

July 2007

Richard M. Kessel, President & Chief Executive Officer
Long Island Power Authority
333 Earle Ovington Blvd., Suite 403
Uniondale, New York 11553

Re: Due Diligence - Broadwater LNG Import Terminal

Dear Mr. Kessel,

Levitan & Associates, Inc. (LAI) is pleased to submit to the Long Island Power Authority (LIPA) the results of the due diligence performed on the proposed Broadwater liquefied natural gas (LNG) terminal in Long Island Sound. Over the last two year, LAI has conducted an independent and objective assessment of Broadwater's impact in New York State, including Long Island Sound. While we have exercised best efforts to take advantage of the vast body of scientific knowledge pertaining to the LNG industry, specifically, the information base related to the Broadwater project, the observations and findings expressed herein are solely the opinion of LAI. Hence, the opinions and conclusions stated in this report represent LAI's view on Broadwater's impact in New York State and therefore should not be misconstrued as representative of any other entity's position on the array of research activities presented herein.

From a New Yorker's perspective, we have evaluated the market, economic, environmental, and safety related impacts associated with Broadwater's development of an 8 billion cubic foot floating storage and regasification unit, the largest of its kind, anywhere in the world. Emphasis is placed on the derivation of the expected economic benefits ascribable to Broadwater in the first ten years of the Project's economic life relative to what New Yorkers would otherwise be expected to pay for natural gas and electricity when the region's gas supply originates from other supply sources. We have also considered a number of performance and operational attributes pertaining to Broadwater's design scale-up of conventional floating oil and LNG storage technology components employed by global energy companies elsewhere in the world.

This report is the culmination of technical research largely conducted by LAI from May 2005 through May 2006, augmented by additional analysis performed through July 2007. Following the main body of the report is a chapter wherein LAI provides a regulatory update of Broadwater's status based on information since June 2006 made available by the Federal Energy Regulatory Commission (FERC), the U.S. Coast Guard, the Government Accountability Office and other agencies.

In conducting this analysis, LAI relied on financial, safety / security, and environmental information in the public domain. We also relied on Broadwater's certificate application at FERC. LAI consulted with state and federal agency representatives, Iroquois Gas

Transmission, Consolidated Edison Company, and KeySpan Energy, as well as Broadwater's staff, including third party advisors. Of critical importance, we note that the Broadwater docket at FERC, relevant U.S. Coast Guard reports, records of public meetings, and other scientific reports number in the thousands of documents. Given the size of the information base, we did not attempt to summarize or otherwise evaluate the file in its totality. Instead, we centered our research on the economic and scientific questions believed to be of vital interest to stakeholders on Long Island and, to a lesser extent, New York City, especially environmental impacts during both the construction and operational phase, and long term safety concerns under an array of hypothetical contingency events.

I would like to recognize the ongoing support and responsiveness of LIPA's staff, other utilities doing business in New York, as well as the invaluable assistance of various regulatory bodies, without whom LAI would not have been able to meet the goals and objectives set forth in this study. LAI's project team is available to meet with you and LIPA staff at your convenience to address any areas requiring clarification or additional technical insight.

On behalf of the entire LAI project team, thank you for the privilege of this engagement.

Sincerely yours,



President

cc: Kevin Law
Richard Bolbrock
Lynda Nicolino