LONG ISLAND POWER AUTHORITY

MINUTES OF THE 249th MEETING

HELD ON MAY 29, 2014

The Long Island Power Authority (the “Authority”) was convened for the two-
hundred-and-forty ninth time at 11:05 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on May 23, 2014; and electronic notice posted on the Authority’s website.

The following Trustees of the Authority were present:

Ralph V. Suozzi, Chair
Marc S. Alessi
Sheldon L. Cohen
Matthew Cordaro
Mark Fischl
Jeffrey Greenfield
Thomas J. McAteer
Suzette Smookler

Trustee Elkan Abramowitz was not present.

Representing the Authority were John McMahon, Chief Executive Officer; Tom Falcone, Chief Financial Officer; Lynda Nicolino, General Counsel and Secretary; Kenneth Kane, Managing Director of Finance and Budgeting; Paul DeCotis, Managing Director of Contract Oversight and Michael Deering, Director of Communications and Clean Energy Program Oversight.

Chairman Suozzi welcomed everyone to the 249th meeting of the Long Island Power Authority Board of Trustees and led the Pledge of Allegiance.

The Chair called for a motion to enter into Executive Session to discuss pending litigation matters related to existing reliability projects, Super Storm Sandy and cases involving certain municipalities, negotiations related to the Generation and Transmission RFP and Personnel Matters related to the promotion and/or hiring of particular people related...
to impending vacancies in senior staff positions.

1214. 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, contract and personnel issues.

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The Chair noted that the Trustees would reconvene into regular session at approximately 12:30 p.m. At approximately 11:07 a.m. the Board of Trustees adjourned into Executive Session, which ended at 12:41 p.m.

After noting that no votes were taken in the Executive Session, the Public Meeting of the Board of Trustees of the Long Island Power Authority reconvened.

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Chairman Suozzi called for a motion to accept the minutes of the March 27, 2014 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 unanimously adopted by the Trustees.

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

1215. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MARCH 27, 2014 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 27, 2014 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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Chairman Suozzi then remarked on the weather and the status of PSEG Long Island’s performance under the Operations Services Agreement (OSA).

Chairman Suozzi then turned the meeting over to Mr. McMahon for the CEO’s Report.

Mr. McMahon commented on the following items:
The anticipated reduction of the power supply charge for June;

The storm drill conducted by PSEG Long Island;

The status of the statewide transmission company known as Transco;

PSEG Long Island’s upcoming filing of its Utility 2.0 plan under the Operations Services Agreement and the PSC’s new proceeding related to Revising the Energy Vision (REV) in NYS;

The status of LIPA’s oversight of PSEG Long Island; and

The Departure of two senior staff members, Paul DeCotis, Managing Director of Contract Oversight Group and Lynda Nicolino, General Counsel and Secretary to the Board of Trustees.

Following a discussion with the Trustees, the Chair stated that the next item on the agenda is the Operating Report, to be presented by PSEG Long Island President, Dave Daly and John O’Connell, Vice President of T & D Operations.

Mr. Johnson started the presentation and reported on the following items:

PSEG Long Island Operating Results for April 2014 including budget variances, capital spending and energy efficiency;

Next, Mr. Daly reported on the following items:

PSEG Long Island Operations Services Agreement performance metrics including metrics on workforce safety, customer satisfaction, call center performance, system reliability, meter reading, timely billing and web transactions;

Change initiatives to drive improvements in performance metrics;

Implementation of a series of IT projects;

Use of the $729 million FEMA grant; and

Summer preparation activities.
Mr. Daly concluded PSEG Long Island’s report and took questions from the Trustees.

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

Mr. Falcone then presented the Financial Report, which included the financial results through April 2014.

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

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

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 Executive Officer or his designee to execute two gas transportation service agreements (“Service Agreements”) between the Long Island Lighting Company d/b/a Power Supply Long Island (“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 “fast track” power plants supplying LIPA with electricity, 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 seven small power plants built under contract to LIPA by various developers in the early 2000s (the “Fast Track Units or FTUs”). Since then, natural gas purchased by LIPA has been delivered to the FTUs, among others, by KEDLI, the local gas utility.

LIPA’s current agreements with KEDLI for interruptible gas transportation service for the FTUs have exceeded their five-year base terms and thus, KEDLI is required to update their terms to reflect the most current Tariff rates and provisions. Absent any agreement to the contrary, the future terms of service for these Fast Track Units would be governed by KEDLI’s Service Classification Nos. 7 & 14 (“SC-7” and “SC-14”) Tariffs, which are approved by the New York State Public Service Commission (“PSC”), and which would apply two charges not currently applicable to all of the FTUs and modify another. After six months of negotiation, LIPA staff and KEDLI have agreed on new Service Agreements
for the FTUs which provide for more favorable terms and conditions than would otherwise be required under the Tariff. One agreement would cover the Equus peaking unit in Freeport that is served under SC-7, while the other would cover the other six plants (four peaking plants and two small combined-cycle plants) that are served under SC-14.

I note that these agreements are similar to those approved by the Trustees last year in connection with the provision of gas transportation to the power plants under contract to LIPA through the Power Supply Agreement (“PSA”) with National Grid.

**Discussion**

The proposed new Service Agreements 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 rates for interruptible service that LIPA has been paying (which includes a slightly higher rate for a 30-day per year limitation on interruptions for three of the seven plants), but would apply or update other charges required under SC-7 and SC-14, including a swing charge (for balancing scheduled and actual deliveries of gas), 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 Agreements reflect the same reduced take-or-pay obligation that had been approved for the PSA plants.

Staff has concluded that the Service Agreements’ pricing is reasonable compared to the general SC-7 and SC-14 rates. Moreover, the net effect of the increased and reduced charges is an average increase in the delivered cost of gas to these plants of about 20 cents per dekatherm, which is less than 5% of the total delivered cost.

The estimated total contract value of the 5-year initial term is approximately $37 million, based on the rates set forth in the Service Agreements, which reflects an increase of approximately $2.6 million annually over the current amount, but $1.4 million less annually than what would otherwise be paid under the tariff rate. Staff reviewed the potential to somewhat offset the increased costs by removing the limitation on interruptions where it now applies, but concluded that the needs of our customers would not be served by such a change. Nevertheless, the Agreements provide LIPA the right to make such an election in the future if circumstances warrant it. I would also note that LIPA has the right to oppose any of the Tariff rates, terms and conditions in KEDLI’s next rate case or through a separate petition to the PSC; and any changes ordered by the PSC may be flowed through the Agreements or reflected in the next term extension.

**Recommendation**

Based on the foregoing, I recommend 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:

1216. AUTHORIZATION TO EXECUTE GAS TRANSPORTATION SERVICE AGREEMENTS

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 seven small power plants built under contract to LIPA by various developers in the early 2000s (the “Fast Track Units or FTUs”); and

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; and

WHEREAS, KEDLI offers interruptible gas transportation service to electric generators, pursuant to its Service Classification Nos. 7 and 14 (“SC-7” and “SC-14”) Tariffs, which are approved by the New York State Public Service Commission (“PSC”); and

WHEREAS, LIPA’s current agreements with KEDLI for interruptible gas transportation service to the FTUs have exceeded their base, five-year terms requiring KEDLI to update them to reflect the most current Tariff rates and provisions; and

WHEREAS, LIPA (d/b/a Power Supply Long Island) has negotiated new gas transportation service agreements (“Service Agreements”) with KEDLI for the continuation of interruptible gas transportation service to the FTUs for an initial term of five years, which could be extended, subject to then prevailing Tariff provisions; and

WHEREAS, Staff has concluded that the negotiated pricing under the Service Agreements is more favorable than the Tariff pricing terms that would otherwise be applicable:

NOW THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Chief Executive Officer or his designee be and hereby is authorized to execute two Service Agreements 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 Executive Officer or his designee, to enable LIPA to continue to receive interruptible gas transportation service for the Fast Track Units consistent with the accompanying memorandum.

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The Chair stated that the next item on the agenda is the Consideration of Authorization to Engage Independent Auditing Services.

After requesting a motion on the matter, which was seconded, the Chair indicated that the matter would be presented by Mr. Falcone.
Mr. Falcone presented the following action item:

**Requested Action**

The Trustees are being requested to approve a resolution authorizing the Chief Executive Officer, or his designee, to engage KPMG LLP ("KPMG") to provide Independent Annual Audit Services to the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA (collectively, "LIPA" or the "Authority") for a term not to exceed five (5) years.

**Background**

LIPA’s financial statements must be prepared in accordance with generally accepted auditing standards and should include a review and evaluation of the Authority’s system of accounts, accounting procedures, internal controls, and business practices to determine their adequacy and compliance with applicable provisions of the Laws of the State of New York. The audit report should also include recommendations of possible improvements to internal controls and provide periodic advice to the Authority on accounting matters. The audit report must conform to the requirements of Public Authorities Law Section 2802 and Governmental Accounting Standards ("GASB").

Prior to the LIPA Reform Act, the New York State Division of the Budget ("DOB") was 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 ending April 14, 2013. Last April the LIPA Board approved a two year contract extension with KPMG.

Pursuant to the LIPA Reform Act, LIPA is now responsible for issuing its own competitive solicitation for independent annual audit services.

**Discussion**

On March 20, 2014, LIPA issued a Request for Proposals ("RFP") seeking qualified firms to provide independent annual audit services. The RFP was distributed to twenty eight firms plus ninety four M/WBE firms and was advertised in the NYS Contract Reporter.

On or before April 28, 2014, two firms responded to the RFP. A selection committee comprised of LIPA staff carefully examined each of the two proposals for compliance with the threshold criteria and terms of the RFP, including the cost and non-cost evaluation criteria set forth therein, after which each proposer was deemed responsive and as having met the stated threshold criteria. The proposals were then scored on a quantitative basis.

Based upon the written submissions and an assessment of LIPA’s needs, KPMG was judged to be best suited to serve LIPA as the independent annual auditor. Some of the strengths of KPMG include the firm’s demonstrated record of experience in public finance and electric utility accounting, including independent audits of financial statements similar to the Authority, as well as the firm’s overall qualifications and experience and the qualification and experience of the proposed lead audit Partner and Senior Manager for the new contract. I note that the fees to be charged for these services are reasonable in that they reflect no increase to the fees currently being paid by LIPA, will not increase for the
first three years of the new contract, and will only increase modestly thereafter. Also the fees are consistent with what is charged by KPMG to similarly sized public power companies.

As required, KPMG’s lead audit Partner and concurring Partner will rotate off of the engagement after the 2015 audit, having served LIPA in those roles for five years.

**Recommendation**

Based upon the foregoing, I recommend approval of the above-requested action by adoption of the resolution in the form of the attached 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:

1217. ENGAGEMENT OF A FIRM TO PROVIDE INDEPENDENT ANNUAL AUDIT SERVICES

RESOLVED, that the Chief Executive Officer or his designee be, and hereby is, authorized to engage KPMG LLP for Independent Annual Services for a contract term not to exceed five years.

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The Chair stated that the next item on the agenda is the Consideration of Authorization to Engage Financial Advisory Services.

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

Mr. Kane presented the following action item:

**Requested Action**

The Trustees are being requested to approve a resolution authorizing the Chief Executive Officer, or his designee, to engage Public Financial Management Inc. and PFM Asset Management LLC (together, “PFM”) to provide Financial Advisor and Swap Advisor Services to the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA (collectively, “LIPA” or the “Authority”) for a term not to exceed five (5) years.

**Background**

LIPA has an on-going need for financial and swap advisory services related to accessing the bank and capital markets, assisting in the preparation and adoption of the Authority’s financial policies, maintaining rating agency and investor relationships, and evaluating
financing strategies and structures, among other items. The Authority last conducted a solicitation for these services for a four-year term in February 2009. After a comprehensive, competitive solicitation, that contract was awarded to PFM and subsequently extended for an additional term expiring on June 30, 2014.

Discussion

On February 26, 2014, LIPA issued a Request for Proposals (“RFP”) seeking qualified firms to provide financial and/or swap advisory services to LIPA. The RFP was distributed to thirty two firms plus 140 M/WBE firms, advertised in the NYS Contract Reporter, and posted on LIPA’s website.

On or before March 26, 2014, nine firms responded to the RFP. Three firms submitted proposals for financial advisor and six firms submitted proposals for swap advisor. A selection committee comprised of LIPA staff carefully examined each of the nine proposals for compliance with the threshold criteria and terms of the RFP, including the cost and non-cost evaluation criteria set forth therein, after which four proposers were deemed non-responsive. One firm stated that they were not proposing but were instead including themselves as a NYS Certified MBE who expressed interest in being a subcontractor to the selected firms. Another firm did not include their cost proposal with their proposal submission and two firms submitted non-responsive costs.

The remaining two proposals for financial advisor and the remaining three proposals for swap advisor were then scored on a quantitative basis. Interviews were conducted for the two firms for financial advisor.

Based upon the written submissions, interviews (conducted for financial advisor only), and an assessment of LIPA’s needs, PFM was judged to be best suited to serve LIPA as financial and swap advisor for the term of this engagement. Some of the strengths of PFM include, first, its in-depth working knowledge and understanding of the Authority, its debt, and operations. PFM has been providing advisory services to the Authority since 2008. Second, PFM has extensive knowledge and dominant experience in the public power field, where it has been the #1 financial advisor for public power issuers over the past five years with over 50% market share, including serving as advisor to 20 of the 26 members of the Large Public Power Council (“LPPC”), which represents the largest public power issuers in the United States (LIPA’s peer group of utilities). No other firm serves as an advisor to more than a single LPPC member. Third, PFM proposed a full service offering and a dedicated team of professionals who have served LIPA well in difficult times during the term of its previous contract. Fourth, PFM provided a thorough and thoughtful response to RFP and interview questions and offered the most insightful and relevant recommendations specific to LIPA. Finally, PFM agreed to provide the services for each scope of work at a fixed retainer that is believed to be reasonable for the time and level of effort required when compared and scaled to the retainers being paid by similarly sized public power companies.

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by adoption of the resolution in the form of the attached 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:

1218. ENGAGEMENT OF FIRMS TO PROVIDE FINANCIAL AND SWAP ADVISORY SERVICES

RESOLVED, that the Chief Executive Officer or his designee be, and hereby is, authorized to engage Public Financial Management Inc. for Financial Advisory Services and PFM Asset Management LLC for Swap Advisory Services, with each contract term not to exceed five years.

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The Chair stated that the next item on the agenda is the Consideration of Authorization Related to Commercial Paper Program.

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

Mr. Falcone presented the following action item:

Requested Action

The Trustees are being requested to approve the issuance of Commercial Paper Notes for the additional purpose of funding Operating Expenses and to approve the issuance of Commercial Paper Notes as either federally tax-exempt or federally taxable obligations. The Trustees are also being requested to approve the extension of the Authority’s Commercial Paper program until May 31, 2019.

The Trustees have been furnished with an authorizing resolution (attached hereto as Exhibit A) which (i) approves the issuance of Commercial Paper Notes for the purpose of funding Operating Expenses, (ii) approves the issuance of Commercial Paper Notes as federally taxable or tax-exempt, and (iii) extends the Commercial Paper program.

Background

The Authority’s Commercial Paper program was authorized pursuant to the Third Supplemental Subordinated Resolution dated December 12, 2001 (the “Third Supplemental Resolution”). Under the terms of the Third Supplemental Resolution, Commercial Paper Notes may be issued to pay or reimburse capital costs incurred in connection with the improvement of the transmission and distribution system, to pay any amounts due under any financial contracts entered into in connection with the Commercial Paper Notes, to refund Commercial Paper Notes, to pay fees and expenses incurred in conjunction with each of the foregoing and the issuance of the Commercial Paper Notes, and any other additional purposes as may be specified by subsequent Authority resolution.
By adoption of the attached resolution, the Trustees would approve the additional purpose of paying or reimbursing the payment of Operating Expenses. This would permit the Authority to use the Commercial Paper program as an additional vehicle to manage the seasonality of its cash flows in the same manner it currently uses the Series 2013A revolving credit facility, without incurring an additional cost in terms of bank credit facilities.

Certain expenditures incurred by the Authority may not be eligible to be financed with the federally tax exempt obligations. In order to permit such costs to be financed with the proceeds of Commercial Paper Notes, it is proposed that certain officers be authorized to determine whether Commercial Paper Notes should be issued as federally taxable or tax-exempt obligations. Adoption of the proposed resolution would permit this and would make the covenant to preserve the federal tax exemption of Commercial Paper Notes set forth in the Third Supplemental Resolution inapplicable to Commercial Paper Notes issued as federally taxable obligations.

The Commercial Paper program has proved by a beneficial source of liquidity to the Authority. The program is currently authorized to extend until June 28, 2016, unless extended. By the adoption of the attached resolution, the Trustees would approve the extension of the issuance and sale of the Commercial Paper Notes, until May 31, 2019.

Recommendation

Based upon the foregoing, I recommend the adoption of the attached 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:

LONG ISLAND POWER AUTHORITY

RESOLUTION

1219. APPROVING AN ADDITIONAL USE OF PROCEEDS OF COMMERCIAL PAPER NOTES, PERMITTING THE ISSUANCE OF FEDERALLY TAXABLE COMMERCIAL PAPER NOTES [AND APPROVING EXTENSION OF TERM OF COMMERCIAL PAPER PROGRAM]

WHEREAS, on December 12, 2000 the Long Island Power Authority (the “Authority”) adopted its Third Supplemental Subordinated Resolution (the “Supplemental Resolution”), which authorizes the issuance of the Authority’s Commercial Paper Notes (as defined in the Supplemental Resolution in accordance with the terms thereof; and

WHEREAS, pursuant to the Supplemental Resolution the purposes for which Commercial Paper Notes may be issued include (i) to pay or reimburse the Costs of System Improvements, (ii) to pay any amounts due under any Financial Contract entered into in connection with the Commercial Paper Notes, (iii) to refund Commercial Paper Notes or repay any amount drawn under a CP Credit Facility to pay Commercial Paper Notes, (iv) to pay fees and expenses incurred in conjunction with each of the foregoing and the
issue of the Commercial Paper Notes, and (v) such other purposes as may be specified by subsequent Authority resolution; and

WHEREAS, the Authority has determined that it may sometimes be beneficial to have the flexibility to issue Commercial Paper for the purpose of funding Operating Expenses and wishes to authorize the issuance of Commercial Paper Notes for such purpose; and

WHEREAS, the Authority wishes to provide for the issuance of Commercial Paper Notes as federally taxable or federally tax-exempt obligations; and

WHEREAS, Section 2.03 of the Supplemental Resolution and resolutions previously adopted by the Trustees, the final term of any Commercial Paper Note shall not extend beyond June 28, 2016, unless extended by subsequent resolution of the Trustees; and

WHEREAS, the Authority wishes to extend the Commercial Paper program such that the term of any Commercial Paper Note shall not extend beyond May 31, 2019, except as may be authorized by subsequent Authority resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE TRUSTEES OF THE LONG ISLAND POWER AUTHORITY, AS FOLLOWS:

1. The issuance of Commercial Paper Notes for the additional purpose of funding Operating Expenses is hereby authorized.

2. Commercial Paper Notes may hereafter be issued as obligations the interest on which is excluded from, or included in, gross income for federal income tax purposes, as shall be determined by the Chief Executive Officer, Chief Financial Officer, or Managing Director of Finance. Section 6.02 of the Supplemental Resolution shall be inapplicable to any Commercial Paper Notes which any such officer has determined shall be issued as obligations the interest on which is to be included in gross income for federal income tax purposes.

3. The extension of the Commercial Paper Note program such that the term of any Commercial Paper Note shall not extend beyond May 31, 2019, except as may be authorized by subsequent Authority resolution, is hereby approved and adopted.

4. Each of the Chief Executive Officer, Chief Financial Officer, or Managing Director of Finance is hereby authorized and directed to execute and deliver any and all documents and instruments and to do any and all acts necessary or proper for carrying out the issuance, sale and delivery of the Commercial Paper Notes in accordance with the Supplemental Resolution and this resolution, including, without limitation, the delivery of Certificates of Determination (as defined in the Supplemental Resolution) and the amendment of documentation relating to the Commercial Paper Notes necessary to implement this resolution.

5. This resolution shall take effect immediately.

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The Chair stated that the next item on the agenda is the Consideration of Authorization to Engage Legal Services.

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 approve a resolution authorizing the Chief Executive Officer, or his designee, to engage ten firms to provide as-needed legal services to the Authority and its subsidiary, LIPA (collectively “LIPA”) in six practice areas, as set forth below, for a period of up to four years.

Background

To supplement its limited in-house resources, LIPA has engaged several law firms over the years to provide various legal services on an as-needed basis. As LIPA’s needs continue, and its existing contracts for legal services expire, it is necessary to solicit for new, additional and/or replacement legal services to ensure that LIPA has adequate and continuous advice, assistance and representation in its numerous existing and upcoming projects, initiatives and cases.

As such, on January 27, 2014, LIPA issued a Request for Proposals (“RFP”) seeking experienced law firms to provide legal services to LIPA for a period of two years with an option to renew for up to an additional two-year period in the following practice areas: 1) Real Estate; 2) General Litigation; 3) Corporate and Securities; 4) Complex Litigation; 5) State Regulatory; and 6) Wholesale Energy Markets. The RFP was distributed to 136 firms, including 29 minority/woman-owned businesses (MBE/WBE).

On February 24, 2014, thirty-seven firms responded to the RFP. A selection committee comprised of LIPA’s legal staff carefully examined each proposal. The selection committee reviewed the proposals for compliance with the terms of the RFP and then evaluated each proposal on a qualitative basis. The selection committee then conducted interviews of the top-qualifying firms in each practice area in order to more fully evaluate the written proposals and to better assess the strengths and weaknesses of each firm with respect to LIPA’s needs.

Based upon the written proposals, interviews and an assessment of LIPA’s needs, it was determined that the ten firms listed below provide the best value to LIPA for the services sought, considering both technical expertise and proposed hourly rates. I note that it is generally desirable to engage several firms with the capability to provide services in a given area. This affords LIPA the flexibility to choose the firms best-suited to provide services based on specific expertise, resource requirements, and/or where necessary to avoid a conflict of interest. As such the firms recommended are as follows:
**Recommendation**

1. **Real Estate**
   - a. Lazer Aptheker Rosella & Yedid PC
   - b. Koeppel Martone & Leistman LLP *
   - c. Oxman Tulis Kirkpatrick Whyatt & Geiger LLP *

2. **General Litigation**
   - a. Rivkin Radler LLP
   - b. Lazer Aptheker Rosella & Yedid PC
   - c. Krez & Flores LLP **

3. **Corporate and Securities**
   - a. Holland & Knight LLP
   - b. Couch White LLP

4. **Complex Litigation**
   - a. Rivkin Radler LLP
   - b. Holland & Knight LLP
   - c. Couch White LLP

5. **State Regulatory**
   - a. Read and Laniado LLP
   - b. Couch White LLP
   - c. Harris Beach PLLC

6. **Wholesale Energy Markets**
   - a. Van Ness Feldman LLP
   - b. Stinson Leonard Street LLP *

   *New provider / **New, MBE provider

I note that given the robust response to the RFP, the hourly rates proposed by the firms have been determined to be reasonable and reflect discounts from current market rates for the services to be provided.

**Recommendation**

Based on the foregoing, I recommend 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:*
1220. ENGAGEMENT OF FIRMS TO PROVIDE LEGAL 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 law firms to provide legal services to the Long Island Power Authority and LIPA (together “LIPA”) on an as-needed basis, with the contract terms to be for a period of two years with a LIPA option to renew for up to an additional two year period: 1) Couch White LLP; 2) Harris Beach PLLC; 3) Holland & Knight LLP; 4) Koeppel Martone & Leistman LLP; 5) Krez & Flores, LLP; 6) Lazer Aptheker Rosella & Yedid, PC; 7) Oxman Tulis Kirkpatrick Whyatt & Geiger LLP; 8) Read and Laniado, LLP; 9) Rivkin Radler LLP; 10) Stinson Leonard Street LLP; and 11) Van Ness Feldman LLP.

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The Chair stated that the next item on the agenda is the Approval of Amendments Related to Governing Documents of the Long Island Lighting Company d/b/a LIPA.

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 resolution in the forms attached hereto authorizing the following action related to the Long Island Power Authority’s (the "Authority") wholly-owned subsidiary, the Long Island Lighting Company d/b/a LIPA (“LILCO”), namely electing officers and directors of LILCO so that the current senior executive officers and Trustees of the Authority will hold identical positions as officers and directors of LILCO.

Background

Under the Plan and Agreement of Merger providing for the Authority’s acquisition of the Long Island Lighting Company (“LILCO”) in 1998, the Authority acquired all of the common stock of LILCO, whereafter LILCO became a wholly-owned subsidiary of the Authority. LILCO owns substantially all of the Authority’s electric transmission and distribution (“T&D”) assets and liabilities and is the counterparty to several material contracts relating to the T&D system, including the Operations Services Agreement with PSEG Long Island.

Unlike the Authority, LILCO is a business corporation incorporated under the New York Business Corporation Law (“NYBCL”), and is governed by By-Laws separate from the Authority. The Authority, acting as LILCO’s sole shareholder, takes corporate action on behalf of and in the name of LILCO, and as necessary, has elected LILCO’s officers and directors by written consent signed by Authority officers, as permitted by both the NYBCL and LILCO’s By-Laws. Given the recent changes to the Authority and its Board
membership pursuant to the LIPA Reform Act, it is desirable to elect the officers and directors currently in the organizations at this time. Accordingly, as proposed here, and as provided for under the LILCO By-Laws, the Authority, as LILCO’s sole shareholder, is to nominate and elect the LILCO directors, who in turn are to nominate and elect the senior executive officers. Action by the LILCO directors is proposed to be taken by unanimous written consent in lieu of a meeting, as has been done in the past.

**Recommendation**

Based upon the foregoing, I recommend approval of the above-requested action by adoption of resolutions in the form of the draft resolutions 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:*

**1221. APPROVAL OF ELECTION OF DIRECTORS OF THE LONG ISLAND LIGHTING COMPANY D/B/A LIPA**

RESOLVED, that the Long Island Power Authority (the “Authority”), as the sole shareholder of the Long Island Lighting Company d/b/a LIPA (“LIPA”), hereby nominates and elects the following individuals as directors of LIPA until the next Annual Shareholder meeting of LIPA and until his or her successor has been elected or until his or her resignation as an Authority Trustee:

Ralph V. Suozzi, Chairman
Elkan Abramowitz
Marc S. Alessi
Sheldon L. Cohen
Matthew Cordaro
Jeffrey H. Greenfield
Mark Fischl
Thomas J. McAteer
Suzette C. Smookler

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*The Chair stated that the next item is an add on based on the discussion earlier in Executive Session related to the departure of our General Counsel.*

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

Mr. McMahon presented the following action item:

Requested Action

The Trustees are being requested to approve a resolution appointing Bobbi O’Connor as Acting General Counsel of the Authority and LIPA (collectively “LIPA”).

Background

LIPA is actively conducting a search to fill the position of General Counsel. Pending the completion of this search process, we need to appoint an interim General Counsel to ensure that the important responsibilities of that office continue to be fulfilled.

I recommend that Bobbi O’Connor be appointed to the position of Acting General Counsel of LIPA. Since November of 2013, Ms. O’Connor has been providing valuable legal services to LIPA in her capacity as Assistant General Counsel. She has nearly fifteen years of prior legal experience in the private sector, including public finance, corporate governance and commercial transactional experience. Ms. O’Connor is very familiar with LIPA and all of its legal matters and needs, and is well-suited to take over the daily management of LIPA’s Office of General Counsel on an interim basis.

Recommendation

Based on the foregoing, I recommend approval of the above-requested action.

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

1222. APPOINTMENT OF ACTING GENERAL COUNSEL

RESOLVED, that Bobbi O’Connor be, and hereby is, appointed Acting General Counsel, effective as of June 20, 2014, until the earlier of her resignation or removal; and be it further

RESOLVED, that the incumbent of the position of Acting General Counsel shall be an officer of the Long Island Power Authority (“Authority”) and its subsidiary, LIPA, within the meaning of the Authority’s enabling legislation (Chapter 517 of the Laws of 1986), as amended, including Section 1020-bb of the Public Authorities Law, and all other applicable laws.

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The Chair then allowed public comment to be heard, after which he announced that the next Board meeting is scheduled for June 26, 2014 at 11:00 a.m. in Uniondale. The Chair
then asked for a motion to adjourn.

At approximately 2:17 p.m. the Open Session of the Board of Trustees was adjourned.

Respectfully submitted,

Bobbi O’Connor