

**LONG ISLAND POWER AUTHORITY
MINUTES OF THE 186th MEETING
HELD ON JANUARY 24, 2008**

Pursuant to notice dated January 21, 2008, the Long Island Power Authority (the "Authority") was convened for the one hundred and eighty-sixth time at 11:16 AM at the Omni Teleconference Center, in Uniondale, NY.

The following Trustees of the Authority were present:

**James Larocca, Chairman
Michael Affrunti
Anthony Bonomo
Cristofer Damianos
Lawrence Elovich
John Fabio
Michael Fragin
Nancy Nugent
Jonathan Sinnreich
Suzette Smookler**

Also representing the Authority were Kevin S. Law, President and Chief Executive Officer; Lynda Nicolino, Acting General Counsel, Elizabeth McCarthy, Chief Financial Officer, and Michael Hervey, Vice President-Operations. Also present were Richard Bolbrock, Executive Vice President – Power Markets; Michael Deering, Vice President –Environmental Planning, Edward Dumas, Vice President – Communications; Bruce Germano, Vice President-Retail Services; and Patricia Alberti, Acting Secretary to the Board of Trustees.

Chairman Larocca addressed the audience, called the meeting to order, and commented that the notice requirements for the meeting have been met. The Chairman then requested that a moment of reflection be observed on behalf of the twenty-five Americans that lost their lives at war in January and in recognition of Dr. Martin Luther King's birthday.

(A moment of (reflection) is taken).

After leading the audience in the Pledge of Allegiance, the Chairman noted that a quorum was present, and then asked for a review of the minutes of the December 13, 2007 meeting of the Board of Trustees.

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

845. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE DECEMBER 13, 2007 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on December 13, 2007 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 Larocca stated that having been at LIPA for approximately ninety days, he is absolutely impressed and encouraged by the quality of the leadership and personnel at LIPA, and by the job that they are doing, particularly during this

period of transition, where a new President and new Chairman have come in and the leadership team has been reconstituted to a certain extent. The Chairman continued that it has been very gratifying to see how well the transition has gone. He thanked President Law and the LIPA staff and officers for the good transition and good work that they have done coming into the new year.

Chairman Larocca stated that the next item on the agenda is the President and CEO's report to be delivered by President Law.

President Law stated that he has prepared a summary of all of the new initiatives that LIPA has done over the last few months and in 2007. He continued that the list is impressive, in reference to the reforms that he has tried to institute, the budget that the Authority adopted, the team that they are building and all of LIPA's new and exciting initiatives. He indicated that he feels good about it, and that he received some favorable comment from someone at Newsday to the effect that LIPA is not giving them anything to write about. He added that this does not mean that there will not be issues and controversies on some of LIPA's initiatives, but that LIPA is on the road to good things, in terms of the way it runs the organization, with the oversight of the Board of Trustees.

President Law stated that yesterday, he was in Washington, D.C. with Congressman Israel, who set up a meeting with the Assistant Secretary of Energy. President Law continued that Congressman Israel is excited about the things that LIPA is about to do, and wants to help LIPA obtain some resources for its initiatives. He indicated that LIPA will set up some meetings with the

Department of Energy. He further indicated that he recently made a presentation to the Long Island Association, who were excited about the things that LIPA is doing, as well as wanting to partner with LIPA on its new Energy Master Plan. He added that he will be making similar presentations to the Hauppauge Industrial Association, the Association for a Better Long Island and a joint meeting of the Nassau and Suffolk Legislatures.

President Law reported that with regard to the budget, LIPA received only a couple of phone calls and emails after it was adopted. He indicated that he believed it was well received once LIPA walked people through what was done. He indicated that people were anticipating much worse, since oil is flirting with \$100 per barrel. He added that LIPA did a good job with respect to the budget, which was reflected in the limited amount of comments that LIPA received.

President Law reported that he believes that reforms are also being well received. He continued that the Attorney General is looking at some of the changes that LIPA is making in order to get other authorities to follow LIPA. He noted that he and Ms. Nicolino will meet with representatives of the Attorney General's Office in February for an update on the things that they are trying to work on together, and there may be something more specific to brief the Board of Trustees on at their next meeting.

President Law reported that he attended Governor Spitzer's State of the State address, where the Governor expressed his commitment to "15 by 15," which is the reduction of New York's energy demand by 15 percent by the year

2015. He continued that the Governor also encouraged the use of more smart metering. He added that LIPA is currently heading down the road on both initiatives and will be consistent with what the Governor has called for.

President Law reported that Governor Spitzer's budget calls for a fee on owners of nuclear power plants to offset and generate money for New York State's Homeland Security needs, which will impact LIPA if it is approved by the Legislature. He continued that LIPA has an eighteen percent ownership interest in the Nine Mile Two nuclear plant which is located upstate on Lake Ontario, and there could be a fee assessed on that plant, of which LIPA would have an eighteen percent share. He indicated that it will probably be approximately a couple hundred thousand dollars which, considering the amount of LIPA's budget, LIPA will be able to absorb through management.

President Law reported that he sits on Lieutenant Governor Paterson's Renewable Energy Task Force, which has met over the past nine months. He continued that LIPA's staff, including Mr. Parmelee, has been very active with that Committee. He indicated that the Committee is preparing to release its recommendations in the middle of February, and the draft recommendations are consistent with all of the things that LIPA is currently doing or is about to be doing. He added that he is excited that LIPA will be a partner as the State tries to achieve more success in the area of renewable energy.

President Law stated that Governor Spitzer has reappointed Howard Steinberg as a member of the Board of Trustees. He continued that he has

written to Speaker Silver, alerting him to the fact that he has an appointment and perhaps, a reappointment, to make.

President Law reported that he, Ms. McCarthy, Ms. Nicolino and LIPA's new Vice President for Government Relations will be meeting with the Public Service Commission (PSC) staff in Albany. He continued that last year there were several calls for LIPA to be regulated by the PSC, which LIPA currently is not. He indicated that public utilities operate throughout the country without being subject to their local public service commissions because of the fact that they do not have shareholders and they need to just recover the costs that are necessary to operate the utility.

President Law stated that he had written a letter last summer to PSC Chairwoman, Patricia Acampora, which indicated that LIPA has nothing to hide, and that LIPA would be happy to share its books with the PSC, in terms of how LIPA budgets and sets its rates. He continued that LIPA is trying to work with the PSC to establish a voluntary second set of eyes on LIPA's operations, and LIPA has no problem with PSC review, without LIPA subjecting itself to PSC jurisdiction, which would impact upon the Authority's bond covenants and which the rating agencies would have significant concerns with.

President Law reported that LIPA received some responses to the Renewable Energy RFP that LIPA put out before the holidays. He continued that LIPA staff is currently evaluating responses, and a recommendation may be made to the Board at its next meeting. He indicated that LIPA will be sending out letters

next week to create stakeholders' meetings for the repowering studies at Port Jefferson and Northport, and LIPA will receive suggestions for members to be placed on that committee. He added that LIPA would like to hear any thoughts and accommodate any suggestions.

President Law reported that LIPA is about to embark on an update to its Energy Master Plan, and he has a draft outline for the Trustees to review. He indicated that LIPA will release this publicly next week and gather input from its ratepayers. He added that LIPA will finalize it after holding public hearings.

With respect to staff changes, President Law reported that since the last Board meeting, Mr. Thomas DeJesu has joined LIPA as its Vice President of Government Relations. He indicated that Mr. DeJesu formerly held this position at KeySpan. He further indicated that Mr. William Davidson, LIPA's Executive Director of Government Relations has sadly informed him that he will be moving on. He added that he asked Mr. Davidson to stay on as a member of this team, but that he has decided to move on to some new entrepreneurial efforts in the field of affordable housing. He stated that Mr. Davidson has done an incredible job at LIPA, KeySpan and formerly at LILCO, and that he helped LIPA with respect to many projects and issues.

President Law stated that LIPA owes Mr. Davidson a great deal of gratitude for his service to the people of Long Island for many years. He thanked Mr. Davidson for all of his contributions, and for agreeing to stay on to help out with the transition. He presented Mr. Davidson with a plaque in appreciation, and

indicated that they will continue to be partners, and that LIPA will continue to reach out to him for advice.

Chairman Larocca stated that Mr. Davidson is turning his attention to the critical matter of housing on Long Island, particularly in the Huntington area, and this is an activity that he has been involved with on a pro bono basis with an enterprise for a long time and to their great benefit, they are getting him full time. The Chairman continued that all of the community will benefit greatly. He wished Mr. Davidson good luck.

President Law stated that he has eliminated the lobbyists that LIPA had and instead brought Mr. DeJesu on in-house. He continued that with the positions of Vice President for Government Relations, Director of Government Relations, and with the elimination of lobbyists, LIPA will have this expertise in-house at a savings of up to \$100,000. He indicated that this is smart management and smart government, and he feels good about it. He added that he is sorry that Mr. Davidson is leaving and he will replace this spot with somebody else soon.

President Law stated that with respect to the transmission line project from Southampton to Bridgehampton, thus far, he has not met on any one particular project more than this. He continued that he met numerous times with community members and elected officials of the Town, County and State with respect to this project. He indicated that LIPA has worked hard to come up with a solution to the challenge that this project presents. He added that he loves the passion and commitment of the folks on the East End in terms of sharing their

concerns, but at the same time, LIPA has a role in balancing all of the objectives and sometimes the facts get lost through some of the local media coverage. He stated that he had met with Town officials, as well as Senators LaValle, Assemblyman Thiele, and their staffs over the last few months, which he will describe in detail later in connection with the agenda item.

President Law concluded his report, after which Trustee Fragin raised a question about the vacancies on the Board. A very brief discussion ensued and it was concluded that there are two vacancies of the Board, one appointment of which is the Governor's, the other Speaker Silver's.

Chairman Larocca stated that the next item on the agenda is the Operating Report, to be delivered by Mr. Hervey.

Mr. Hervey reported that with respect to the reliability of the transmission and distribution system, from year to year, LIPA is normally in the top quartile in the nation, and also normally leads every utility that has an overhead system in the state. He continued that he expects that this year will be no exception. He indicated that LIPA ended 2007 at an average of 13.3 months between interruptions, which is a drop from the previous year's average of approximately 14.5. He added that the drop is due to a fewer number of storms and a fewer number of outages due to storms, and there were very few outages excluded from this metric. He added that overall, LIPA's customers saw fewer outages during 2007.

Mr. Hervey reported that another important metric that LIPA looks at is the number of minutes it takes to restore an outage, and LIPA ended the year at an average of 72 minutes, compared to about double that for any other utility in New York State. He continued that with respect to storm restoration time, LIPA ended 2007 with an average of 108 minutes for restoration times, compared to the approximately 120 minutes average for normal day restoration for other utilities in New York State.

Mr. Hervey reported that on December 3rd, Long Island had a wind event that affected about 10,000 customers. He continued that LIPA deployed 146 restoration personnel to work on that storm. He noted that, on average, 94 percent of all outages were restored in less than four hours.

Mr. Hervey reported that on December 16th, Long Island had a wind event that involved gusts of wind over fifty miles per hour, and there were broken branches and toppled trees that caused a fair amount of damage and that effected about 33,000 customers. He continued that the peak number of customers that were out at any given time was approximately 5,000. He added that LIPA had approximately 150 personnel deployed to restore power, and 93 percent of the customer outages were restored in four hours or less.

Mr. Hervey reported that on December 23rd and 24th there was a somewhat unexpected wind event, where LIPA had more than 20,000 outages. He continued that the peak number was 7,600, occurring overnight. He indicated that LIPA geared up extensively and that there were more than 100 personnel deployed to

restore power. He added that 91 percent of all customer outages were restored in less than four hours.

Chairman Larocca noted that everyone looks at the Farmer's Almanac for the year ahead, and the Hurricane Center even makes predictions every year. The Chairman asked what working assumptions LIPA is making for the year ahead in terms of projected weather patterns. Mr. Hervey answered that LIPA always predicts a weather event this early in the year, and LIPA looks ahead approximately fifteen days on four or five different weather services in anticipation of when LIPA may have to gear up for those storms. He indicated that in the last several years, there have been predictions of higher than normal hurricane activity, and although it has not materialized, LIPA always prepares for that eventuality. He further indicated that from a practical engineering and operating standpoint, LIPA tries to look a month or two in advance, and that LIPA prepares for a major hurricane event each year, but hopes that it does not occur.

Trustee Jonathan Sinnreich asked whether there has been enough time to make an assessment of whether there has been any impact on operations from the National Grid takeover. Mr. Hervey answered that this is something that the Board is very interested in and that LIPA is attempting to monitor this very carefully. He continued that last year, LIPA saw a rise in its average restoration time (CAIDI), and LIPA worked carefully with National Grid to bring that back into line. He indicated that overall, anything over the past year has been just a normal fluctuation in LIPA's statistics, but LIPA monitors it carefully on a daily basis.

President Law stated that Mr. Hervey oversees the men and women at National Grid who maintain and manage LIPA's transmission and distribution system. He indicated that Mr. Hervey is in regular contact with him and Mr. Dumas, LIPA's Vice President of Communications, in order to keep them abreast of the situation, and they hold regular conference calls with National Grid to assess the pending weather as well as LIPA's staffing requirements. He further indicated that LIPA then makes recommendations to National Grid as to whether or not they need to bring additional staff to ensure that they are prepared for the storm. He noted that the system is a good one, which is working, and Mr. Hervey does a terrific job overseeing that. He added that he feels confident that there is a good team of people in place, both at LIPA and National Grid.

Chairman Larocca stated that the next item on the agenda is the Financial Report, to be delivered by Ms. McCarthy. He indicated that LIPA concluded a Finance and Audit Committee meeting this morning, and that he asked that Ms. McCarthy's report be expanded to include a report on hedging, which is important.

Ms. McCarthy reported that it is expected that the audit for 2007 will be presented to the Board at its March meeting. She continued that the unaudited results show that for the year, the Authority had an excess of revenues over expenditures of \$94 million, which is in its financial reserve target band from \$25 million to \$125 million. She indicated that revenues for the year were \$3.5 billion and were two percent below budget as a result of the reduction that LIPA implemented in the Power Supply Charge in February of 2007. She further indicated that overall, sales were effectively on budget, and that offsetting the

favorable revenue variance was a six percent or \$122 million positive variance in fuel and purchased power costs as a result of lower natural gas costs.

Ms. McCarthy reported that lower-than-budgeted administrative and general expenses of \$7 million, or 17 percent of that budget line item, as well as lower PILOTs of \$3 million, added to the positive variance. She continued that operation and maintenance expense was higher than the budget due to a retroactive billing from KeySpan related to certain electric service employee benefits programs. She added that unbudgeted prior service costs related to LIPA's employees post-retirement health care benefits were recognized as a result of a new government accounting standard that became effective this year.

Ms. McCarthy stated that other income exceeded the budget by \$22 million, as a result of higher investment income, due to higher investment balances and earnings rates as well as higher than budgeted sales of emission credits. She continued that interest expense was lower than budget by \$27 million, or eight percent as a result of lower interest rate on the Authority's variable rate debt, higher capitalized interest in connection with LIPA's construction program and the avoidance of a new money debt issuance that was assumed in the budget. She added that the Authority was able to achieve that because of its strong liquidity position.

Ms. McCarthy reported that at December 31, 2007, the Authority had cash and cash equivalents on hand of \$814 million, \$250 million of which is in the Authority's Rate Stabilization Fund. She continued that these cash and cash

equivalents are invested in a variety of instruments, with 98 percent having a maturity of three months or less. She noted that the credit markets are going through some challenges right now as they relate to bond insurance. She informed the Board that LIPA is in the process of implementing a plan to mitigate LIPA's risk with respect to that, and LIPA staff has briefed the Finance and Audit Committee on this issue in addition to LIPA's regular monthly debriefing.

Ms. McCarthy stated that Mr. Corey Horowitz, LIPA's Director of Energy Risk Management, will brief the Board with respect to LIPA's hedging program.

Mr. Horowitz stated that as of December 31st, LIPA's hedging activities have resulted in payments to LIPA totaling \$44.28 million for the year.

Chairman Larocca asked that Mr. Horowitz define the terminology used, including "hedging," and then to discuss what LIPA is doing.

Mr. Horowitz stated that hedging is a means by which a potential future risk is mitigated, and for LIPA, it is the risk and expense to volatile fuel prices, and the impact that rising prices will have on LIPA's financial results, as well as to subsequently increase the impact on the ratepayer. He continued that LIPA uses derivative instruments, swaps and option-type transactions to help put a position on financially that would mimic what LIPA would be doing physically in the future in procuring fuels for its generation on Long Island, in addition to the purchased power that LIPA would be bringing across the Neptune and Cross Sound Cables, as well as the imports from Upstate New York.

Chairman Larocca stated that the key idea is, in effect, making purchases against the future. Mr. Horowitz answered in the affirmative.

Chairman Larocca further stated that the idea is to take the volatility out of prices going beyond what LIPA would like them to be, with the near term advantage being that the security of a contract for the future has its own value, and therefore, there is a market where people will buy into the future delivery of energy. The Chairman indicated that hedging is the process of doing that. Mr. Horowitz responded in the affirmative.

Mr. Horowitz stated that LIPA defines its program based on projected energy needs going forward, and LIPA is currently looking toward the beginning of 2011. He continued that LIPA has a system, and projects what its future fuel needs will be, going forward. He indicated that LIPA hedges very specific volumes, going forward under this disciplined procedure. He further indicated that some of it is done programmatically, and it is determined on volume, not price, with the goal of reducing some of the future volatility of these future prices.

Mr. Horowitz stated that LIPA also has a program where this is monitored by LIPA's Executive Risk Management Committee, and whereby LIPA determines its position and the potential future impact to its earnings. He continued that LIPA will continue to adjust its hedge position accordingly in the near term, including 2008, 2009 and 2010. He indicated that he reports to both the Finance and Audit Committee, as well as the Executive Risk Management Committee.

Mr. Horowitz stated that at the end of the year, after realized gains, LIPA's position going forward through 2010 was valued at approximately \$156 million. He continued that from November to December, the position had an increase of almost \$89 million as a direct result of increased prices in crude oil upwards toward historic levels. He indicated that the crude oil marked has reached the \$100 price per barrel, but has since retraced.

Mr. Horowitz stated that LIPA's hedge position for 2008, on a percentage basis, and considering all of the oil and natural gas needed, is 82 percent. He further stated that LIPA is currently working to move that up to the Board authorized maximum, which is 85 percent.

He indicated that for 2009, LIPA is currently at 38 percent, and LIPA is in the process of moving that up an additional twelve percent, over the next few weeks toward fifty percent. He added that in 2007, LIPA is currently at approximately 23 percent as of December 31st, because LIPA programmatically put on positions into the future.

Mr. Horowitz stated that NYMEX crude oil, on the first trading day of 2007, was trading at close to \$61 per barrel. He continued that on December 31, 2007, the last trading day, it settled at \$95.98 per barrel, which is an increase of about 70 percent. He indicated that residual fuel oil, which is close to what LIPA uses, was trading at \$37.23 per barrel in January and on the last day of December, it was almost double that at \$72.52 per barrel.

Mr. Horowitz stated that NYMEX natural gas was \$6.30 on the first day of 2007, and it was \$7.85 on the last day, which is an increase of about 24 percent. He continued that he looked at the calendar strip for natural gas for the first day of 2007 and the last day of 2007, and it was actually lower by just less than five percent. He noted that the picture going forward for oil prices is very difficult to assess, and he is not sure whether the equities market or the crude oil market is more volatile, as both are impacted by the uncertainty of a United States recession and its impacts on demand and productivity going forward into the second and third quarters of 2008.

Mr. Horowitz stated that, as previously indicated on January 2, 2008, crude oil broke the \$100 per barrel intra-day mark, and 21 days later, it is trading at the \$88 point. He continued that many analysts are forecasting oil to remain at an average price for 2008 in the range between \$85-\$95 per barrel. He indicated that the pricing action will be determined by the continued tightness in the global oil inventories, the weakness of the U.S. dollar and economy, the continued demand from developing nations and OPEC policy toward production levels, based on their view of inventory management. He noted that OPEC is scheduled to meet on February 1st, and the consensus among market energy analysts that he has spoken to is that there will be no change in production.

Mr. Horowitz stated that with respect to natural gas, the current price range is approximately \$7.50 to \$8 a decatherm level which appears to be in balance with the weather impacts of recent weeks and gas storage levels in the U.S. He continued that looking forward, many analysts are suggesting that natural gas

prices can move up from the current levels over the course of the summer, since natural gas prices in the U.S. remain relatively weak versus fuel oil, and despite gas inventory remaining around the five-year average on a seasonal basis. He indicated that one analyst has pointed out that natural gas demand is more affected by weather than the economy. He further indicated that the analyst notes that electricity demand appears to be inelastic to economic changes, and the potential reductions in load will impact oil fire generation more than gas fired generation, since gas remains the cheaper fuel versus oil on an MMBTU basis.

President Law asked what percentage has LIPA hedged for its fuel purchases in 2008 and 2009. Mr. Horowitz answered that LIPA is currently hedged at approximately 82 to 83 percent, and LIPA is continuing to add to that position up to the 85 percent Board maximum. He indicated that for 2009, LIPA is at approximately 40 percent, and LIPA will continue to add an additional ten percent between now and the first week or so of February. He added that LIPA's target is fifty percent for 2009, and the Executive Risk Management Committee will assess where things are going through 2008 and how LIPA needs to adjust that position going forward.

President Law asked whether other private or public utilities such as Con Edison hedge as well, and is LIPA similarly situated. Mr. Horowitz answered that it is difficult for him to assess what other utilities programs are doing, but based on conversations that LIPA's had with its energy risk management consultant LIPA has a fairly robust and disciplined program. Ms. McCarthy indicated that Con Edison, due to deregulation, does not have the power plants and long term

contracts LIPA does, so they acquire power for their customers in the market. She added that the PSC is looking into whether or not there should be hedging programs there, but from a municipal or public power perspective, LIPA has a very robust program.

Trustee Fragin stated that with respect to the Financial Report, the Authority did take a close look at the effect that the insurers are having on the Authority's variable rate bonds. He continued that the Authority is in the unenviable position that the Authority is paying for insurance that is dragging down the price of the Authority's bonds, so the Finance and Audit Committee, as well as LIPA staff, are looking very strongly at this, and he commends them for looking to get ahead of the problem and aggressively correct it.

Chairman Larocca stated that the next item on the agenda is an update to the Board regarding the North Shore Central School District resolution, to be presented by Ms. Nicolino.

Ms. Nicolino stated that the Trustees are being requested to approve and adopt a resolution authorizing the President and CEO to enter into an agreement with the North Shore Central School District for LIPA to provide funding for energy conservation and capital improvements within the district related to the KeySpan – Glenwood Energy Center, located in Glenwood Landing in Nassau County. She continued that in order to address an immediate need for additional power, in 2002 LIPA entered into, among other things, an agreement with the KeySpan-Glenwood Energy Center, under which LIPA would lease its land to

KeySpan for the purpose of constructing and operating a 79.9 MW gas-fired electric facility. She added that LIPA also entered into a Power Purchase Agreement with KeySpan under which LIPA would purchase all of the capacity, and to the extent requested, energy from the plant for the public over the 25-year life of the plant.

Ms. Nicolino stated that LIPA has found that the siting of new power plants has been a particularly challenging and difficult process in which numerous criteria must be satisfied. Of critical importance is the acceptance of the municipalities, school districts and communities that are in the area of these projects. She continued that as such, during and subsequent to the development of the Glenwood project, LIPA engaged in various discussions with the County of Nassau related to respective payments in lieu of taxes, commonly referred to as PILOTs, that might be made in recognition of the presence of the project in the community. She noted that a critical factor in the process of this negotiation was the need to obtain concurrence from the North Shore Central School District, which stood to derive the largest benefit from any such PILOT agreement, and that for the Glenwood project, like other similarly sized facilities, LIPA offered to make a \$2 million voluntary PILOT payment to the County to be paid annually for the term of the project. She indicated that the County asserted that the project, and in particular, the power generating equipment located on the land, was taxable in an amount in excess of \$7 million dollars per year, and as such, in 2005, assessed it accordingly for the upcoming tax roll.

Ms. Nicolino stated that as the parties were unable to reach an agreement on this issue, LIPA filed an appeal of this assessment with the County's Assessment Review Commission asserting that neither the land nor the improvements thereon were subject to taxation. She continued that following the filing of this appeal, discussions between LIPA and the County resumed, which, at the request of the County, now included the school district. She indicated that in order to avoid continued administrative proceedings and potential litigation, after lengthy discussion, LIPA and the County settled the tax proceeding in early 2006. She further indicated that LIPA and the County agreed that they would enter into a PILOT agreement providing for annual payments of two million dollars to the County for the term of the project, as well as LIPA entering into an agreement with the school district to provide assistance for energy conserving capital improvements or other similar assistance, to be negotiated between LIPA and the school district. She added that subsequently, LIPA and the school district engaged in negotiations and agreed that a one-time payment of \$700,000 would be made to the district solely for the purpose of energy conservation. In light of that discussion, LIPA has agreed that a recommendation should be made to the Board authorizing that \$700,000, in connection with a comprehensive Energy Conservation Program being undertaken in the school district.

Ms. Nicolino stated that the school district would be expending large amounts of capital, consistent with the purpose of the agreement and, in particular, LIPA would be offering this funding to offset a portion of their existing program dedicated to replacing and retrofitting existing light fixtures throughout the school district. She further stated that LIPA staff believes that it is in its

interest to proceed with the funding at this time. She indicated that the commitment to provide the funding was a key component in settling the tax matter, and as currently proposed, also serves to reduce electrical energy consumption in a manner that will benefit all of LIPA's customers. She added that LIPA staff recommends approval at this time.

Chairman Larocca requested that a motion be made with respect to accepting the recommendation and the authorized draft agreement and he indicated that comments would then be heard on the proposed resolution.

Trustee Fabio stated that it is an interesting settlement, and he appreciates the fact that the staff has worked hard in achieving this mutually-agreeable settlement. He suggests that on item number two in the agreement on page three, he would like to see the reporting period expanded to indicate that the district will provide to LIPA a report that would detail the scope of work that was performed, the specific allocated costs, and most importantly, at the conclusion of the first year after the project is completed, an indication of what savings were realized by making these energy efficient changes in their lighting system. He further indicated that many other school districts may be contemplating such a major capital improvement, and perhaps in the context of research and development, the North Shore Central School District experience may be beneficial to other school districts.

Trustee Sinnreich asked whether the Authority has already stipulated in a way that binds the Authority, to making some kind of payment over the \$2 million.

Ms. Nicolino answered that LIPA has stipulated that in the context of an administrative proceeding, not a judicial proceeding.

Trustee Sinnreich asked whether that came before the Board. Ms. Nicolino answered that it was part of the settlement of the PILOT agreement, which she understood LIPA had a general authorization for at the time that the project was adopted by the Board.

Trustee Sinnreich asked whether to some extent the Board's hands are tied and the only question is how much. Ms. Nicolino answered affirmatively. Trustee Sinnreich thanked Ms. Nicolino for clarifying the issue, but he indicated that he is dead set against it.

Trustee Fragin asked whether the payment would be part of a PILOT or whether it would come out of the Clean Energy Initiative, as it seems to have both components to it, and whether LIPA will monitor this as part of the Clean Energy Initiative, where LIPA staff will actually monitor that the school district does the work that it says it will do, since it is more agreeable that way. Ms. Nicolino responded that the funding will not come out of LIPA's Clean Energy Initiative, although a portion would qualify for existing programs. She continued that this would be a separate, stand-alone agreement with that commitment, and there will be a reporting mechanism in the agreement that would require the school district to follow-up, within 60-days of that finding, to prove that the funding was used for the intended purpose. She added that in accordance with Trustee Fabio's

recommendation, LIPA will further ask the district to provide follow-up data with respect to the results of the efficiency that was achieved.

Trustee Fragin asked whether the district or LIPA will monitor the efficiency, and whether LIPA would be able to assess the district's savings on their usage. Ms. Nicolino answered that as part of the district's existing, comprehensive program, they will monitor and measure all facets of the efficiency, including those specifically dedicated for the lighting component of that program, and they would likely be very happy to share that data with LIPA.

Trustee Fragin asked how LIPA arrived at that number, and what was the district's original number. Ms. Nicolino answered that their original number was well in excess of a million dollars, and after very lengthy and difficult negotiations over the course of approximately two and one-half years, the amount was agreed upon.

Trustee Fragin asked whether there are other school districts that are out there in litigation. Ms. Nicolino responded that currently, there are none.

President Law stated that an important number to note is an amount in excess of \$10 million that Nassau County Assessor Harvey Levinson was trying to assess on the plant. Ms. Nicolino indicated that between the equipment and the land, there was a concern that they would look to tax it in excess of \$11 million.

Chairman Larocca stated that having heard the history on this, which reaches back two or three years, LIPA would have probably done this differently, but that is not before the Board. The Chairman continued that what they are doing is a good resolution, and that by adding Trustee Fabio's good suggestion, LIPA will have data and be in a good position. The Chairman indicated that he thinks LIPA is getting a value, which is important. He indicated that a motion is on the floor, subject to the additional requirement that Trustee Fabio's suggestion be included in the proposed agreement which the district is invited to sign. Ms. Nicolino added that Trustee Fabio's requirement will be incorporated into the proposed agreement, which is part of the Board materials.

Trustee Fragin asked whether there are any negative repercussions if the district reports in accordance with Trustee Fabio's recommendation, and LIPA finds that the district did not spend the money approximately. Ms. Nicolino answered that LIPA would consider that a breach of the agreement and LIPA could bring an appropriate action.

Trustee Fragin stated that they would already have the money. Ms. Nicolino stated that LIPA would sue them for it, if need be.

Chairman Larocca invited further comment on the matter.

Upon motion duly made and seconded, the resolution failed to pass, with Trustee Sinnreich, Damianos and Fragin voting against the resolution, and with Trustee Affrunti abstaining.

Chairman Larocca requested that the Board be polled. (A poll of the Board was held).

Ms. Nicolino stated that the motion does not carry.

Chairman Larocca requested that Ms. Nicolino and President Law review and examine the matter. Ms. Nicolino stated that they will.

President Law asked whether they were sure about the numbers with respect to the vote. Chairman Larocca asked what the requirement is for passage. Ms. Nicolino stated that they would need to have eight Trustees in concurrence.

Chairman Larocca asked how many Trustees are in favor. (The Board is polled again.) The poll reflects that Chairman Larocca and Trustees Nugent, Elovich, Bonomo, Fabio and Smookler voted in favor, with Trustees Fragin, Sinnreich and Damianos against, and with Trustee Affrunti abstaining.

Ms. Nicolino stated that there are six in concurrence.

Trustee Elovich asked what the ramifications of voting against this resolution was, and whether Ms. Nicolino could explain what alternatives are presented by their not passing this. Ms. Nicolino responded that she would have to return to the school district to advise them accordingly, and to see if they could come to some other arrangement to bring back to the Board.

President Law stated that they run the risk of resurrecting the administrative proceedings before the Nassau County Board of Assessors. Ms. Nicolino added that the Nassau County Assessor would seek to take action as a result of this vote.

Chairman Larocca asked Ms. Nicolino to describe that action. Ms. Nicolino responded that LIPA has contemplated they could seek to reinstate the assessment on the tax roll for the upcoming year, particularly with respect to the power generating equipment. She indicated that they would not likely be able to assess the land because the PILOT agreement has been approved by the New York State Comptroller, and is binding. She further indicated that since LIPA would be responsible for any taxes related to the power generating equipment under the Power Purchase Agreement with KeySpan, LIPA would have financial exposure if the County chose to do that, and she believes that they would. She added that LIPA would have to go back to the administrative review process as a precursor to any tax certiorari proceeding that they may have to file.

Chairman Larocca indicated that no executive session was anticipated, but one may be needed. Trustee Elovich stated that the Trustees can have further discussion during the month amongst themselves, and hopefully bring this back to the Board next month with the additional Trustees who are not present today. He indicated there may be a different feeling at that time after further education of some of the Trustees.

Chairman Larocca stated that he would also like to further explore all of the potential risks and ramifications of the litigation, and he thinks that an executive session is required for that. Trustee Fragin agreed.

Chairman Larocca stated that he wonders whether under the circumstances, the Board may either table or withdraw the motion rather than provoke a response that might flow from the negative, in order to take that 30-days for more consideration. The Chairman sought any additional comments with respect to the motion.

Chairman Larocca asked whether the motion was to table or withdraw the prior motion. President Law indicated that it is a motion to table.

Chairman Larocca offered that there be a motion to table the motion regarding the benefits agreement with the North Shore Central School District until the February meeting of the Board of Trustees, at which time counsel will further advise the Trustees on all of the implications, including the prospects of litigation and the potential to explore other alternatives as yet unmentioned. Ms. Nicolino stated that she would be happy to do so.

Upon motion duly made and seconded, a resolution to table the proposed resolution regarding the benefits agreement with the North Shore Central School District was unanimously approved.

Chairman Larocca stated that the next item on the agenda is Board consideration of approval for funding a repowering study, which will be presented by Ms. McCarthy.

Ms. McCarthy stated that the Trustees are being requested to approve a resolution authorizing LIPA to fund up to \$350,000 for its share of the repowering study related to the Port Jefferson Power Station. She continued that in connection with LIPA's agreement with National Grid, as a component of National Grid's benefits package that was approved by the Trustees in June of 2007, LIPA made certain commitments with respect to studying the potential repowering opportunities at the Northport and Port Jefferson power station. She indicated that under that agreement, National Grid was responsible for 100 percent of the cost of the repowering study for the Northport plant and LIPA and National Grid were going to split equally the cost of the study for the Port Jefferson Plant, and as a result, on December 12, 2007, KeySpan with LIPA's assistance issued an RFP seeking experienced firms to complete this repowering study on both plants. She added that KeySpan has followed LIPA's procurement practices for this RFP, and as such, the RFP was advertised in the New York State Contract Reporter, posted on LIPA's website, and distributed to an affirmative list of vendors.

Ms. McCarthy stated that on January 10, 2008, six responses were received, and a selection committee, comprised of National Grid and LIPA staff members, have been evaluating those proposals, and that the evaluation process is still underway. She indicated that the Committee has selected three of the six firms for further interviews, and they expect to complete the process in the near

term. She further indicated that in light of the timeline associated with when LIPA would like to start the project, and in light of the expectation that LIPA's share of the cost for the Port Jefferson Plant may exceed its threshold of \$250,000 for Board approval, LIPA staff is asking the Board to approve an expenditure in an amount not to exceed \$350,000 for this undertaking. She added that LIPA staff thinks that this is a reasonable and appropriate level, regardless of which of the firms are selected through this process.

Chairman Larocca invited discussion on the proposed resolution. The Chairman stated that this is a very modest amount of money in connection with the very important subject of repowering. He indicated that the term "repowering" has come into the public vocabulary and it sometimes means different things to different people, and it is sometimes described as an easy answer to future power and some other aspirations of environmental improvements, but it is a very complicated matter. He added that it is a good start to examine options at two very important locations, so he is glad to see it here and anxious that the work begin.

Trustee Nugent asked whether the \$350,000 is a cap on LIPA's share, but could be less. Ms. McCarthy answered that the Board would be authorizing LIPA to spend up to that amount, but it could be less, and LIPA staff thinks that is a reasonable estimate based on proposals that it has seen.

Trustee Elovich asked how this in any way affects the repowering study for Island Park. President Law answered that it does not, and this only concerns

Northport and Port Jefferson. He noted that the repowering studies for the other four facilities Barrett, Far Rockaway, and Shoreham and Wading River is complete and going through review, and that LIPA's due diligence to examine the option that it has until May of 2008 is ongoing at this time. He added that LIPA will be in a position to be making recommendations to the Board in the spring.

Trustee Fabio asked what the difference in cost among the three companies now under consideration. Ms. Nicolino answered that the proposals are all within the same general amounts, so none are extremely high or low. She continued that LIPA staff believes that the amount would be within \$50,000 to \$75,000 of the requested cap. Chairman Larocca added that the process obviously has yet to play itself out.

Trustee Fragin asked when LIPA expects the study to be completed and what it will be used for. Ms. McCarthy answered that the study will be done in phases, and one of the important aspects of this is also the stakeholder process that LIPA wants to have as part of the study. She continued that the expectation is that LIPA will have preliminary information in the spring of this year, and it will be completed in the September timeframe. She noted that the Authority does not have purchase options with respect to Port Jefferson or Northport, so while it is related, it is independent of the purchase option decision with respect to Far Rockaway, Barrett, Shoreham and Wading River.

Chairman Larocca asked for public comment on the motion. After noting that there was none, the Chairman called for a vote on the resolution.

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

846. AUTHORITY TO APPROVE EXPENDITURE OF FUNDS RELATED TO THE REPOWERING STUDY FOR THE PORT JEFFERSON POWER STATION

WHEREAS, the Long Island Power Authority (“LIPA”) and National Grid/KeySpan made certain commitments-related to studying potential repowering opportunities at the Northport and Port Jefferson power stations; and

WHEREAS, LIPA has agreed to pay for fifty percent of the costs associated with the portion of the repowering study related to the Port Jefferson power station; and

WHEREAS, National Grid/KeySpan, with LIPA’s assistance, issued a Request for Proposals (“RFP”) seeking proposals from experienced firms to perform a repowering study for both the Northport and Port Jefferson power stations; and

WHEREAS, six firms submitted proposals in response to the RFP, all of which were evaluated by a selection committee comprised of National Grid/KeySpan and LIPA staff, three of which were determined to be best-suited to be interviewed; and

WHEREAS, the results of those interviews and the RFP as a whole have not yet been finalized, but LIPA believes that the costs associated with its portion of the repowering study may exceed \$250,000 and require Board approval pursuant to LIPA’s procurement guidelines; and

WHEREAS, it is desirable for LIPA to obtain such Board approval now in order to ensure that the repowering study can be completed in a timely fashion;

NOW, THEREFORE, BE IT RESOLVED, that LIPA and/or its President and Chief Executive Officer or his designee be, and hereby is, authorized to fund LIPA’s portion of the repowering study related to the Port Jefferson power station in an amount not to exceed \$350,000.

* * *

Chairman Larocca stated that the next item on the agenda is Board consideration of an amendment to the Authority's by-laws, correcting a transitional item, to be delivered by Ms. Nicolino.

Ms. Nicolino stated that the Trustees are requested to adopt amended by-laws to revise a technical error in Article IV, Section 1, with respect to a reference to the Vice Chairman or Chairs as employees of the Authority. She continued that the second sentence of this section was modified to remove such reference and clarify that the Vice Chair and Chairs are clearly not employees of the Authority, and that LIPA staff is asking that the Board adopt that revision at this time.

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

847. APPROVAL OF AMENDED BY-LAWS OF THE LONG ISLAND POWER AUTHORITY

WHEREAS, the Long Island Power Authority (the "Authority") has adopted By-Laws dated October 2, 2007 for the regulation and management of the affairs of the Authority; and

WHEREAS, the Authority wishes to amend its existing By-Laws at Article IV, Section 1, second sentence, to remove an unintended reference to the Vice Chair or Chairs as employees of the Authority;

NOW THEREFORE BE IT RESOLVED, that the Trustees hereby approve and adopt the "By-Laws of the Long Island Power Authority (as amended January 24, 2008)" in the form presented at this meeting; and be it further

RESOLVED, that such By-Laws of the Long Island Power Authority are to be effective with respect to the regulation and management of the affairs of the Authority as of January 24, 2008.

* * *

Chairman Larocca stated that the next item on the agenda is Board consideration of approval of the Final Environmental Impact Statement (FEIS) under SEQRA, related to the Southampton to Bridgehampton Transmission Line Project.

Ms. Nicolino stated that the Trustees are being requested to approve a resolution accepting the Final Environmental Impact Statement for the Southampton to Bridgehampton Transmission line and expansion of the Bridgehampton Substation Project, and to authorize the President and CEO to file and distribute the Final Environmental Impact Statement, as required under the State Environmental Quality Review Act. She continued that the project consists of a 69kv transmission line between the Southampton and Bridgehampton substations, which is necessary to meet the growth and energy demand and improve the system reliability on the South Fork and North Fork of Long Island. She indicated that LIPA commenced its SEQRA process in July of 2007, which included the issuance of a positive declaration, the notice to serve as lead agency and the issuance of a Draft Scope for the purpose of the Environmental Impact Statement. She added that LIPA was declared lead agency after a dispute with the Southampton Town Planning Board on November 30, 2007, and proceeded with the environmental review.

Ms. Nicolino stated that the Authority's Board of Trustees adopted, on October 25, 2007, the Final Scope related to the Draft Environmental Impact

Statement (EIS). She continued that the Board then adopted the Draft EIS in December 2007. She noted that the review was carefully conducted by the LIPA staff and its consultants, and that Mr. Hervey will update the Board on the proceeding, since that Draft EIS was adopted on December 13th.

Mr. Hervey stated that since the adoption of the Draft EIS, LIPA has held three hearings and has taken many other comments through the mail. He continued that although there are many listed, the primary public concerns relate to tall poles; minimizing the number of riser poles; endangered species habitat of potential endangered species habitat; historic districts and building areas; the character of the area; and the potential impact on property values. He indicated that as a result of these public comments, LIPA added a lot of material to the final impact statement, which is included in that final version, not the least of which is a rather extensive study of the potential property value impacts and the finding comparing Southampton properties that are near transmission poles now, versus Southampton properties that are not near transmission poles. He added that the finding was that there is no property value impact for the properties involved in the potential route.

Mr. Hervey stated that LIPA looked at four separate routes, and LIPA always described one of the them as being the preferred route, which the Final EIS also settles on as being the preferred route. He continued that primary in LIPA's consideration of establishing that final route described in the FEIS are village historical districts, the tiger salamander potential habitat area and areas that are primarily open space, especially east of Mitchell Lane. He indicated that

the significant changes that LIPA made in the project as a result of the public input and the conclusions of the study of the Impact Statement are that there are no 60-foot poles; there are no steel poles in the proposed action; there are no poles in the village area for approximately 1.9 miles, as the village area will be entirely underground and LIPA reduced the number of riser poles from twelve down to two. He further indicated that the route and configuration being considered in this FEIS begins at the Southampton Village substation, runs underground for approximately 1.9 miles in the back roads to a transition to overhead, which is just short of a potential tiger salamander habitat area. He added that it continues to run overhead, and then transitions back to underground for the balance of the route to the Bridgehampton substation for 2.7 miles.

Ms. Nicolino stated that based upon that review, LIPA staff is asking the Board to adopt the resolution accepting the FEIS for the project and authorizing the President and CEO, or his designee to file a Notice of Completion for the FEIS.

Chairman Larocca requested that a motion be made to accept the FEIS. After a motion was made and seconded, the Chairman accepted comments on the motion, beginning with President Law.

President Law stated that in his short tenure at LIPA there has been no project that has taken more of his time in terms of phone calls and meetings, both internal and external. He continued that LIPA's staff has been trying to listen to

the community and to work with them, and he feels that LIPA's staff has done a very good job, although you can never make everybody happy. He indicated that LIPA is trying to do a balancing act to address legitimate concerns to the potential impact to the environment, historical and scenic matters, as well as the impact to LIPA's ratepayers. He added that like anything else, there is a cost. He added that there is a cost associated with putting the entire project overhead and a significantly higher cost of putting the entire project underground.

President Law stated that the current project before the Board has approximately 55 percent of the proposed project underground and 45 percent overhead, and that cost is in the middle. He continued that there is a delta between the current proposal and trying to address some of the community's concerns of putting the entire project underground, which has taken up most of the discussions that he has had. He indicated that he has met with the Town and with both State officials that represent the area, to try to figure out a way that if they were to put the entire project underground, LIPA would recover that additional cost. He further indicated that these discussions are continuing, and they run the gamut from state legislation to creating a property tax assessment area, to looking at the Community Preservation Fund that the town administers, to an assessment on LIPA with a yet-to-be-defined impact on rates for those areas, to the extent that the community is willing to come up with this additional cost. He added that when the project comes before the Board for adoption and approval at its February meeting, there may be some more news to share regarding those discussions with the elected officials.

Chairman Larocca stated that in the interest of disclosure, he reminds the Board that he lives in the geography affected by this. The Chairman noted that they are all affected by the actions of the Board, but this is a specific party. The Chairman opened the discussion for comments or questions.

Trustee Affrunti stated that there is an endangered species along the route, and he asked who determines what the habitat is for that species. President Law answered that the Department of Environmental Conservation (DEC) had designated a wetland along the preferred route as a potential habitat for tiger salamanders, and in that particular area, the DEC recommended that the project be overhead, because putting it underground would have too much of a disruption to the habitat for this area. He indicated that in that area LIPA is following the recommendations from the DEC.

Mr. Hervey stated that one of the issues is that because of the timing of the study which was done from the late summer and into the winter, LIPA was not in the primary time to observe the species there, which begins in February. He continued that LIPA's study will continue on as LIPA looks at the ongoing impacts of the project. He indicated that LIPA will actually go out and survey the potential habitat site for actual evidence of the salamanders, when that time comes, and that can further educate LIPA as to what it may do in that fairly limited area that is identified as a potential habitat.

Trustee Smookler asked whether, with regard to the ongoing discussions concerning alternatives and LIPA's costs for undergrounding the line being

potentially subsidized, has there ever been another situation where the economic wealth of the community ends up somehow or another affecting what LIPA or previously LILCO did in a similar situation. President Law answered that he does not specifically know, and he noted that with respect to the discussions, these are estimates. He continued that if LIPA were to do the entire project overhead, which is what LIPA's tariff primarily calls for, since there are no bids out, LIPA estimates a cost of \$10 million. He added that LIPA estimates the cost to put the entire project underground to be approximately \$30 million.

President Law stated that LIPA addressed the potential impact of the project, and agreed to put 55 percent of the project underground. He continued that LIPA now estimates the cost of the project to be \$20 million. He noted that this is above what LIPA's tariff requires. He added that the delta between what LIPA is proposing and what many in the community want is about \$10 million, and LIPA cannot ask all ratepayers to pay for that, nor is it provided for in LIPA's tariff, and that the FEIS that is before the Board already addresses any potential environmental impacts.

President Law stated that the discussion that LIPA had with elected officials from the Village, Town and the State was in connection with how to come up with the additional \$10 million to put the entire project underground, and those discussions are continuing. He indicated that he doubts that there will be unanimity in the communities, because while there maybe a perception that people on the East End are wealthy and that they can take care of themselves, there are people there just like all of Long Island who are struggling to pay their

bills, property taxes and LIPA bills. He added that LIPA is looking for some guidance from the elected officials, concerning what the appetite is for some type of solution to the issue.

Trustee Sinnreich stated that he intends to vote in favor of this, because give the historical context, it is a very good compromise, and he compliments the staff, as well as the Chairman and the President on how they arrived at it. He indicated that he wishes to put it in a little historical context, because when LIPA agreed to underground the first Riverhead to Southampton line at a cost of \$70 million, of which the undergrounding component added approximately \$40 million, he was opposed to it because of concerns about economic justice. He further indicated that he is on record as having said that, as were other Trustees, and that they argued that if LIPA was to do this for the South Fork, LIPA had better be prepared to do it elsewhere.

Trustee Sinnreich stated that the next thing that came up was the expansion on the North Fork. He continued that as he unfortunately anticipated, LIPA was not prepared to do for the North Fork what it had already done for the South Fork. He added that it took a losing litigation to get LIPA to come to a point where they put about half of it underground.

Trustee Sinnreich indicated that he was told that the percentage that LIPA is proposing here is approximately equivalent to what LIPA ended up doing on the North Fork. Mr. Hervey answered in the affirmative.

Trustee Sinnreich stated that this is a big reason why he personally supports it, but to do anymore than that as last time, puts LIPA in a position of either giving the appearance or the actuality of bowing to a certain percentage of the population and treating them differently. He indicated that he is against that, and he thinks that it is wrong. He added that he is leery of any solution that allowed a portion of LIPA's service territory to subsidize treatment that is not available to anyone else in that service territory.

Trustee Bonomo stated that LIPA's obligation is to supply this power at the least possible cost, without it being a burden on its ratepayers, and also within certain reasonable standards. He asked whether LIPA has the ability to go from the \$10 million estimated cost for a fully overhead project to \$20 million, knowing that it is LIPA's cost. President Law answered affirmatively. He continued that as part of the environmental review, LIPA is assessing the potential impacts and where they may be an adverse impact, LIPA is trying to be sensitive to it and put the line underground. He indicated that LIPA believes that it is operating within its guidelines and tariff, and doesn't believe that LIPA can or should be putting it all underground because that is not one of LIPA's preferences under the tariff.

Mr. Hervey stated that LIPA had anticipated a cost of approximately \$20 million, so that amount is anticipated in the existing capital program. He indicated that if LIPA offsets the additional \$10 million, it's a net wash in the program and would not require any additional net capital funds.

Trustee Fragin asked whether LIPA takes items that are by definition more aesthetic and calls them environmental, because when environmental impact is

discussed, isn't aesthetic impact also being talked about, which is important as well. He questioned whether or not LIPA is focusing too much on the aesthetic harm to the community. President Law answered that he does not think so, and that under SEQRA, LIPA is obligated to look at all potentially adverse impacts. He continued that the environment is very broad, and it is not just the physical environment or the ecological environment, rather it can also be scenic, historical or archeological. He added that it could also be the concerns raised by Trustee Sinnreich regarding economic justice as well, and as all of those things make up the environment, LIPA must address and take a hard look at all of them.

Chairman Larocca stated that he sees it more as the statutes are broad and the fetch of our environmental values reflecting all of the statutory system going back to at least 1970 or 1969, when the federal act was passed, is that all of the inventory has to be arrayed and assessed. The Chairman continued that maybe once in a hundred years you find a wonderful case where it is all bad or all good, but more often there is a balancing of choosing one value over another or in competition with another. He indicated that when he was first briefed on this, the scenic, aesthetic impact in undergrounding was appealing, but then you recognize that some of these are in protected areas and that from a prosaic manner like moisture, you have a different calculus when you are underground, especially on the South Fork where there is a high water table.

Chairman Larocca stated that all of these matters begin to come into the balancing act, and what the process to this point has meant to do is to enumerate, array and evaluate all of those. The Chairman continued that there is

no exact science that dictates the result, and it is a balancing act by design and necessity. He indicated that where LIPA does its job well, is to take into account all of the statutory obligations that it operates under and all the tariffs that have flowed out of those statutory obligations and environmental statutes, and the result is to come up with a resolution that is the best balance of both of those.

Chairman Larocca stated that he wishes to clarify what proposed action is before the Board. Ms. Nicolino answered that the Board is considering the acceptance of the Final EIS, to prepare it for filing. She continued that there is a statutory waiting period before the Board may consider the adoption of the total SEQRA findings to approve construction of the project, which will occur at the February Board meeting.

Chairman Larocca indicated that the other important thing to understand is that this is a step in the process, but not the final judgment.

Trustee Nugent stated that her understanding is that some of the areas where it was overhead and are now going to be undergrounded, will retain those overhead lines and posts, even though not energized. She indicated that one would conclude the undergrounding would be more disruptive than overhead, especially if it is already in place, so she assumes there is a lot of flexibility and variability based on what is driving the decision in any particular location. She added that she assumes that LIPA has covered that, and she is comfortable with this Final EIS, if the harder look has been taken where things are going to remain in place.

President Law stated that the project is a transmission line from one substation to the next. He indicated that currently, there are distribution lines that go from pole to pole to the individual houses or businesses. He added that even if LIPA put 100 percent of the substation and transmission lines underground, the distribution poles and wires that are currently above ground, would remain above ground.

Trustee Fabio stated that the FEIS states that regardless of the route or configuration selected, overhead, underground or a combination of both, all existing transmission and distribution lines and poles would remain, and further down it provides that along the selected route, where the overhead configuration is selected, distribution lines would be transferred and attached to new monopoles, and the old poles would be removed and probably disposed of. He indicated that on one hand, LIPA is keeping the poles, while on the other, LIPA is changing them.

Chairman Larocca stated that the distribution system, which goes right to the homes and businesses, remains basically configured as it is, with it simply being on different above ground poles, in some cases.

President Law stated that his point was that if LIPA put the entire transmission line underground, the distribution poles would still be there, and LIPA would not be replacing poles in that case. He continued that if LIPA were to go forward as proposed with the 55 percent underground and 45 percent

overhead project, whatever is an existing distribution pole would be replaced with a new pole, and the wires that are currently on the distribution pole would now be put on the new pole. He indicated that it is a pole-for-pole replacement, so there would not be any additional new poles.

Trustee Nugent stated that the perception in the community is that if you can get them to go underground, some sort of wide and open vista will be maintained, and that is not really what is being talked about. She thanked President Law for the clarification.

Chairman Larocca called for a motion and then public comment on the mater. After hearing public comment on the motion, the Board unanimously approved the following resolution:

848. ACCEPTANCE OF FINAL ENVIRONMENTAL IMPACT STATEMENT FOR THE SOUTHAMPTON-BRIDGEHAMPTON TRANSMISSION LINE AND EXPANSION OF THE BRIDGEHAMPTON SUBSTATION PROJECT UNDER THE STATE ENVIRONMENTAL QUALITY REVIEW ACT

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, increased development and other factors have resulted in an increasing demand for electricity on the North and South Forks of Long Island, Suffolk County (“East End of Long Island”) that is projected to continue into the foreseeable future; and

WHEREAS, the South Fork is currently served by an existing 69-kilovolt (kV) capacity double circuit transmission line which runs between the Southampton and Bridgehampton substations; and

WHEREAS, in order to meet current and future service needs of LIPA’s customers and ensure system reliability on the East End of Long Island, LIPA has identified the need to add increased transmission line capacity between the

Village of Southampton and the Bridgehampton hamlet by the summer of 2008, and to expand the existing Bridgehampton Substation (the “Project”); and

WHEREAS, the Project would add a new 69-kV transmission line that provides for future growth and increased reliability for residents and businesses in the Village and Town of Southampton, as well as for residents and businesses across the East End of Long Island; and

WHEREAS, given the scope of and public interest in the Project, LIPA staff determined that the Project might result in one or more significant adverse impacts on the environment, and accordingly issued a Positive Declaration under the State Environmental Quality Review Act (“SEQRA”) on July 10, 2007; and

WHEREAS, given the size and scope of the Project, LIPA advised all other potentially involved agencies that LIPA proposed to serve as “lead agency” under SEQRA in connection with the environmental review of the Project; and

WHEREAS, the New York State Department of Environmental Conservation has granted LIPA lead agency status following a dispute filed by the Southampton Town Planning Board; and

WHEREAS, with the assistance of its environmental engineers, consultants and counsel, LIPA prepared a Draft Scope for the Draft Environmental Impact Statement (“DEIS”) which was widely released on August 27, 2007, in order to ensure adequate public participation; and

WHEREAS, LIPA held a public hearing on the Draft Scope on September 18, 2007 and received public comment on such Draft Scope through and including October 2, 2007; and

WHEREAS, LIPA considered all verbal and written comments received on the Draft Scope, revised the Draft Scope in response to such comments, prepared a written response to all comments received included as the Response to Scope Comments, and issued a Final Scope on October 25, 2007; and

WHEREAS, LIPA prepared the proposed DEIS, dated December 2007, pursuant to that Final Scope and determined that such DEIS is adequate with respect to its scope and content for purposes of commencing public review under SEQRA; and

WHEREAS, on December 4, 2007, LIPA’s President and Chief Executive Officer determined that the DEIS was complete for the purpose of commencing public review of that document and authorized LIPA staff to publish a Notice of Completion of the DEIS and circulate the DEIS for public review in accordance with SEQRA’s regulations; and

WHEREAS, notice of a public hearing on the DEIS for December 18, 2007, as well as the DEIS public comment period, were published in the Environmental Notice Bulletin, and notices of that hearing and public comment period were also

published in the Southampton Press and Suffolk Life in accordance with SEQRA's regulations;

WHEREAS, in response to the strong community interest in the Project, notice of a second public hearing on the DEIS for January 7, 2008, as well as an extension of the DEIS public comment period to January 17, 2008, were published in the Environmental Notice Bulletin, and notices of that hearing and public comment period were also published in the Southampton Press and Suffolk Life in accordance with SEQRA's regulations;

WHEREAS, a Final Environmental Impact Statement ("FEIS") has been prepared which fully responds to each substantive oral and written comment received on the DEIS, and which describes and analyzes a precise configuration along the Direct Route Alternative that provides for approximately 55% of the route to be installed with underground transmission cable, and approximately 45% of the route with aboveground transmission lines (the "Proposed Configuration"); and

WHEREAS, the FEIS includes additional photo simulations of the aboveground portion of the Proposed Configuration, as well as photo simulations of the locations of the two riser poles required under the Proposed Configuration, and concludes that the Proposed Configuration would result in no significant adverse impacts on visual resources or other substantive areas;

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby: 1) accept the FEIS for the Project; 2) authorize the President and Chief Executive Officer or his designee to prepare, file and publish a notice of completion of the FEIS and distribute copies of the FEIS for purposes of commencing the time period for consideration of the FEIS before issuing written findings or taking any action on the Project; and 3) authorize the President and Chief Executive Officer or his designee to perform such further acts and deeds as may be necessary, convenient or appropriate in the judgment of the President and Chief Executive Officer or his designee, to ensure that the foregoing is carried out in accordance with SEQRA.

* * *

Chairman Larocca stated that the next meeting of the Board of Trustees is February 21, 2008 at LIPA headquarters in Uniondale

Chairman Larocca thanked those in attendance for their patience and entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 1:31 p.m.

Respectfully submitted,

Lynda Nicolino