

**LONG ISLAND POWER AUTHORITY**

**MINUTES OF THE 196<sup>th</sup> MEETING**

**HELD ON FEBRUARY 26, 2009**

Pursuant to notice dated February 26, 2009, the Long Island Power Authority (the "Authority") was convened for the one hundred and ninety sixth time at 11:10 AM at the Omni Teleconference Center, in Uniondale, NY.

**The following Trustees of the Authority were present:**

**Howard Steinberg, Acting Chairman  
Laurence Belinsky  
John Fabio  
Michael Fragin  
Christopher Hahn  
James Herrmann  
Susan Gordon Ryan  
Jonathan Sinnreich  
Lawrence Waldman**

**The following Trustees of the Authority were absent:**

**Cristofer Damianos  
Lawrence Elovich  
Harriet Gilliam  
Suzette Smookler**

Representing the Authority were Kevin S. Law, President and Chief Executive Officer; Lynda Nicolino, General Counsel and Secretary; and Elizabeth McCarthy, Senior Vice President and Chief Financial Officer. Also present were Michael Deering, Vice President-Environmental Affairs; Edward Dumas, Vice President-Communications; Bruce Germano, Vice President-Retail Services; and Sam Lee, Acting Department Head of Power Markets.

Acting Chairman Steinberg addressed the audience and called the meeting to order.

The Acting Chairman stated that this is the February meeting of the Long Island Power Authority pursuant to notice duly given. He led the Board in a moment of silence in recognition of our troops abroad, followed by the Pledge of Allegiance.

Acting Chairman Steinberg made a motion to accept the minutes of the January 22, 2009 meeting of the Board of Trustees. He asked if there were any changes or deletions.

Upon noting that there were none, a motion was duly made and seconded, and the following resolution was approved, with Trustee Waldman and Trustee Hahn abstaining:

**911. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JANUARY 22, 2009 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY**

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**RESOLVED**, that the Minutes of the meeting of the Authority held on January 22, 2009 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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Acting Chairman Steinberg stated that he wanted to make a couple of very quick comments. He noted that President Law has been very hard at work in trying to obtain federal stimulus funds for LIPA, and expressed his hope for President Law's success. He continued that he has been very encouraged by the public remarks of Congressman Israel, who has been upbeat about being able to obtain funding for LIPA's programs. He added that LIPA has established itself as a leader in clean and renewable energy programs on Long Island, which he believes clearly justifies LIPA being in a priority position to get funding. He expressed that he is very hopeful that LIPA is going to see meaningful funding from the federal stimulus program.

Acting Chairman Steinberg stated that there has been a great and growing concern among a number of Trustees about LIPA's rates, particularly in this very difficult economic environment, where many LIPA customers are having trouble paying their monthly electric bills. He continued that this is an issue to which LIPA has been paying appropriate attention. He added that the challenge is to

develop a program that will address the structural problems that have led to LIPA's high rates. He noted that those structural problems are LIPA's high debt load and its high property taxes.

Acting Chairman Steinberg stated that he would like to see LIPA move forward on developing a program or plan, even if it is preliminary, which will begin to address these issues. He continued that it is not going to happen overnight, and it is not going to happen without assistance from other sources. He added that LIPA must focus on this issue of rates and try to find ways to mitigate any potential future increases.

Acting Chairman Steinberg stated that the current federal programs involving renewed caps and additional caps on emissions are likely to result in higher electric rates across the board and across the country. He continued that it is hard for LIPA to know, at this point, how it will affect LIPA, but it is something of which LIPA must be mindful. He added that with so much upward pressure, LIPA must address the root cause of its high rates, and it ought to be working towards developing a plan to target these causes.

Finally Acting Chairman Steinberg stated that since the last Board meeting, Chief Financial Officer, Elizabeth McCarthy, has announced that she intends to graduate and move on to bigger and better things. He continued that there will be plenty of time for valedictories, but he wanted to express, at this time, that Ms.

McCarthy has done an absolutely outstanding job as Chief Financial Officer. He added that everyone will miss her, and the Board looks forward to working with her during the transition period. He noted that there will be more to say about that at the next Board meeting.

Acting Chairman Steinberg concluded his remarks and turned the meeting over to President Law.

President Law stated that the first item on his agenda, which ties in nicely with Acting Chairman Steinberg's first comment, is an update on the stimulus program. He continued that everybody is talking about stimulus. He noted that the words 'stimulus' and 'shovel ready' are part of everyone's vocabulary these days.

President Law stated that Governor Paterson has appointed him to the Governor's Stimulus Cabinet. He continued that he is the only person from Long Island on that cabinet, so he will certainly be an advocate for Long Island regarding the monies that come through the State. He added that he will try to get as much funding as he can to help LIPA with its initiatives. He stated that another part of his goal will be to work with some of the municipalities on Long Island who will also be reaching out for a portion of the funding. He noted that he thinks that the Governor showed leadership by putting together a team charged with

dispersing these funds because there is going to be a lot of money, and there needs to be processes in place to administer a program.

President Law stated that LIPA staff, particularly Michael Deering, has been working with the Governor's cabinet on a number of different subcommittees regarding the stimulus money. He continued that LIPA has submitted a list of projects to the State, which he believes are projects where LIPA is both entitled to the money and where the money would be well spent, not only to address LIPA's energy challenges, but also to create new jobs on Long Island. He added that if the Trustees are interested, he will share a list of all of the projects that have been submitted to the Governor.

President Law stated that LIPA has also submitted a similar list of projects to the Large Public Power Council, which is advocating on behalf of all of the large public utilities in the country. He continued that he participated in a summit with Congressman Steve Israel this past Monday. He added that while a lot of money will be flowing through the State, and particularly NYSEERDA, a large portion of the energy money, up to \$40 billion, will be administered through the Department of Energy ("DOE"). He noted that LIPA is going to need its allies, and it has one of the best ones in Congressman Israel, who will be setting up a meeting with LIPA and the DOE staff, as the DOE begins to promulgate their own rules for the disbursement of the funds. He further noted that he will also be

meeting with Senator Schumer next week to seek his assistance on those efforts as well.

President Law stated that last Friday he met with New York's new Senator, Senator Gillibrand, and advocated on behalf of LIPA regarding projects and programs that are ready to go. He added that LIPA has already given its information to the right people, and he will be tirelessly advocating on behalf of LIPA for any available funds.

President Law stated that President Obama's speech the other night was really exciting, particularly the part about energy. He continued that he thinks it is a privilege to be part of the challenge of trying to transform the economy into a green, renewable economy. He added that he is really excited that LIPA can obtain federal dollars to help with that goal. He noted that he will keep everyone informed on the progress.

President Law stated that the transformation to a green economy is not going to happen overnight, but LIPA is ready to go. He continued that LIPA is ahead of the curve compared to a lot of other utilities, so if the goal is to get projects done quickly, LIPA will be there. He noted that he hopes that LIPA will be the first in line, or at least among the top few, to receive funds and get projects underway.

President Law stated that as he had mentioned at the last meeting, LIPA is getting ready to release its Draft Master Plan, which covers energy on Long Island. He continued that LIPA will submit copies to the Board and will hold public hearings in April on the draft plan. He added that he will be meeting later in the day to get a final briefing on it, and executive summaries will be submitted to the Board within the next week.

President Law stated that LIPA has solicited a Request for Proposals to have an independent consultant audit LIPA's power supply charge, which has been a source of a lot of stories and concerns, especially with the State Legislators. He continued that he is happy to announce that fourteen companies have responded to that RFP, and LIPA is currently evaluating the proposals and will be in a position to make a recommendation to the Board at the March meeting. He added that there are about a dozen different components that make up the power supply charge, and some people have said that some of those components belong in the delivery charge. He noted that the consultant is going to compare what LIPA includes in its power supply charge to what other regulated utilities include in their power supply charge. He stated that LIPA will report back to the Board in the not too distant future.

President Law stated that when it comes to repowering, LIPA is working to make a recommendation to the Board at the next meeting, regarding the option that LIPA has to purchase one of the plants owned by National Grid. He continued

that as part of the repowering analysis, LIPA and National Grid are exploring the right structure for Long Island regarding electricity generation in general. He added that he has had some discussions with Tom King, from National Grid, on this matter, and he will be coming back to the Board in March with a repowering recommendation.

President Law stated that as the Board is aware, he created an advisory panel, consisting of elected officials and some business folks, to help LIPA ultimately make recommendations to the Board on LIPA's business model. He continued that the advisory panel has its second meeting tomorrow. He noted that Paul DeCotis, Governor Paterson's Deputy Secretary for Energy, will attend the meeting. He added that he will continue to keep the Board and public abreast of the committee's plan of action. He further noted that the advisory committee is essentially updating a study, which had been done several years ago, to examine LIPA's business model.

President Law stated that last year, the Governor vetoed the bill on the PSC legislation. He continued that in the Governor's veto message, he directed the Governor's office, LIPA, and the legislators to work together to see if there was another way to address the legislators' concerns. He continued that he had his first meeting with the Governor and program staff of the Assembly and that there is another meeting scheduled for next week. He added that everyone has

similar concerns to those that they had in the past, but that everyone is trying to work together and will continue to do so.

President Law stated that he has been asked to testify at a hearing next week with Assemblyman Brodsky concerning a bill involving the Independent System Operator. He continued that he has a meeting this afternoon with staff to be briefed on the legislation itself and determine whether LIPA will be testifying. He added that he will let the Board know if he will be testifying before he goes next Wednesday, if he does end up attending.

President Law stated that he testified at the Assembly Minority hearing on LIPA, and he thought it was worthwhile. He added that whenever he gets the chance to educate and share with people, whether they are elected officials or ratepayers, about what LIPA is, where LIPA's money comes from and goes, the challenges facing LIPA, and how LIPA intends to meet those challenges, he relishes the opportunity. He noted that he thinks it was worthwhile and well received.

President Law stated that LIPA should have the analysis of the Offshore Wind Technical Feasibility Interconnection Study done this week. He continued that he has another meeting with Con Edison on March 3, 2009, to figure out where that project is going. He added that he will be in a position to report back

to the Board at the next meeting on the potential wind project. He noted that he is excited about the opportunity.

President Law stated that as Acting Chairman Steinberg indicated, Ms. McCarthy is moving on. He continued that in terms of a CFO search, he has already interviewed a number of highly qualified individuals, and he hopes to be in a position to make a recommendation to the Board on Ms. McCarthy's replacement at the March meeting.

President Law stated that he is really excited about one of the agenda items today, which is regarding the 50 megawatt solar RFP. He continued that he will reserve some additional comments for that when the agenda item is before the Board. He noted that he will chime in after Ms. Nicolino makes her presentation. President Law concluded his report.

Acting Chairman Steinberg called for questions.

Trustee Fragin stated that as Acting Chairman Steinberg had stated, LIPA needs to address the issue of rising property taxes on Long Island. He continued that one thing, which was mentioned back in December during the budget discussions, was initiation of tax certiorari proceedings, particularly with regard to some of what he believes to be inequitable treatment of some of the older plants and their potential overvaluing. He asked if LIPA had initiated

anything with National Grid regarding the tax cert. He further questioned LIPA's plans as he thinks that this is something that LIPA should take advantage of in the short term.

Acting Chairman Steinberg stated that he believes the answer is no, though that may need to be confirmed with National Grid. He continued that he does think, as he stated before, that LIPA needs to have a comprehensive plan that addresses the structural issues, which include property taxes. He added that he is asking the staff to go to work and produce a plan that will include tax cert proceedings as part of the plan.

President Law stated that Acting Chairman Steinberg's answer was accurate. He continued that he promised Trustee Fragin that LIPA would look into it, which it is currently doing. He added that it is also something that has been discussed with the advisory panel. He noted that he has nothing to report back on at this time, but it has not been forgotten, and it will be something that will be examined.

Acting Chairman Steinberg called for additional questions. After hearing none, he thanked President Law for his report, and turned the floor over to Ms. McCarthy for the financial report.

**Ms. McCarthy stated that she would be reporting on the preliminary unaudited results for LIPA for the twelve months ending December 31, 2008. She continued that the audit of the 2008 financial statement is currently underway, and that the summary financial statements will be presented to the Board for their approval at the March meeting.**

**Ms. McCarthy stated that the preliminary results show that for the twelve months ended December 31, 2008, LIPA had an excess of revenues over expenses of \$26.3 million, which is at the bottom end of LIPA's targeted reserve level range of \$25 million to \$125 million and approximately \$50 million below LIPA's budgeted level of \$75 million. She continued that revenues for the period were \$3.6 billion, which were \$41 million, or one percent, below budget as a result of lower than budgeted growth and milder than normal weather for the period. She noted that this was offset, in part, by the increase in the power supply charge, which became effective in July of 2008.**

**Ms. McCarthy reported that the fuel and purchase power cost of \$2 billion was \$21 million, or one percent, over budget as a result of higher net commodity costs of \$102 million, which was offset by the lower sales volume of \$81 million. Ms. McCarthy reported that overall, total operating expenses were on budget for the period.**

**Ms. McCarthy reported that interest expenses of \$323 million were \$3.8 million, or one percent, over budget as a result of the higher variable interest rates due to the global financial crisis, as well as the fixing out of a portion of LIPA's variable debt rate in the fourth quarter of 2008. She added that interest expense was impacted by higher than budgeted interest payments on counterparty collateral, which was held by LIPA throughout the year.**

**Ms. McCarthy reported that from a cash perspective, at December 31, 2008 LIPA had cash and cash equivalents of \$258 million, which was invested in a variety of instruments, with 97 percent of those having a maturity of three months or less. Ms. McCarthy concluded her report and called for questions.**

**After hearing no questions, Acting Chairman Steinberg turned the meeting over to Mr. Germano to give the operating report.**

**Mr. Germano first reported on load growth and retention, which is a measure of LIPA's effectiveness in working with its major customers and its economic development program. He continued that LIPA is slightly above its goal for year to date, and it has identified a number of projects that are starting to materialize going into the year. He noted that since this is the first month of performance, it is only an indication.**

**Mr. Germano reported that LIPA has started off on the right track regarding efficiency and renewables. He continued that residential and renewable programs are at or above goal already. He added that commercial energy efficiency is starting off a little slowly, and that LIPA will continue to monitor progress in that particular area.**

**Mr. Germano reported on customer care programs. He stated that customer care programs can be broken down into two key areas: programs that are designed to help customers manage their costs and programs that move customers towards electronic medium. He indicated that with both programs, LIPA is doing very well. He continued that the area where he would like to focus on trying to improve performance, which is only slightly below the goal, is the commercial balanced billing program, because it is a program that could be of very good value to LIPA's customers, particularly small business customers.**

**Mr. Germano reported that on the electronic side, LIPA is above goal and is shooting for aspirational targets to exceed the reported goals. He added that as the Board is aware, LIPA eliminated the postage paid envelopes, so an electronic payment medium is a good opportunity for customers to continue to save on postage.**

**Mr. Germano reported on revenue collections. He stated that as of now, the total arrears are slightly up over the December numbers. He continued that it**

is still made up of primarily residential customers on a proportional basis. He added that LIPA continued its outreach efforts, working with the call centers to reach out to customers, advise them on their situation, work with them, and get into payment plans with those customers that can work. He noted that LIPA is also continuing with its field collections. Mr. Germano reported that LIPA's field collections were curtailed a bit because of the cold weather in January, but will make up for that going forward.

Mr. Germano reported on the System Average Interruption Duration Index (SAIDI) and the System Average Frequency Interruption Duration (SAIFI). He stated that both of these indicators are trending very positively, all within the goal. He continued that the SAIDI is at 61.7 minutes and the SAIFI is at .74 or 16.2 months between interruptions. Mr. Germano concluded his report and called for questions.

After hearing no questions, Acting Chairman Steinberg stated that the next item on the agenda is the approval of proposals for solar photovoltaic generation projects. After requesting a motion on the matter, the Acting Chairman indicated that the matter would be presented by Ms. Nicolino.

Ms. Nicolino stated that the Trustees are being requested to adopt a resolution approving the selection of the four proposed solar photovoltaic generating projects received in response to the Request for Proposals for

photovoltaic generating projects issued by LIPA. She continued that LIPA issued the Solar RFP on April 22, 2008, seeking to purchase the full output, energy and capacity, of 50 megawatts of photovoltaic solar generating systems and the Renewable Energy Credits associated with such systems, for the terms of no less than five years and no more than twenty years. She added that the RFP required that the contracted deliveries commence between June 1, 2009 and May 1, 2011. She noted that the RFP was distributed to more than eighty firms, advertised in the New York State Contract Reporter, and posted on the LIPA website.

Ms. Nicolino stated that in August of 2008, LIPA received 37 proposals from 28 proposers, each of which has been carefully evaluated by the Selection Committee. She continued that the Committee first reviewed the proposals for compliance with the terms of the RFP and then evaluated the qualifying proposals against the criteria set forth therein. She added that based on the Selection Committee's ranking of the qualified proposals, the Committee concluded that the proposals described below would best meet the terms of the RFP.

Ms. Nicolino stated that the first proposal, from BP Solar International Inc., proposed to site, install, and operate an approximately 37 megawatt ground-mounted solar photovoltaic generating system on two sites within property owned by the Department of Energy's Brookhaven National Laboratory in Upton, New York.

**Ms. Nicolino stated that the second proposal, from enXco, a wholly owned subsidiary of Electricite de France, proposed to site, install, and operate up to 20 megawatts of solar systems on rooftops or parking lots sited throughout Long Island. EnXco would be partnering with Chevron Energy Solutions, the company that would provide installation services if this proposed project is approved. She added that while enXco has not identified specific sites, it has identified an approach for securing rooftop and parking lot sites similar to a process it has successfully utilized in New Jersey.**

**Ms. Nicolino stated that the third proposal, from MMA Renewable Ventures, a wholly owned subsidiary of MuniMae, proposed to site, install, and operate up to 24 megawatts of solar systems on several rooftops on buildings owned by Kimco Realty Corporation, as well as the Plainview-Old Bethpage Central School Districts.**

**Ms. Nicolino stated that the fourth proposal, from Juwi Solar Inc., a subsidiary of Juwi Holding AG, proposed to site and install up to 7 megawatts of ground-mounted solar panels on top of three proposed landfill sites, including the Old Bethpage Landfill in the Town of Oyster Bay and the Blydenburgh Landfill in the Town of Islip.**

**Ms. Nicolino stated that it is LIPA's goal to purchase fifty megawatts of solar photovoltaic energy and the associated Renewable Energy Credits from a**

combination of these four proposed projects. She continued that by authorizing the selection of these proposers, LIPA will be able to negotiate a PPA with each proposer, in ranked order, in order to maximize its ability to achieve 50 megawatts should one or more of the projects be unable to obtain the necessary environmental reviews and/or permits. She added that upon satisfactory negotiations of one or more PPA's, completion of the necessary environmental reviews and demonstration of site control, the respective projects would then be presented to the Trustees for approval. She noted that should these events not be completed for one or more of the proposed projects, the Trustees would be apprised and further direction would be sought.

Ms. Nicolino stated that consistent with Executive Directive No. 3, issued on January 12, 2009, LIPA will present to the Trustees and the public at the time of authorization of the execution of the PPA contemplated herein, the estimated total contract value for each such PPA.

Ms Nicolino stated that for the foregoing reasons, the recommendations for the selection of those four proposals is made to the Board at this time.

President Law stated that today, LIPA is moving forward with the State's first and largest utility scale solar energy program by planning to add 50 megawatts of solar energy generated on Long Island into the LIPA grid. He expressed his excitement for this project. He continued that these are top-notch

**selections of world-class international companies, which are well experienced and financed. He noted that this is rare given the current economic climate.**

**President Law stated that LIPA's selection would ultimately distribute solar installations throughout Long Island, in addition to having other effects. He continued that it would also diversify Long Island's energy portfolio, demonstrate the viability of large scale solar technology, strengthen the local economy, and spur and transform the solar photovoltaic marketplace on Long Island, similar to what LIPA's Solar Pioneer and Solar Entrepreneurial program is doing. He added that this measure is a result of one of the recommendations that came out of Governor Paterson's Renewable Energy Task Force. He noted that it could go a long way toward reducing greenhouse gas emissions and consumption of fossil fuels.**

**President Law stated that this is something that, as President Obama said the other night, will do more than just help LIPA meet its energy demand and be good for the environment. He continued that this is an economic development opportunity that will create green collar jobs on Long Island. He added that he is very excited about this.**

**President Law stated that the staff has done a tremendous amount of work given the number of proposals that LIPA received and the analysis that went into them. He continued that the staff did a terrific job on it, and he expressed that**

he feels good about the recommendations that they are bringing to the Board. He added that the Board is being asked to authorize the negotiations with what were determined to be the top four companies. He noted that negotiations will take place over the months of March and April, and that the staff will come back to the Board in May for authorization of the contracts.

President Law stated that pursuant to his Executive Directive, he will disclose to the Board and to the public, the total cost of the contracts. He continued that this will eliminate certain controversy that LIPA faced recently. He added that staff will come back to the Board in the month of May with final numbers and will publicly disclose them as well. He noted that he is excited about this initiative, and that he will continue to make LIPA a leader in the State and throughout most of the country when it comes to solar power. He further noted that he looks forward to coming back to the Board in May once negotiations with the companies are completed.

Acting Chairman Steinberg called for questions.

Trustee Fabio asked, that while the exact figures and facts are not yet available, how the cost per kilowatt hour of solar power versus conventional generation could be characterized. He further asked about the cost-benefit tradeoff under these circumstances.

President Law stated that the power is more expensive than the energy that is generated from LIPA's current power plants on Long Island. He continued that if you were to compare to some of the peakers that are often used on Long Island, it is actually cheaper. He added that in the big scheme, LIPA uses over 5,000 megawatts during the summer months, 50 megawatts is still just a drop in the bucket. He noted that LIPA's whole renewable energy component of the portfolio of fuels that are used will only rise to about one percent.

President Law stated that he thinks that this is something that LIPA needs to be doing. He continued that LIPA needs to be making an investment, and while there are initial financial impacts, there are long term benefits, not only for the environment, but also for the economy.

President Law stated that as he had mentioned in his President's report, he is very optimistic about funding from the State for this project. He continued that LIPA has been in negotiations with NYSERDA to get funding to offset the green premium. He added that he will be strongly looking and advocating for funding from the stimulus program to further bring down any green premium associated with this project. He noted that staff will provide all of the final numbers at the May meeting and by then, he will have a better handle on what the likelihood is of LIPA getting state and federal monies to subsidize, or to offset, any green premium associated with this project.

Acting Chairman Steinberg stated that he would like to add that this is a great project, that LIPA is very committed, and that Kevin is really leading the charge on this to support LIPA's clean and renewable programs. He continued that he thinks it is important for the Trustees and public to understand that LIPA has competing goals: on the one hand, LIPA wants to be clean and renewable, but on the other hand, LIPA wants to keep its rates at levels that are not completely unpalatable for its customers given the reality that green energy is expensive. He added that as to Trustee Fabio's question, generally, the cost of solar power per kilowatt hour is two to three times the cost of fossil fuel power and six times the cost of nuclear power.

Acting Chairman Steinberg stated that there is a high cost associated with solar power. He continued that while this is an issue going forward, the public needs to understand that we, as a Country, need to move toward a greener environment, cleaner environment, and that in the short and medium term, the costs of electricity are going to go up, not down, because of this. He added that he thinks that society has reasonable judgments to make with respect to being clean and green, while weaning itself off of foreign oil. He noted that these are all good goals, but that there is a real cost associated with them.

President Law concurred with Acting Chairman Steinberg's statements. He continued that he is going to put a different spin on the issue, which is that it needs to be looked at as an investment in the future, as opposed to a cost. He

added that Acting Chairman Steinberg is right in that LIPA needs to be sensitive to its ratepayers' ability to pay, but it needs to be seen as an investment in continuing LIPA's leadership in the area.

President Law stated that Governor Paterson needs to be commended for challenging LIPA to do this. He continued that he ultimately believes that the State will commit to helping LIPA financially with this project in order to mitigate any associated negative financial impact. He added that he wanted to commend the Governor and the LIPA Board for entertaining this request because he believes that it will be an investment in Long Island's future.

Acting Chairman Steinberg asked for any additional questions.

Trustee Fragin asked, with regard to the geographic installations, whether the power going back into the grid will be shared or whether it will be specific to the siting.

President Law stated that the power will be sent back into the LIPA grid to be shared throughout Long Island, as opposed to the Solar Pioneer program or the Solar Entrepreneurial program, which is geared towards generating power for the individual home or business. He added that in the case that an individual business or home generates more power than they use, that power is also sent

back into the grid. He noted that this will be part of the LIPA portfolio of fuels that it either imports or generates on Long Island.

Acting Chairman Steinberg called for public comments on the matter.

After the conclusion of the public comments, Acting Chairman Steinberg called for a vote on the motion, which was approved unanimously:

**912. APPROVAL OF SELECTION OF PROPOSED PROJECTS IN RESPONSE TO THE SOLAR RFP AND AUTHORIZATION TO NEGOTIATE POWER PURCHASE AGREEMENTS AND OTHER RELATED AGREEMENTS IN CONNECTION WITH THOSE PROPOSED PROJECTS**

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WHEREAS, Long Island Power Authority (“LIPA”) is committed to having a diversified portfolio of electric generation on Long Island in order to reduce Long Island’s dependence on fossil fuel and has established a goal of purchasing 50 megawatts (“MW”) of electricity and associated renewable energy credits (“RECs”) from solar photovoltaic systems by 2011; and

WHEREAS, LIPA’s purchase of solar energy and the RECs associated with the solar photovoltaic systems will help LIPA to 1) support the targets for renewable energy resources, as well as a solar photovoltaic energy resource goal, set forth by Governor David Paterson’s Renewable Energy Task Force, and 2) meet its Renewable Portfolio Standard goals; and

WHEREAS, LIPA’s Selection Committee has reviewed proposals in response to its April 22, 2008 Request For Proposals, as revised on May 21, 2008 and July 31, 2008, to supply LIPA with capacity, energy and associated RECs produced by photovoltaic solar generating systems to be sited, constructed and operated at sites on Long Island (the “Solar RFP”), and has recommended the selection of the proposed projects, in the following ranked order: (1) BP Solar International Inc, (2) enXco, (3) MMA Renewable Ventures, and (4) juwi solar Inc.; and

WHEREAS, the environmental review for each proposed project site must be completed before LIPA makes any binding commitments to proceed with any proposed project;

NOW, THEREFORE, BE IT RESOLVED, that as more fully set forth in the accompanying memorandum, the Trustees hereby 1) approve the selection of the

projects proposed by BP Solar International Inc.; enXco; MMA Renewable Ventures; and juwi solar Inc.; and 2) authorize the President and Chief Executive Officer or his designee to negotiate the terms of a proposed PPA and other related agreements with each proposer in ranked order for 50 MW of capacity, energy, and associated RECs, provided that LIPA not execute any such PPA prior to completion of any required environmental reviews and further approval of the Trustees.

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Acting Chairman Steinberg stated that the next item on the agenda is to consider the approval of the authorization to enter into an agreement with National Grid for implementation of LIPA's Senior Citizen Low Income Assistance Program. After requesting a motion on the matter, the Acting Chairman indicated that the matter would be presented by Ms. Nicolino.

Ms. Nicolino stated that the Trustees are being requested to adopt a resolution authorizing the President and CEO, or his designee, to execute an amendment to the Amended and Restated Management Services Agreement with National Grid, to provide assistance administering and implementing the Low Income Seniors Assistance Program. She continued that at its June 26, 2008 meeting, the Trustees established a Rate Mitigation Plan from a portion of the \$213 million received by LIPA in connection with the negotiation of certain settlements and other agreements between LIPA and National Grid. She explained that the Rate Mitigation Plan provides for, among other things, allocating \$10 million to provide financial assistance to qualifying seniors in

paying their bills. She added that this fund was intended to cover all costs associated with the program, including the implementation and administration of the program, and was originally intended to be administered by a local not-for-profit organization.

Ms. Nicolino stated that in September of 2008, LIPA issued a Request for Proposals for experienced and qualified entities to provide such implementation and administrative services in connection with that program. She continued that in addition to sending the RFP to a targeted list of vendors, it was published in the New York State Contract Reporter, and listed on LIPA's website. She added that on October 10, 2008, two proposals were received in response to the RFP.

Ms. Nicolino stated that a selection committee comprised of LIPA staff reviewed the proposals and conducted interviews with both proposers in November. She continued that while both proposers demonstrated experience with administering low-income monies to seniors, the Committee determined that only one of the two proposers, a not-for-profit entity, demonstrated the ability to meet the requirements of the RFP. She added that the Selection Committee also determined that the cost proposal of this entity to administer the program was much higher than anticipated and would reduce the amount of funds available for qualifying seniors. She noted that as such, LIPA staff undertook an internal

planning and evaluation process to assess its own ability to implement and administer the program at a lower cost and in a timely manner.

Ms. Nicolino stated that as a result of the internal evaluation, LIPA staff determined that it could implement the program, with the assistance of its manager, National Grid, and another current vendor, at a cost savings of approximately 35 percent of the cost proposed under the RFP, or approximately \$760,000. She continued that in this regard, LIPA would, with assistance from its current advertising and public relations provider, Zimmerman Edelson, undertake the marketing component of this effort to ensure that eligible seniors are targeted and made aware of the program at an anticipated cost of up to \$160,000. She added that National Grid would undertake the administration of the program, which services would primarily include: application assistance and qualification, account processing of bill credits, record keeping, and reporting. She noted that National Grid's services would be provided on a time and material basis in an amount not to exceed \$600,000 for a term of up to one year.

Ms. Nicolino stated that LIPA believes that this structure is reasonable and appropriate and allows LIPA to maximize the funds available for qualifying seniors. She continued that in order to effectuate the plan, LIPA would enter into an amendment to the MSA with National Grid to add to the current customer services already being provided under that agreement. She added that the amendment would, upon approval by the Trustees, also be presented to the State

**Comptroller's Office in accordance with LIPA's contract approval process. She noted that the contract with Zimmerman Edelson would not require any similar amendment as the services provided herein are already under the scope of their existing contract. Ms. Nicolino stated that based on the foregoing, staff makes the recommendation to the Board.**

**Acting Chairman Steinberg called for questions.**

**Trustee Ryan asked, in terms of targeting seniors, how LIPA would target seniors in order to make sure that everyone is covered.**

**Mr. Germano stated that LIPA will be targeting seniors in a number of ways. He continued that LIPA will be doing mass advertising, using bill inserts, as well as targeting a lot of senior centers and social service organizations. He continued that LIPA will try to work with certain not-for-profit organizations that indicated a desire to work with LIPA. He added that LIPA will try to use every channel that is available.**

**Trustee Sinnreich stated that he supports the resolution, but he has two concerns that he would like to place on the record. He continued that one concern, which has been his concern for a long time, and especially now that the staff is very severely stretched, is that adding this task to LIPA staff would not be a meaningful imposition. He added that his second concern is that the original**

cost comparison did not include the force account, or cost of the staff time involved. He noted that he asked Mr. Germano about this cost this morning, which is about \$55,000. He requested that in the future, when completing these kinds of comparisons, LIPA include the force account cost in order to make it a legitimate comparison. He concluded his comments by stating that he supported the resolution, but those were his two concerns.

President Law stated that Trustee Sinnreich's points are well taken, and that LIPA will follow his recommendation going forward. He continued that he is excited about this program because the number one complaint, e-mail, and letter that he receives is from LIPA's low income senior citizen customers who are struggling to pay their property taxes, food bills, and utility bills. He noted that to the extent that LIPA is now able to make a difference in the lives of some of them, he is glad to do it, and he is glad that LIPA is finally getting the project underway.

Trustee Fragin stated that he wanted to understand the plan that was proposed, which was 35 percent higher for the non-profit entity. He asked if the entity proposed to do anything different or if their approach was similar to the approach that LIPA is taking on.

Mr. Germano stated that the approach that the not-for-profit entity was taking was much more labor intensive and hands-on, dealing with individual customers at the inception and trying to identify them. He continued that LIPA is

using a mass-marketing approach, which is different and lower cost. He noted that he believes that LIPA's labor costs are lower than their labor costs in the total proposal.

Acting Chairman Steinberg asked for public comment. After hearing none, the Chairman called for a vote on the motion. With one abstention by Trustee Hahn, the motion was approved:

**913. AUTHORIZATION TO ENTER INTO AMENDMENT TO AMENDED AND RESTATED MANAGEMENT SERVICES AGREEMENT WITH NATIONAL GRID TO ADMINISTER A LOW INCOME SENIORS ENERGY ASSISTANCE PROGRAM**

**WHEREAS, the Long Island Power Authority ("LIPA") adopted a Rate Mitigation Plan on June 26, 2008 which included \$10 million to create a Low Income Seniors Energy Assistance Program (the "Program") to provide financial assistance to qualifying seniors in paying their LIPA bills, to be administered by a local not-for-profit organization; and**

**WHEREAS, LIPA issued a Request for Proposals ("RFP") seeking experienced entities to provide implementation and administration services in connection the Program, in response to which two proposals were received and evaluated; and**

**WHEREAS, based on the evaluation, it was determined that only one proposer, a not-for-profit entity, demonstrated an ability to meet the requirements of the RFP, but at a cost that was much higher than expected; and**

**WHEREAS, in order to maximize the amount of funds available for qualifying seniors, LIPA conducted an internal planning and evaluation process to assess its own ability to implement and administer the Program at a lower cost and in a timely manner; and**

**WHEREAS, LIPA has determined that with the assistance of its manager, National Grid, and its advertising and public relations provider, Zimmerman Edelson, Inc., LIPA can implement and administer the Program at a cost that is significantly less than the cost proposed in response to the RFP and in a timely manner; and  
WHEREAS, LIPA believes that this structure is reasonable and appropriate and allows LIPA to maximize the funds available for qualifying seniors; and**

**WHEREAS, to effectuate the implementation and administration of the Program as proposed, LIPA would enter into an amendment to the Amended and Restated Management Services Agreement with National Grid, to add this service to the services already being provided to LIPA customers under that agreement, on a time and material basis, and at a cost not to exceed \$ 600,000 for a one-year term; and**

**WHEREAS, no amendment to LIPA's existing contract with Zimmerman Edelson is necessary, as the marketing services contemplated herein are within the scope of services approved by the Trustees on January 25, 2007:**

**NOW THEREFORE, BE IT RESOLVED, that the President and CEO, or his designee be, and hereby is, authorized to execute an amendment with such terms and conditions as he deems necessary or advisable and as are consistent with the basic terms set forth in the preceding Memorandum.**

**\* \* \***

**Acting Chairman Steinberg stated that the next item on the agenda is the consideration of the approval of the LIPA employee handbook. After requesting a motion on the matter, the Acting Chairman indicated that the matter would be presented by Ms. Nicolino.**

**Ms. Nicolino stated that LIPA currently has a Handbook, which outlines its policies and procedures for personnel and other related matters. She continued that as part of LIPA's ongoing review of its governance documents, a comprehensive review of the Handbook was conducted by both in-house LIPA staff as well as outside labor and employment counsel to provide recommended updates to the Handbook based on recent changes and requirements established under the law, changes in policy over the past year, and current best practices. She added that the proposed Handbook has also been reviewed by and**

commented on by the Governance Committee and found to be in all respects appropriate. She noted that based on this review, numerous modifications were made to the Handbook as proposed and attached to the board books that are before the Board. She further noted that although only certain policies and procedures contained therein require approval by the Board under the Accountability Act, in order to provide greater continuity and transparency, the entire revised Handbook is being presented to the Trustees for approval at this time.

Ms. Nicolino stated that there are various changes to the policies and procedures. She continued that some of the key modifications to the Handbook include adding required policies under state law such as the blood donation and nursing mother leave time, a drug-free workplace policy, and a domestic violence policy. She added that the proposed Handbook also provides for other changes and restrictions to previously existing policies, including outside employment, time and attendance, performance evaluations, et cetera.

Ms. Nicolino stated that she wanted to commend the Governance Committee for their tremendous efforts in reviewing this comprehensive document. She continued that there has been a lot of time spent with the staff going through it. She added that the Committee made wonderful recommendations, and after meeting on Tuesday, the Committee passed a resolution recommending that the Handbook be adopted by the full Board at this

time. She stated that based upon that, staff is recommending to the Trustees adoption of the Handbook in its current form.

Acting Chairman Steinberg called for any questions or comments.

Trustee Fabio stated that as Chairman of the Governance Committee, he would like to thank his fellow members, Trustee Susan Gordon Ryan and Trustee Suzette Smookler, for the work that they did in reviewing the handbook and making recommendations. He continued that he would also like to thank Ms. Nicolino and Ms. Pincus for the work that they did in answering the Committee's questions and ultimately crafting the document that is before the Board. He noted that it was a team effort, and he appreciates everyone's assistance.

Acting Chairman Steinberg thanked the Governance Committee and its members.

After hearing no further questions or comments, Acting Chairman Steinberg called for a vote on the motion, which was approved unanimously:

**914. ADOPTION OF THE LONG ISLAND POWER AUTHORITY EMPLOYEE HANDBOOK**

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WHEREAS, the Long Island Power Authority currently has an Employee Handbook (the "Handbook") which outlines its policies and procedures for personnel and other related matters; and

**WHEREAS, as part of LIPA's ongoing review of its governance documents a comprehensive review of the Handbook was undertaken to provide recommended updates based on recent changes and requirements under the law (including the Public Authorities Accountability Act); changes in policy over the last year; and current best practices; and**

**WHEREAS, LIPA conducted such a review through its in-house staff and outside labor and employment counsel; and**

**WHEREAS, based on this review, the Handbook was modified as set forth in the accompanying memorandum; and**

**WHEREAS, the Handbook was also reviewed and commented on by the members of the Governance Committee, and as proposed, found to be in all respects appropriate; and**

**NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby adopt the "Long Island Power Authority Employee Handbook" in the form presented at this meeting; and be it further**

**RESOLVED, that future revisions to the Handbook, which are immaterial in nature, need not be approved by the Trustees; and be it further**

**RESOLVED, that this resolution take effect immediately.**

**\* \* \***

**President Law stated that before the meeting moves to the public comment portion, he would like to commend LIPA staff in connection with the solar RFP. He added that he had mentioned Mr. Deering, but he would also like to include Ms. Brechter and staff consultant, Mr. Kendall, who both did a tremendous amount of work and should be recognized. He noted that he appreciates the effort.**

The Acting Chairman then allowed public comment to be heard. After the conclusion of all public comments, Acting Chairman Steinberg announced that the next Board meeting is scheduled for March 26, 2009 at 11:00 am in Uniondale. He stated that there would not be an executive session today.

Acting Chairman Steinberg entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 12:05 p.m.

Respectfully submitted,

Lynda Nicolino