

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 213th MEETING

HELD ON DECEMBER 16, 2010

The Long Island Power Authority (the "Authority") was convened for the two-hundred-and-thirteenth time at 11:13 AM at the LIPA Board Room, in Uniondale, NY, pursuant to legal notice given on December 13, 2010; verbal notice given by the Chairman at the October 28, 2010 meeting of the Board of Trustees; and electronic notice posted on the Authority's website.

The following Trustees of the Authority were present:

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

The following Trustees of the Authority were absent:

Laurence Belinsky

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

Chairman Steinberg welcomed everyone to the 213th meeting of the Long Island Power Authority Board of Trustees. He then led the Board in a moment of silence to honor the men and women serving our country, followed by the Pledge of Allegiance.

Chairman Steinberg made a motion to accept the minutes of the October 28, 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 resolution was then adopted, with Trustee Weir abstaining:

1016. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE OCTOBER 28, 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 October 28, 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.

The Chairman next remarked on the following items:

- *The status and timeline of the Brattle Group's analysis of LIPA's business structure;*
- *The reasons LIPA is seeking a reduction with respect to certain property taxes ultimately borne by LIPA customers; and*
- *The status of the search for a new CEO.*

After concluding his remarks, Chairman Steinberg turned to Chief Operating Officer Michael Hervey for his report.

Mr. Hervey reported on the following items:

- *LIPA employees who either retired recently or will be retiring before the end of December as part of the Early Retirement Incentive that the Board previously authorized;*
- *The status of the Utility Services Management Request for Proposals;*
- *The status of funding for LIPA's residential solar program;*
- *The announcement of the Solar Parking Lot Project;*
- *National Grid's performance regarding certain metrics; and*
- *Meetings held with representatives in the Port Jefferson and Huntington communities related to property tax issues.*

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

The Chairman stated that the next item on the agenda is the Approval of LIPA's 2011 Operating Budget and 2011/2012 Capital Budgets.

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 adopt a resolution approving the proposed 2011 Operating Budget and the proposed 2011 and 2012 Capital Budgets ("Budgets") for the Long Island Power Authority and its subsidiary, LIPA (collectively "LIPA"). These Budgets present LIPA's revenue forecasts and planned operating expenditures for 2011 and capital expenditures for 2011 and 2012.

Background

The proposed 2011 Operating Budget and proposed 2011 and 2012 Capital Budgets set forth the revenue as well as operating and capital expenditure forecasts for the respective years ending December 31. The Budgets incorporate the continuation of current operation and maintenance and capital improvement programs, as well as initiatives planned for 2011 and 2012 to accommodate system needs, promote energy efficiency and renewable

energy and to further improve levels of reliable service provided to LIPA's customers. Electric sales are forecast at 19,832 GWh, which represents a modest increase of 0.4% versus the budgeted sales level for 2010.

Revenues, which are primarily from retail sales of electricity to residential, commercial and industrial customers, are forecasted at \$3.660 billion, or 4.9% lower than the approved level for 2010. The decrease reflects the proposed reduction to the Power Supply Charge resulting from the refund of 2010 over-recoveries of fuel and purchased power costs, as well as lower projected natural gas and purchased power costs for 2011. Budgeted revenues also include those to be derived from the implementation of a late payment charge for residential customers beginning in the second quarter of 2011, subject to separate approval by the Trustees. Budgeted revenues further include those derived from electric sales to public authorities and for street lighting, revenues from non-electric sources, such as pole attachments, late payment charges already in place and other miscellaneous service fees. Finally, the proposed budget assumes that the unused funds remaining in the Low Income Senior Energy Assistance Program, which expired on August 12, 2010, and which provided assistance to 17,153 qualified seniors, would be made available to all customers by restoring it to the National Grid/KeySpan merger settlement benefits utilized for rate relief.

LIPA's overall rates will decrease from their present level in 2011, thereby reducing the typical residential customer's bill by approximately 2.2% or \$3.31 per month, notwithstanding a 1.9% increase in the Delivery Charge component of its retail rate. The increase in the Delivery Charge is necessitated by the significant growth of costs largely beyond LIPA's control, including those associated with taxes and assessments which together, have increased by \$37 million over the 2010 budgeted level. The adjustments to LIPA's rates would be effective March 1, 2011 for the Delivery Charge (subject to separate approval by the Trustees) and January 1, 2011 for the Power Supply Charge. In conjunction with the increase in the Delivery Charge, LIPA is implementing a program, also subject to separate approval by the Trustees, for qualified low income customers which would exempt these customers from the rate increase.

The Executive Summary to the proposed 2011 Operating Budget and the proposed 2011 and 2012 Capital Budgets attached hereto, provides an overview of LIPA's proposed operating and financing costs for 2011.

Although not required, LIPA conducted four public comment sessions in Nassau and Suffolk Counties, two on November 17 and two on December 7, 2010. All sessions were sparsely attended. In total, 6 people commented on the budget verbally and one by email. Primarily the comments reflected opposition to the late payment charge for residential customers and requests to increase the expenditures for solar programs and reduce the debt level. There has been no other opposition to the budget.

Capital expenditures for 2010 are projected to increase by 13.4% from the budgeted 2010 level. This change reflects projects related to information technology to provide better information relating to the operation of the transmission and distribution system,

improved service interruption information to customers and LIPA's share of refueling costs for the Nine Mile Point 2 nuclear generating station.

Five-year projections of revenues and expenses and sources and uses of cash are presented to give an indication of LIPA's longer-term financial position. The information contained herein is based on assumptions, particularly with respect to fuel and purchased power commodity costs, which may or may not occur. Therefore, actual results may differ from those presented herein.

Further, as required by regulations issued by the State Comptroller in 2006 (2 NYCRR Part 203), attached hereto is a certification signed by Michael D. Hervey, Chief Operating Officer, who has assumed the responsibilities of the President and CEO while that position is vacant, certifying that to the best of his knowledge and belief after reasonable inquiry, the budget information and financial projections for the years ending December 31, 2011 through December 31, 2015, attached hereto, have been developed based upon reasonable assumptions and methods of estimation and that the requirements of such regulations have been satisfied.

Recommendation

Based upon the foregoing, Mr. Hervey recommended approval of the above requested action by adoption of a resolution in the form of the draft resolution attached hereto.

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

1017. APPROVAL OF THE 2011 OPERATING BUDGET AND 2011 AND 2012 CAPITAL BUDGETS

WHEREAS, the Long Island Power Authority ("Authority"), through its wholly owned subsidiary, LIPA, owns and operates the electric transmission and distribution system ("T&D System") serving the counties of Nassau and Suffolk and a small portion of the County of Queens known as the Rockaways; and

WHEREAS, the Board of Trustees is required to approve annual budgets for the operation and maintenance of the transmission and distribution system and for capital improvements; and

WHEREAS, the Authority released its proposed 2011 Operating Budget and proposed 2011 and 2012 Capital Budgets on November 5, 2010; and

WHEREAS, the proposed budget contains a reduction to the Power Supply Charge and an increase in the Delivery Charge, the overall result being a net decrease of \$3.31 to the average residential customer's monthly bill; and

WHEREAS, the proposed budget contains a proposal to implement a late payment charge for residential customers who pay after the due date, consistent with a charge presently imposed on other customer classes, subject to further Trustee approval; and

WHEREAS, the proposed budget contains a proposal to implement a Low Income Program to mitigate the effect of rate increases on qualified customers, also subject to further Trustee approval; and

WHEREAS, the proposed budget includes the use of funds remaining in the Low Income Senior Energy Assistance Program for all customers by restoring it to the National Grid/KeySpan merger settlement benefits previously authorized to be utilized for rate relief; and

WHEREAS, the Authority conducted four public input sessions on the proposed 2011 Operating Budget and proposed 2011 and 2012 Capital Budgets on November 17 and December 7, 2010:

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the proposed 2011 Operating Budget and the proposed 2011 and 2012 Capital Budgets, as attached hereto, are hereby approved; and be it further

RESOLVED, that the Authority intends to finance the requirements of the 2011 and 2012 Capital Budgets through a combination of internally-generated funds and the issuance of tax-exempt or taxable debt of the Authority, to the extent permitted by law.

The Chairman stated that the next item on the agenda is the Approval of Modifications to Long Island Power Authority Tariff for Electric Service.

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

Mr. Germano presented the following action item:

Requested Action

The Trustees are being requested to approve a resolution adopting various modifications to the Long Island Power Authority's ("LIPA") Tariff for Electric Service ("Tariff"), to reflect current market conditions, changes in the law, and to further clarify the Tariff.

Background

As more fully set forth in the attached “Proposal Concerning Modification to LIPA’s Tariff for Electric Service,” there are a number of relatively minor changes to the Tariff that staff believes are desirable at this time to 1) more accurately reflect LIPA’s actual cost of service; 2) be consistent with new and expired State law; and 3) clarify existing provisions in the Tariff.

The proposed changes to the Tariff, as briefly summarized below, include the following items:

- **Line Extension Costs**

LIPA’s Tariff currently provides for the payment to LIPA of costs in excess of a pre-determined amount, to install distribution facilities including service laterals, line extensions, and supply lines for new customers, as well as to provide trenching and backfilling services related to new construction. The costs associated with these services, which are established through contracts with LIPA vendors and calculated on a per-foot basis, have not been changed since 1998, and no longer reflect LIPA’s actual costs. As such, the proposal is to move these charges from the current LIPA Tariff Leaf No. 107 to a separate “Statement of Distribution Facility Charges” to be appended to the tariff and periodically updated as necessary to reflect current market prices.

It is anticipated that there will be a positive financial impact to LIPA and its ratepayers from the updates to these distribution facility charges. The impact of the changes based on an historical review of construction activities in 2009 is estimated at \$103,225. Given that economic conditions have reduced construction activity and new connections to the LIPA system, a similar impact through 2011 is anticipated.

- **Net Metering of Customer-Owned Farm Waste Generation.**

To be consistent with recently enacted changes to section 66-j of the Public Service Law, it is proposed that the Tariff be modified to provide for net metering for farm waste systems using anaerobic digesters with installed capacity up to 1,000 kW. . Currently, the Tariff provides for such net metering up to 500 kW.

- **Miscellaneous Pole Attachment Fee**

It is proposed that the Tariff be modified to memorialize a \$5.00 annual fee for attachments to the non-communication portion of LIPA’s poles, such as street lighting fixtures. While the tariff has explicitly recognizes a stated rate for wireline attachments (e.g., Cablevision wires), and negotiated rates for wireless telecommunication attachments, there is no specific tariff language to document the charges for other attachments. In this regard however, this non-communication attachment fee was originally instituted by LILCO, and is consistent with the amount charged by other utilities.

- **Delete Obsolete Language**

Over time, certain of LIPA's Tariff provisions have become outdated and are no longer applicable. As such, it is recommended that the Tariff provisions related to the following be removed to provide clarity to LIPA's customers with respect to: 1) Visually Significant Resources – the governing legislation expired in 1998 and has not been renewed; 2) Ratepayer Class Action Refund – the payments under this provision have been satisfied since 2000; 3) Voluntary Real Time Pricing Experiment – there are no longer any customers in this experiment; and 4) List of SC-13 Negotiated Contracts – all contracts listed have since expired and there is no longer a requirement to list such contracts.

Public hearings were held with respect to all of the above-referenced proposed modifications to the Tariff on December 1, 2010 in Uniondale and Hauppauge. No public comments were received and the public comment period has expired.

Recommendation

For the reasons stated, Mr. Germano 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:

1018. APPROVAL OF MISCELLANEOUS MODIFICATIONS TO THE TARIFF FOR ELECTRIC SERVICE

WHEREAS, the Long Island Power Authority ("LIPA") issued a Notice of Proposed Rulemaking inviting public comment on LIPA staff's "Proposal Concerning Modification to LIPA's Tariff for Electric Service," related to: 1) updating the cost of certain distribution facility service charges; 2) expanding net metering for farm waste systems up to 1,000 kW; 3) memorializing the pole attachment fee for use of the non-communication portion of LIPA's poles; and 4) deleting as obsolete and/or expired, provisions from the Tariff referencing a) Visually Significant Resources; b) the Ratepayer Class Action Refund; c) the Voluntary Real Time Pricing Experiment; and d) a List of SC-13 Negotiated Contracts; and

WHEREAS, following Public Notice in the State Register on October 13, 2010, two public hearings were held in Nassau and Suffolk counties on December 1, 2010, and the public was afforded the opportunity to submit written comments by December 6, 2010; and

WHEREAS, no comments have been received from the public; and

WHEREAS, as discussed in the preceding Memorandum and accompanying Proposal, the modifications to the Tariff are appropriate at this time;

NOW, THEREFORE, BE IT RESOLVED, that the Proposal is hereby adopted and approved; and

BE IT FURTHER RESOLVED, that the attached Tariff leaves are hereby approved.

The Chairman stated that the next item on the agenda is the Approval of the Operations Committee Charter.

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 adopt a Long Island Power Authority (the "Authority") Operations Committee Charter in the form attached hereto.

Background

Pursuant to Article V, section 5 of the By-Laws of the Authority, the Chair of the Board of Trustees desires to establish an Operations Committee (the "Committee") to assist the Authority in reaching its operational goals. The Committee would focus on overseeing and monitoring the operational performance of the electrical system, capital projects and expenditures related to the transmission and distribution system, and customer service issues such as storm communications, among other things.

The attached proposed Committee Charter (the "Charter") has been developed, and if approved, would serve as the governing document for the Committee, and establish the purpose, powers, composition and key responsibilities of the Committee. Pursuant to the proposed Charter, the Committee would consist of at least three Trustees to be appointed by and serve at the discretion of the Chair of the Board of Trustees and would meet and report its actions and recommendations to the Board at least twice a year.

Ms. Nicolino noted that the formation of the Committee is timely, in that it is consistent with a recent recommendation made by the Governor's Task Force on the Implementation of the 2009 Public Authorities Reform Act, that public authorities supplement their existing risk assessment and management practices to emphasize the operational risks associated with their activities.

Recommendation

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

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

1019. RECOMMENDATION TO ADOPT LONG ISLAND POWER AUTHORITY OPERATIONS COMMITTEE CHARTER

WHEREAS, the Operations Committee (the “Committee”) of the Long Island Power Authority (the “Authority”) has been formed to assist the Authority in reaching its operational goals; and

WHEREAS, the proposed Committee Charter (the “Charter”), establishes, the purpose, powers, composition and key responsibilities of the Committee and serves as the governing document for the Committee:

NOW, THEREFORE, BE IT RESOLVED, that the Committee recommends the Trustees adopt the “Long Island Power Authority Operations Committee Charter (December 16, 2010)” in the form presented at this meeting.

The Chairman stated that the next item on the agenda is the Approval of Policy Establishing Records Retention Program.

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 adopt the “Long Island Power Authority (the “Authority”) Record Management Policy” in the form attached hereto, including a Records Retention and Disposition Schedule (the “Schedule”), and the designation of a Records Management Officer (“RMO”).

Background

In an effort to maximize the efficiency of the Authority’s internal records maintenance practices and to ensure that records are disposed of in accordance with applicable requirements, it is desirable to implement a comprehensive policy governing such actions at this time. The proposed Records Management Policy and accompanying Schedule would dictate that all Authority records be identified, then retained and disposed of in accordance with an established schedule approved by the Commissioner of Education (see

Article 57-A of the New York State Arts and Cultural Affairs Law). In this regard, it is proposed that the Authority use the *Records Retention and Disposition Schedule MI-1*, attached hereto, as prepared and issued by the State Archives, State Education Department.

In order to effectuate and monitor compliance with the Records Management Policy, it is proposed that a Records Management Officer (“RMO”) be designated by the Chief Operating Officer (as head of the Authority). The RMO would be responsible for drafting new or revised retention schedules, coordinating with individual departments regarding application of the Records Management Policy and Schedule, and ensuring that the Authority is in compliance with all applicable laws and regulations related to the Policy.

Staff believes that the proposed Policy and Schedule adequately address the Authority’s needs at this time. To the extent modifications become necessary or desirable in the future, a revised policy and/or schedule would be brought back to the Trustees for approval.

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 following resolution was unanimously adopted by the Trustees:

1020. APPROVAL AND ADOPTION OF THE LONG ISLAND POWER AUTHORITY RECORD MANAGEMENT POLICY AND RECORDS RETENTION AND DISPOSITION SCHEDULE

WHEREAS, the Long Island Power Authority (the “Authority”) staff believes that it is desirable to implement a comprehensive records management policy at this time; and

WHEREAS, the proposed Records Management Policy (the “Policy”) and accompanying Records Retention and Disposition Schedule (the “Schedule”) would require all Authority records to be identified, retained and disposed of in accordance with an established schedule approved by the Commissioner of Education, as required by Article 57-A of the New York State Arts and Cultural Affairs Law; and

WHEREAS, it is proposed that the Authority use the Records Retention and Disposition Schedule M1-1, prepared and issued by the State Archives, State Education Department as its Schedule under the Policy; and

WHEREAS, in order to effectuate and monitor compliance with the Policy, a suitable Records Management Officer must be designated by the head of the Authority:

NOW, THEREFORE, BE IT RESOLVED, that the Trustees approve and adopt the proposed “Long Island Power Authority Record Management Policy – December 16, 2010” and Records Retention and Disposition Schedule in the form presented at this meeting; and

BE IT FURTHER RESOLVED that the Chief Operating Officer be and hereby is authorized to appoint a suitable Records Management Officer.

The Chairman stated that the next item on the agenda is the Approval of Authorization to Enter into Agreement for Flexible Spending Account Program 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 authorize the Long Island Power Authority (the "Authority") to enter into an agreement for flexible spending account program services with American Family Life Assurance Company (“Aflac”) for a term of five years.

Background

The Authority offers as a benefit to its employees, a flexible spending account (“FSA”) that allows employees to set aside a portion of their earnings to pay for qualified unreimbursed medical and/or dependent care expenses, free of payroll taxes. Participating employees contribute to the FSA throughout the year and submit documentation to Aflac to receive the funds back for their unreimbursed medical and dependent care expenses.

The Authority has been using Aflac since 2002 to administer the FSA, on a year-to-year basis. The parties have now agreed to a multi-year contract for these services, which requires Trustee approval, under which the Authority will continue to pay \$5.00 per month, per enrolled employee. Based on staff’s review, the \$5.00 fee is consistent with, or less than, the fee charged by competing companies.

By entering into a multi-year agreement, the Authority will ensure continuity with respect to this important benefit.

Recommendation

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

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

1021. ENGAGEMENT OF FIRM TO PROVIDE FLEXIBLE SPENDING ACCOUNT PROGRAM SERVICES

RESOLVED, that the Chief Operating Officer or his designee be, and hereby is, authorized to engage the American Family Life Assurance Company (“Aflac”) to provide flexible spending account program services to the Long Island Power Authority, with the contract term to be five years.

Chairman Steinberg announced that the next Board meeting is scheduled for January 27, 2011 at 11:00 a.m. in Uniondale.

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

1022. EXECUTIVE SESSION - PURSUANT TO SECTION 105 OF THE PUBLIC OFFICERS LAW

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

At approximately 12:32 p.m. the open session of the Board of Trustees was temporarily adjourned on a motion to enter into Executive Session, which commenced at 12:40 p.m.

After noting that no votes were taken in the Executive Session, Chairman Steinberg entertained a motion to adjourn, which was duly made and seconded, after which the meeting ended at 1:45 p.m.

Respectfully submitted,

Lynda Nicolino