The Long Island Power Authority (the “Authority”) was convened for the two-hundred-and-forty second time at 10:39 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on June 24, 2013; and electronic notice posted on the Authority’s website.

The following Trustees of the Authority were present:

Lawrence Waldman, Chair
Laurence Belinsky
Matthew Cordaro
John Fabio
Jeffrey Greenfield
Neal Lewis
Michael Maturo
Suzette Smookler
Peter Tully, Vice Chair

Trustees Susan Gordon Ryan and Gemma DeLeon were not present.

Representing the Authority were John McMahon, Chief Operating Officer; Michael Taunton, 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.

The Chair called for a motion to enter into Executive Session to discuss litigation matters related to the tax certiorari cases and the Operations Services Agreement amendment negotiations.

At approximately 10:45 a.m. the Board of Trustees adjourned into Executive Session, which ended at 11:39 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. Trustee deLeon no longer in attendance.

1174. 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 contract and personnel issues.

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Chairman Waldman welcomed everyone to the 242nd meeting of the Long Island Power Authority Board of Trustees and led the Pledge of Allegiance.

Chairman Waldman called for a motion to accept the minutes of the May 23, 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 May 23, 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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Chairman Waldman called for a motion to accept the minutes of the May 24, 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.

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


RESOLVED, that the Minutes of the meeting of the Authority held on May 24, 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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Chairman Waldman then remarked on the following items:

- The LIPA Reform Act;
- The Moreland Commission’s final report and the appointment of a Special Committee of the Board of Trustees to address the Commission’s findings;
- The accounting items on the meeting’s agenda; and
- The hard work and dedication of the Trustees.

Chairman Waldman then turned the meeting over to Mr. McMahon for the COO’s Report, who reported on the following items:

- Mr. McMahon reported on the following items:
- LIPA’s response to the Moreland Commission’s report;
- Contract negotiations with PSEG to amend the Operations Services Agreement in light of the LIPA reform legislation;
- Current property tax litigation;
- The future organizational structure of LIPA;
- Recognition of LIPA for its outstanding energy efficiency and renewable energy programs;
- A recent all-day storm drill conducted by National Grid;
- LIPA’s readiness for seasonal peak demands;
- The status of the Neptune facility;
- The status of a 13 kV replacement line project underway on Shelter Island;
- The status of LIPA’s vegetation management program for 2013;
- The status of LIPA’s economic development projects; and
- The status of the Generation and Transmission Request for Proposals.
Mr. McMahon concluded his remarks. He and Mr. Lizanich took questions from the Trustees.

The Chair stated that the next presentation will be given by Mr. Deering on LIPA’s Efficiency Long Island Program evaluation.

Mr. Deering introduced Bill Norton, COO of Opinion Dynamics Corporation, to give the presentation.

Mr. Norton presented Opinion Dynamics Corporation’s independent annual evaluation of LIPA’s Efficiency Long Island Program. He then took questions from the Trustees.

The Chair 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 five months ended May 2013.

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

The Chair stated that the next item on the agenda is the Consideration of Authorization to Select Senior Underwriters Related to Securitization Financing.

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 resolution approving the selection of Goldman Sachs & Co. (“Goldman Sachs”) and Morgan Stanley & Co. (“Morgan Stanley”) as senior underwriters for the initial issuance of bonds (“Securitization Bonds”) by the utility debt securitization authority (“Securitization Authority”) to be established pursuant to Part B of the legislation adopted by the State Assembly and Senate on June 21, 2013 (the “LIPA Reform Act”).

**Background**

As the Trustees are aware, the state legislature has adopted, and the Governor is expected to sign into law, the LIPA Reform Act (embodied in the Governor’s Program Bill #20) related
to the restructuring of the Authority. Part B of the legislation provides a statutory basis and process for the issuance of Securitization Bonds by the Securitization Authority, which will be created as a new public instrumentality of the state for this purpose.

Subject to market conditions, the Securitization Authority would issue the Securitization Bonds and the net proceeds (after payment of financing costs) would be used to repay or defease a like amount of LIPA's outstanding bonds. It is expected that the Securitization Bonds, given their structure and creditworthiness, will receive a “AAA” rating from the rating agencies and would therefore bear a lower interest rate than the LIPA bonds to be refinanced. As a result, on a net present value basis, LIPA's debt costs would be reduced.

The LIPA Reform Act provides that the Securitization Authority will enter into an agreement with one or more underwriters or purchasers satisfactory to LIPA to sell the Securitization Bonds in compliance with a restructuring cost financing order to be approved by the LIPA Board. By its terms, the securitization provisions of the statute are not subject to legal challenge 30 days after enactment. The legislation also provides for an expedited judicial review process if any such challenge is made. In order to be in a position to take advantage of favorable market conditions, LIPA management believes it important to move forward with the selection of senior underwriters as quickly as possible so that we may be in position to take advantage of favorable market conditions as soon as the statutory securitization process allows.

Discussion

To this end, on June 6, 2013, LIPA issued a Request for Proposals (“RFP”) to its six senior bankers to act as prospective underwriters for the Securitization Bonds. All six firms were then invited to make presentations to management. On the basis of the proposals received and subsequent interviews, we are recommending that the Trustees approve the selection of Goldman Sachs and Morgan Stanley as lead underwriters at this time. We will be identifying additional underwriters for the Securitization Bonds in the future and will be recommending the selection of Goldman Sachs, Morgan Stanley, and such other underwriters to the Securitization Authority following its organization.

Goldman Sachs and Morgan Stanley as prospective underwriters are being selected at this time in order to begin, as early as possible, the process of identifying potential structures for the securitization financing, the bonds to be retired with the proceeds of the Securitization Bonds, the terms of the related financing orders and other financing documents, and materials to be provided to the rating agencies, investors and other market participants in connection with the Securitization Bonds. Additional responsibilities for Goldman Sachs and Morgan Stanley and the other underwriters will be determined at a later time.

Recommendation

Based on the foregoing, Mr. Taunton 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:
1177. AUTHORIZATION TO SELECT SENIOR UNDERWRITERS FOR SECURITIZATION FINANCING

WHEREAS, Part B of the LIPA Reform Act passed by the Assembly (A 8073) and the Senate (S 5844) on June 21, 2013 provides a statutory basis and procedure for a newly established utility debt securitization authority ("Securitization Authority") to issue securitization bonds to refinance a portion of the Long Island Power Authority’s ("LIPA") outstanding debt; and

WHEREAS, on the basis of the evaluation of proposals and qualifications submitted, LIPA has determined that the firms of Goldman Sachs & Co. and Morgan Stanley & Co. have made the best overall proposals to act as senior underwriters for the securitization bonds; and

WHEREAS, LIPA believes it would be prudent to select the senior underwriters for the securitization financing at this time as soon as possible so that LIPA and the Securitization Authority will be in position to take advantage of favorable market conditions to issue the Securitization Bonds; and

WHEREAS, the Finance and Audit Committee of the Board reviewed Staff’s request and has adopted a resolution recommending approval by the Trustees:

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Trustees hereby 1) approve the selection of Goldman Sachs & Co. and Morgan Stanley & Co. as senior underwriters for the issuance of Securitization Bonds to be sold by the Securitization Authority pursuant to the LIPA Reform Act, and 2) authorize the Chief Financial Officer ("CFO") or his designee to execute and deliver, in the name and on behalf of LIPA, such instruments, agreements and other documents and take all such other action as the CFO or his designee shall deem necessary, appropriate or advisable to effectuate the objectives set forth more fully in the accompanying memorandum.

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The Chair stated that the next item on the agenda is the Consideration of Authorization to Establish Regulatory Asset Related to GASB No. 65.

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 establishment of a regulatory asset related to the Long Island Power Authority’s (the “Authority”) unamortized debt issuance costs as the result of a new Governmental Accounting Standard Board (“GASB”) Statement.
Background

The Authority’s financial statements are prepared in accordance with generally accepted accounting principles as prescribed by GASB. In this regard, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, on April 2, 2012 (“GASB No. 65”), which became applicable to the Authority for the fiscal year beginning January 1, 2013. GASB No. 65 requires that debt issuance costs be expensed in the current financial period. This would be a significant change from the Authority’s current practice, which is to record debt issuance costs as assets and amortize them over the life of the related debt. In this regard, the Authority’s rates incorporate recovery for debt issuance costs, which are a component of the Authority’s revenue requirement, on a systematic basis over the life of the debt.

The Authority is also subject to existing GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, that was issued by GASB on December 30, 2010 (“GASB No. 62”), which outlines regulatory accounting for entities or operations that are rate regulated. Specifically, GASB No. 62 allows – not requires – the Authority to record costs related to debt issuances as a regulatory asset and amortize these costs over the life of the related debt. While GASB No. 62 allows this practice, the Authority has not recorded such costs as a regulatory asset to date.

Discussion

Based on the applicability of GASB No. 65, the Authority must now record such costs related to debt issuance as a regulatory asset and amortize them over the life of the related debt, as allowed by GASB No. 62. As of January 1, 2013, the Authority’s unamortized debt issuance costs totaled approximately $44.6 million.

As with any application of regulatory accounting under GASB, the creation of a regulatory asset, as well as the recovery period, must be approved by the governmental entity’s governing body. Accordingly, Staff recommends that the Board of Trustees approve the creation of a regulatory asset for LIPA’s outstanding debt issuance costs as of January 1, 2013, which totals approximately $44.6 million, as well as any additional debt issuance costs incurred on and after January 1, 2013 to be recovered over the life of the related debt. This will have no financial impact to the Authority or its customers as these debt issuance costs are already included in the Authority’s revenue requirement.

Mr. Taunton noted that the Finance and Audit Committee (“Committee”) of the Board reviewed Staff’s request and believes that the establishment of the regulatory assets is in all respects reasonable and appropriate. Accordingly, the Committee has adopted a resolution recommending approval of the resolution by the Trustees.

Recommendation

Based on the foregoing, Mr. Taunton 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:

1178. ESTABLISHMENT OF REGULATORY ASSET RELATED TO DEBT ISSUANCE COSTS

WHEREAS, the Long Island Power Authority’s (the “Authority’s”) financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standard Board (“GASB”); and

WHEREAS, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, on April 2, 2012 (“GASB No. 65”), which became applicable to the Authority for the fiscal year beginning January 1, 2013; and

WHEREAS, GASB No. 65 would otherwise require the Authority’s debt issuance costs be expensed in the current financial period; and

WHEREAS, the Authority is also subject to existing GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, that was issued by GASB on December 30, 2010 (“GASB No. 62”), which outlines regulatory accounting for entities or operations that are rate regulated, and allows the Authority to record costs related to debt issuances as a regulatory asset and amortize these costs over the life of the related debt; and

WHEREAS, based on the applicability of GASB No. 65, Staff recommends that the Authority record such debt issuance costs as a regulatory asset and amortize them over the life of the related debt, as allowed by GASB No. 62; and

WHEREAS, as of January 1, 2013, the Authority’s unamortized debt issuance costs totaled approximately $44.6 million; and

WHEREAS, Staff recommends that the Board of Trustees approve the creation of a regulatory asset for LIPA’s outstanding debt issuance costs as of January 1, 2013, which totals approximately $44.6 million, as well as any additional debt issuance costs incurred on and after January 1, 2013 to be recovered over the life of the related debt; and

WHEREAS, the Finance and Audit Committee of the Board has reviewed Staff’s request and has deemed the request to be in all respects appropriate:

NOW, THEREFORE BE IT RESOLVED, that the Finance and Audit Committee of the Board hereby recommends that the Trustees approve a resolution presented at this meeting creating regulatory asset for LIPA’s outstanding debt issuance costs as of January 1, 2013, which totals approximately $44.6 million, as well as any additional debt issuance costs incurred on and after January 1, 2013 to be recovered over the life of the related debt.

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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 September 26, 2013 at 11:00 a.m. in Uniondale. The Chair then asked for a motion to adjourn.

At approximately 12:59 p.m. the Open Session of the Board of Trustees was adjourned.

Respectfully submitted,

Lynda Nicolino