPA, with the contract terms to be five years:

Proposed Firms

Area(s) of Responsibility

- | | |
|-------------------------------------|--|
| 1. Interpro US, Inc. | System and Asset Performance, Situational Awareness, Risk and Risk Mitigation, Process Effectiveness, Cost Effectiveness |
| 2. KEMA, Inc. | System Efficiency and Losses, System Adaptability and Planning, Situational Awareness, Security, Safety and Environmental Protection, Customer Satisfaction Improvement, End of Contract Risk and Regulatory Compliance |
| 3. Navigant Consulting, Inc. | System Efficiency and Losses, System Adaptability and Planning, Security, Safety and Environmental Protection, End of Contract Risk, Regulatory Compliance and Strategy Optimization |
| 4. Quanta Technology LLC | System Efficiency and Losses, Risk and Risk Mitigation, Process Effectiveness, Customer Satisfaction Improvement, Cost Effectiveness and Strategy Optimization |

- | | |
|-----------------------------------|--|
| 5. TRC Companies, Inc. | System and Asset Performance, System Adaptability and Planning, Situational Awareness, Risk and Risk Mitigation, Security, Safety and Environmental Protection, End of Contract Risk and Regulatory Compliance |
| 6. Williams Consulting | Customer Satisfaction Improvement and Strategy Optimization |
| 7. The Woodhouse Partnership Ltd. | Process Effectiveness and Cost Effectiveness |

Chairman Steinberg stated that next on the agenda is the Consideration of Approval of Selection of Vendor to Provide Cash Management Services.

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 approve a resolution authorizing the President and Chief Executive Officer or his designee to engage JPMorgan Asset Management (“JPMorgan”) to provide Cash Management/Investment, Custody and Advisory services to the Long Island Power Authority (the “Authority”) for a term of five years.

Background

In October 2009, the Authority issued a Request for Proposals (“RFP”) seeking experienced firms to provide Cash Management/Investment, Custody and Advisory services for the investment and management of funds contained in the Authority’s Operating, Construction and Rate Stabilization portfolios. The following seven firms responded to the RFP:

- Columbia Management Advisors LLC (subsidiary of Bank of America)
- FAF Advisors, Inc. (subsidiary of U.S. Bancorp)
- JPMorgan Asset Management (subsidiary of JPMorgan Chase & Co.)
- PFM Asset Management LLC
- RBC Public Funds Services (division of Voyager Asset Management Inc.)
- State Street Global Advisors (affiliated with State Street Corp.)
- Wells Capital Management (subsidiary of Wells Fargo Bank, N.A.)

A selection committee comprised of Authority staff members carefully examined each proposal and determined that all of them met the minimum threshold criteria for the services proposed. The selection committee then evaluated the proposals against the criteria set forth in the RFP and scored each proposal for technical ability and cost. Based on that evaluation, the committee selected four firms for interviews, which were conducted in April 2010 and included Columbia Management Advisors LLC, JPMorgan Asset Management, State Street Global Advisors and Wells Capital Management.

As a result of the written submissions, oral presentations and an assessment of the Authority's needs, it was determined that the incumbent provider, JPMorgan, is still best-suited to provide Cash Management/Investment, Custody and Advisory services to the Authority. In this regard, some of the strengths of JPMorgan include:

- Extensive experience in asset management, specifically with short-term fixed income operating cash portfolios, similar to the Authority's
- Excellent understanding of the Authority, its operations and daily cash management needs and challenges, as well as familiarity with the Authority's investment guidelines
- World-class systems and reporting capabilities
- Strong internal controls and compliance
- Large independent research and credit analysis group
- Very reasonable cost structure, which minimizes the cost of these services to the Authority (second lowest cost proposed)
- J.P. Morgan's overall financial strength and stability as a top-tier bank with the highest ratings

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 comments by the public, the following resolution was adopted, with Trustee Hahn abstaining:

986. ENGAGEMENT OF CASH MANAGEMENT/INVESTMENT, CUSTODY AND ADVISORY SERVICES CONTRACTOR

RESOLVED, that the President and Chief Executive Officer or his designee be, and hereby is, authorized to engage JPMorgan Asset Management to provide Cash

Management/Investment, Custody and Advisory services to the Long Island Power Authority, with the contract term to be five years.

Chairman Steinberg stated that next on the agenda is the Consideration of Approval of Memorandum of Understanding for a Potential Offshore Wind Project.

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

Mr. Deering presented the following action item:

Requested Action

The Trustees are being asked to adopt a resolution authorizing the President and Chief Executive Officer or his designee to execute a Memorandum of Understanding (“MOU”) with the Power Authority of the State of New York (“NYPA”) and Consolidated Edison Company of New York Inc. (“Con Edison”), for a 5-year term, to undertake certain pre-development activities related to a potential off-shore wind project.

Background

In addition to the Long Island Power Authority’s (“LIPA”) duty to provide a reliable, efficient and economical supply of electricity to its customers, LIPA has a statutory obligation to utilize, to the fullest extent practicable, technologies that rely on renewable energy resources. In this regard, LIPA’s Electric Resource Plan 2010-2020 (the “Electric Resource Plan”) sets forth the strategic objectives and overall planning process related to meeting the future electricity needs of LIPA’s customers through the use of a diversified electric generation portfolio. As part of that process, LIPA is examining different renewable energy resources to meet its objectives, one of which is a potential off-shore wind resource.

Accordingly, on March 23, 2009, LIPA and Con Edison announced a partnership to jointly determine the feasibility of developing a 350 MW – 700 MW off-shore wind project to be located in the Atlantic Ocean approximately 13 nautical miles off of the Rockaway Peninsula (the “Proposed Project”). This partnership was later expanded to include NYPA and various other entities (such entities referred to as the “Collaborative”)¹ that have been providing assistance and input related to the Proposed Project. On June 30, 2009, LIPA and Con Edison issued a Request for Information (“RFI”) seeking information from the wind power industry and other interested parties related to the Proposed Project. Based on the response to the RFI, the Collaborative plans to issue a Request for Proposals (“RFP”) for the development of the Proposed Project to be constructed, owned and operated by one or more private developers, with the output to be purchased by LIPA, Con Edison and NYPA through power purchase agreement(s).

Discussion

The proposed MOU outlines the cost sharing obligations and other rights and responsibilities associated with the future actions to be taken by LIPA, Con Edison and NYPA related to the Proposed Project, including developing and issuing an RFP, submitting a land lease application with the Minerals Management Services of the United States Department of the Interior (“US MMS”) and conducting further interconnection and other studies (the “Pre-Development Activities”). Of note, the MOU provides that a party may withdraw from the MOU without further liability upon prior written notice to the other parties, and is only responsible for its share of costs prior to withdrawal. The MOU does not obligate the parties to construct the Proposed Project or purchase the output, and the costs under the MOU would be shared among the parties, as well as revenues from the sale of any assets in the event the parties decide not to pursue development of the Proposed Project. LIPA’s estimated share of the proposed total costs under the MOU is \$1,125,000. The parties are pursuing funding to help defray the costs of the Pre-Development Activities through NYSERDA and other federal, state and/or local funding.

Mr. Deering noted that any further action related to the Proposed Project would be presented to the Trustees in the future, as appropriate.

Recommendation

¹ The Collaborative includes LIPA, NYPA and Con Edison as the electric utility participants, as well as the New York State Energy Research and Development Authority (“NYSERDA”), the New York State Department of State, the New York State Department of Environmental Conservation, the New York State Office of General Services, the Metropolitan Transportation Authority (“MTA”), the New York City Economic Development Corporation (“NYC EDC”) and the Port Authority of New York and New Jersey (“Port Authority”). LIPA, NYPA and Con Edison will be parties to the MOU. If the Proposed Project is developed, it is anticipated that the MTA, the NYC EDC and the Port Authority may purchase the Proposed Project’s output from NYPA.

Based on the foregoing, Mr. Deering 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 comments by the public, the following resolution was unanimously adopted by the Trustees:

987. AUTHORITY TO EXECUTE A MEMORANDUM OF UNDERSTANDING RELATED TO A POTENTIAL OFF-SHORE WIND PROJECT

WHEREAS, the Long Island Power Authority (“LIPA”) has a statutory obligation to utilize to the fullest extent practicable, technologies that rely on renewable energy resources; and

WHEREAS, LIPA’s Electric Resource Plan 2010-2020 (the “Electric Resource Plan”) sets forth the strategic objectives and overall planning process necessary for meeting the future electricity needs of LIPA’s customers, and as part of that process, LIPA is examining different renewable energy resources to meet its objectives, one of which is a potential off-shore wind resource; and

WHEREAS, LIPA and Con Edison announced a partnership to jointly determine the feasibility of developing a 350 MW – 700 MW off-shore wind project to be located in the Atlantic Ocean approximately 13 nautical miles off of the Rockaway Peninsula (the “Proposed Project”); and

WHEREAS, as set forth in the accompanying memorandum, this partnership was later expanded to include NYPA and various other entities (such entities referred to as the “Collaborative”) that have been providing assistance and input related to the Proposed Project; and

WHEREAS, LIPA and Con Edison have issued a Request for Information from the wind power industry and other interested parties and conducted preliminary transmission and interconnection studies in connection with the Proposed Project; and

WHEREAS, the Collaborative believes it is appropriate to issue a Request for Proposals (“RFP”) for the development of the Proposed Project to be constructed, owned and operated by one or more private developers, with the output to be purchased by LIPA, Con Edison and NYPA through power purchase agreement(s); and

WHEREAS, LIPA, Con Edison and NYPA have agreed to enter into a Memorandum of Understanding for a 5-year term to address the cost sharing and other rights and responsibilities among the parties with respect to their actions on behalf of the Collaborative, including, but not limited to, developing and issuing an RFP, submitting a land lease application with the Minerals Management Services of the United States

Department of the Interior (“US MMS”) and conducting further interconnection and other studies in connection with the Proposed Project (the “Pre-Development Activities”).

NOW, THEREFORE, BE IT RESOLVED, that the President and Chief Executive Officer or his designee be and hereby is authorized to execute and effect a Memorandum of Understanding with NYPA and Con Edison to be in effect for 5 years under which LIPA, Con Edison and NYPA will jointly undertake the Pre-Development Activities and share the costs of all mutually agreed upon activities to be undertaken to assess the feasibility of the Proposed Project; and

RESOLVED, that cash expenditures by LIPA in connection with the MOU will not exceed \$1,250,000 without further approval of the Trustees; and be it further

RESOLVED, that any additional action(s) related to the Proposed Project will be presented to the Trustees for approval in the future.

The Chairman then allowed public comment to be heard, after which he announced that the next Board meeting is scheduled for May 27, 2010 at 11:00 a.m. in Uniondale. He stated 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 1:23 p.m.

Respectfully submitted,

Lynda Nicolino