

**LONG ISLAND POWER AUTHORITY
MINUTES OF THE 153rd MEETING
HELD ON FEBRUARY 27, 2003**

Pursuant to notice dated February 20, 2003, the Long Island Power Authority (the "Authority") was convened for the one hundred and fifty-third time at 10:05 AM at the Omni Teleconference Center in Uniondale, NY.

The following Trustees of the Authority were present:

**Richard M. Kessel, Chairman
Patrick Foye, Deputy Chairman
Howard Steinberg, Deputy Chairman
Michael Affrunti
Nancy A. Akeson
Harvey Auerbach
Harriet Gilliam
James Herrmann
Robert Maimoni
Nancy Nugent
Vincent Polimeni
Jonathan Sinnreich**

Also representing the Authority were Stanley Klimberg, General Counsel, Edward Grilli, Chief of Staff, Seth Hulkower, Chief Operating Officer, Anastasia Song, Acting Chief Financial Officer, Richard Bolbrock, Vice President – Power Markets, Bert Cunningham, Vice President – Communications, Bruce Germano,

Vice President – Retail Services, and Kathleen Stella, Secretary to the Board of Trustees.

Upon determining that a quorum was present, Chairman Kessel called the meeting to order.

Chairman Kessel stated that the first item on the agenda is approval of the minutes of the January 9 Board meeting. Upon motion duly made and seconded, the following resolution was approved, with Trustee Polimeni abstaining (Trustees Akeson, Gilliam and Maimoni were not present for this vote):

632. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JANUARY 9, 2003 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on January 9, 2003, 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 Kessel stated that the T & D system performed extraordinarily well during the recent snowstorm due to the dedication of LIPA's workforce and the capital improvements made to the system. The Chairman indicated that the blizzard was a tough storm with high winds, bitter cold and two inches of snow; but LIPA's capital investment for tree trimming, pole replacement and reconductoring has lead to fewer outages. He thanked Mr. Ranghelli for the dedication of LIPA's workforce who quickly repaired outages in the bad weather.

Chairman Kessel stated that although not widely reported, LIPA's Clean Energy Programs are producing good results. The Chairman continued that Governor Pataki set a goal for 25 percent of New York State's energy to be produced by renewable technologies, and LIPA is leading the way in meeting this goal. He added that LIPA is already out front with respect to fuel cell technology, which was noted to be an important technology in President Bush's State of the Union address.

Chairman Kessel stated that LIPA has 75 fuel cells at its West Babylon facility connected to the electric grid. The Chairman further stated that LIPA has a \$3 million dollar contract with Plug Power to provide the newest generation of fuel cells that are greatly reduced in size and cost and can be installed at residences. He added that fuel cells can either pump electricity directly into the grid, or be installed at a location to supplement power supplied by the grid, and fuel cell units have already been installed at several locations in LIPA's service area.

Deputy Chairman Foye asked if the Board could be provided with an analysis of the impact of fuel cells on electric rates. Chairman Kessel responded that an analysis of the impact of fuel cells upon LIPA's electric rates and system, including any environmental impacts, will be released shortly.

Chairman Kessel stated that the next item on the agenda is the Operations Report, to be delivered by Mr. Hulkower.

Mr. Hulkower reported that the annual goal for sales and marketing load growth is 36.65 MW, which is less than in 2002 due to the slowing economy and a single large project occurring last year. He indicated that 19 MW of load reduction and control was achieved from the Clean Energy and Peak Reduction initiatives for 2002. He added that the LIPA Edge Program is targeting 4 MW of load reduction and 167 new participants.

Mr. Hulkower reported that LIPA's SAIFI in January 2003 was 31 percent lower than in January 2002. He further reported that LIPA's CAIDI in January 2003 stabilized at 69 minutes. He indicated that LIPA's planned tree trimming projects have focused on the Central division, which has been a problem area. He stated that LIPA's monthly averages show progress from LILCO's 1995 monthly averages.

Deputy Chairman Foye asked whether LIPA has a plan to further improve its SAIFI results. Mr. Hulkower responded affirmatively and indicated that LIPA will reallocate capital expenditures accordingly. He further indicated that several low grade storms drove LIPA's averages upward.

Chairman Kessel stated that the next item on the agenda is the Financial Report, to be delivered by Ms. Song.

Ms. Song reported that the audit of KeySpan by PricewaterhouseCoopers has uncovered LIPA electric service revenue overstatements by KeySpan of \$62.6

million in 2002 and \$11.6 million in 2001. She continued that LIPA is in the process of closing its 2002 books, which is a labor-intensive process. She indicated that LIPA's restated net income will be approximately \$20 million, and this was originally estimated at \$32 million.

Ms. Song stated that LIPA's budget is driven by fuel and purchased power and O&M expenses, and this year fuel and purchased power expenses are lower than budgeted due to hedging activities, while the O&M budget is higher due to non-budgeted expenses such as for temporary generation and transmission cable repair.

Trustee Polimeni asked whether there has been progress concerning LIPA's credit rating. Ms. Song answered that LIPA is actively engaged in discussions with the rating agencies, who are more comfortable with the restatement.

Trustee Polimeni asked whether LIPA is still on credit watch. Ms. Song responded that LIPA is appealing to the credit agencies to lift the credit watch since all of the targets and guidelines have been met.

Deputy Chairman Foye asked whether the increase in natural gas prices has affected LIPA's income statements. Ms. Song responded that LIPA is assessing the dire run-up in prices, and LIPA is evaluating a substantial amount of hedges at attractive prices, which will probably be put into effect in March.

Deputy Chairman Steinberg asked whether LIPA has been fully reimbursed by KeySpan for the internal and external costs of auditing as a result of the KeySpan errors. Ms. Song answered that LIPA is compiling that invoice based on LIPA's general ledger, which is a substantial effort, and LIPA will seek full reimbursement from KeySpan.

Deputy Chairman Steinberg asked what level of comfort LIPA currently has concerning whether any of the problems with KeySpan are recurring. Ms. Song responded that the revenue misstatement problem was a discrete control problem which has been identified and fairly exhaustively audited. She continued that LIPA is pursuing further investigations of the contracts with KeySpan, which are long and complicated with certain ambiguous clauses; and issues may surface concerning how those clauses are interpreted.

Chairman Kessel indicated that the forensic audit will be very thorough in nature, and after the audit is completed, he will present the results and recommendations to the Board. The Chairman further indicated that Mr. Catell and his staff have been cooperative with LIPA and LIPA's auditors during this investigation. He thanked Ms. Song for her great work regarding the KeySpan audit.

Turning to the next agenda item, Chairman Kessel stated that the Board is being asked to approve a resolution providing for recovery of year 2002 and future fuel and purchased power costs. The Chairman continued that LIPA's tariff includes a fuel and purchased power cost adjustment whereby bills to customers

are adjusted automatically up or down to reflect changes in the costs of fuel and purchased power that are embedded in LIPA's base electric rates, which went into effect on May 29, 1998 and achieved a 20 percent rate reduction. He added that the fuel and purchased power cost adjustment is calculated annually, with a one-year or more lag in recovery and/or refund for those costs.

Chairman Kessel stated that regarding LIPA's 2002 fuel and purchased power costs that have not been recovered through base rates, i.e., \$254 million of "excess costs", it is proposed that approximately \$129 million be recovered in 2003 beginning in March. The Chairman continued that the proposal includes maintaining the current surcharge of 5.8 percent, which requires a waiver of the current tariff, and for LIPA to begin a transition to current year recovery by recovering approximately \$75 million of 2003 excess costs in 2003. He indicated that the proposal would institute a surcharge of approximately \$2.80 per month for the average residential homeowners, and defer \$70 million of the 2003 excess costs for recovery over a one-year period commencing in 2004.

Chairman Kessel stated that the proposal also provides for an amount of 2003 excess costs to be deferred and recovered through the fuel surcharge over a ten-year period to achieve a financial target of \$20 million in net income. The Chairman continued that regarding 2004 and subsequent years, the proposal recommends recovery of excess costs on a current basis in an amount sufficient for LIPA to achieve that \$20 million target, which will stabilize LIPA's finances and give customers better price signals in line with fuel cost changes. He added

that this proposal will enable LIPA to continue to absorb some of its fuel costs over time, while establishing a positive net income target of \$20 million.

Chairman Kessel reported that LIPA held two public hearings regarding the proposal, one of which was sparsely attended, and the other was unattended. The Chairman indicated that although no one wants to see an increase, the fact that only two people testified indicates that the public recognizes that fuel costs are increasing, LIPA must be kept financially stable, and the three percent surcharge increase is minimal compared with increased prices for other commodities and services. He continued that LIPA has absorbed approximately half of its higher fuel costs related to higher oil, natural gas and purchased power costs related to the construction of ten generating units in 2002 and three additional units in 2003.

Chairman Kessel stated that had LIPA decided to recover all of its fuel costs, the surcharge would be approximately ten to twelve percent higher than it currently is, but LIPA has absorbed those costs since a high surcharge would damage Long Island's economy. The Chairman indicated that the former LILCO collected 100 percent of higher fuel costs over a 90-day period, and utilities nationwide generally recover all of their fuel costs immediately. He added that LIPA has been one of the few utilities that strive to protect the consumer, and LIPA will continue to absorb significant portions of its fuel costs consistent with the \$20 million net income target.

Chairman Kessel indicated that the country is experiencing tough times with respect to fuel prices due to the possibility of war in the Middle East. The Chairman stated that he hopes LIPA can cap the three percent increase in the surcharge, which would be an extraordinary accomplishment, and a report on the matter will be given to the Board on a quarterly basis.

Trustee Maimoni asked what the three percent surcharge will translate to in dollars. Chairman Kessel responded that it will equal approximately \$2.80 per residential customer per month, and \$75 million in total.

Trustee Auerbach stated that the increase in fuel and purchased power costs does not reflect overhead costs or unrelated items in LIPA's budget. He continued that this should be clarified for the public since there has been misinformation concerning this issue.

Deputy Chairman Foye stated that he is concerned if the Authority ends up borrowing approximately \$200 million long-term to meet a short-term operating cost, namely fuel. He continued that although he is in favor of the resolution, LIPA's ability to absorb this amount is limited, and going forward LIPA will have to pass along the increases in fuel and purchased power costs if they are significant. He added that LIPA's ability to continue to borrow at a rate of \$200 million a year will in the long-term increase borrowing costs and leverage and impact LIPA's credit rating, and will not be sustainable. Chairman Kessel concurred. The Chairman indicated that those concerns are why the resolution includes a change to LIPA's practices to implement real-time collection with a net

income target of \$20 million. He further indicated that the rating agencies are comfortable with this proposal.

Ms. Song stated that LIPA is not authorized to issue bonds to pay for fuel costs. Deputy Chairman Foye stated that LIPA will end up borrowing if it absorbs approximately \$200 million since that amount will not be left for other purposes. Ms. Song indicated that would be a poor finance plan, which LIPA would not do. She continued that LIPA's revenues are sufficient to cover absorbed excess fuel costs.

Deputy Chairman Foye asked whether the \$20 net million net income target is net of LIPA's required mandatory prepayments on debt. Ms. Song responded affirmatively.

Deputy Chairman Foye asked whether the \$197 million figure for excess fuel costs to be absorbed in 2003 is accurate. Ms. Song responded that the \$197 million amount is based upon LIPA's budget estimate, published in November and based on the fuel forecast for 2003 and a \$70 million deferral. She continued that the transition plan is structured in a way to eliminate the lag mechanism in an orderly fashion that avoids rate shock, and the one variable component will be the actual 2003 fuel costs which are not yet fully hedged.

Deputy Chairman Foye asked whether the \$197 million is the aggregate figure as of the time the budget was put together. Ms. Song responded yes.

Deputy Chairman Steinberg asked whether LIPA has guidelines that limit its hedging exposure. Ms. Song answered affirmatively, pointing out that in November 2002 the Board adopted its policy guidelines regarding the hedging limits, and delegated the development of policies and procedures that will go down to a person-by-person limit exposure level, and this will be brought before the Board in a few months.

Upon motion duly made and seconded, the following resolution was approved unanimously (Trustee Akeson was not present for this vote):

633. APPROVAL OF RECOVERY OF YEAR 2002 AND FUTURE YEARS' FUEL AND PURCHASED POWER COSTS

WHEREAS, the Long Island Power Authority's ("Authority") staff issued a proposal concerning recovery of year 2002 and future years' fuel and purchased power costs ("Proposal"); and

WHEREAS, regarding LIPA's 2002 fuel and purchased power costs that have not been recovered through LIPA's base rates ("excess costs"), the Proposal recommends that approximately \$129 million of excess costs be recovered through LIPA's Fuel and Purchased Power Cost Adjustment ("FPPCA") commencing in March 2003, and based on LIPA's recently closed 2002 financial books total 2002 excess costs are approximately \$254 million; and

WHEREAS, regarding projected 2003 excess costs, the Proposal recommends that \$75 million of such costs be recovered in 2003 (commencing in March) through the FPPCA; that another \$70 million of such costs be deferred and recovered through the FPPCA over a one-year period commencing in January 2004; and that an additional amount of such costs (estimated in LIPA's 2003 Operating Budget to be approximately \$127 million) sufficient for LIPA to achieve a financial target of \$20 million of revenues in excess of costs for the year be deferred and recovered through the FPPCA for a ten-year period commencing in January 2004; and

WHEREAS, regarding 2004 and future years' fuel and purchased power costs, the Proposal recommends that the FPPCA be modified so that excess costs for a calendar year are recovered on a current basis in an amount sufficient for LIPA to achieve the financial target of \$20 million of revenues in excess of costs for the

year; and the Proposal provides for LIPA to calculate the FPPCA adjustment effective January 1st of each year and during the year to monitor and, if necessary, modify such adjustment so that LIPA achieves the \$20 million financial target; and

WHEREAS, following issuance of public notice (including publication in the State Register on December 31, 2002), two public hearings were held on the Proposal on February 20, 2003, at which time two persons commented on the Proposal, and LIPA received three written comments as well; and two commenting parties opposed the Proposal; one commenting party supported full recovery of excess fuel and purchased power costs; and one commenting party posed several general questions regarding the FPPCA and LIPA's financial condition; and

WHEREAS, for the reasons set forth in the preceding Memorandum, the comments in opposition to the Proposal are without merit.

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the preceding Memorandum, the Proposal is hereby adopted and approved; and be it further

RESOLVED, that the attached Tariff Leaves reflecting our action herein are approved.

* * *

Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution to approve and adopt a plan of finance of the Long Island Power Authority relating to the Authority's outstanding \$700 million Electric System Subordinated Revenue Bonds, Series 1-3, and the funding of not to exceed \$300 million of capital expenditures. The Chairman continued that the Plan of Finance consists of a series of items, including restructuring the Series 1-3 Bonds and replacing them with senior and subordinate lien bonds, changing the interest rate determination methods applicable to the Series 1-3 Bonds, and remarketing them, or any combination of the options, and the issuance of additional senior lien bonds to reimburse the Authority for a portion of its

ongoing capital expenditures and to fund certain capital expenditures going forward.

Chairman Kessel stated that the Board has also been requested to consider a proposal to allow certain authorized representatives of the Authority to proceed with all preliminary actions necessary to permit the Authority to effectuate the Plan of Finance, including an application to the Public Authorities Control Board. The Chairman continued that the Series 1-3 Bonds were issued in 1998 and they are currently secured by letters of credit from various banks that expire in May. He indicated that at least a portion of the Series 1-3 Bonds will continue to be secured by those letters of credit, while a portion will be refunded with auction rate bonds.

Chairman Kessel stated that the additional bonds will be issued to fund capital expenditures up to an amount of \$300 million, and the proceeds will be applied principally to reimburse the Authority for expenditures incurred in 2001 and 2002 and to fund future costs. The Chairman continued that it is expected that the refunding bonds will be senior lien bonds issued under the Authority's General Revenue Bond Resolution and/or subordinate lien bonds issued under the Authority's General Subordinated Revenue Bond Resolution. He further stated that it is expected that additional bonds will be senior lien bonds, and the term of such bonds and the execution of related agreements will be subject to Board approval.

Ms. Song stated that the resolutions reflect a consolidated plan of finance for 2003, and there are several categories of activity that will be occurring in the next quarter. She continued that the first component pertains to the swaption and related transactions; i.e., she indicated that the Board authorized the sale of an option to UBS AG for \$82 million, which produced cash last October, and pursuant to this option that UBS AG has elected to exercise, LIPA is now obligated to issue approximately \$587 million of variable rate debt.

Ms. Song stated that the second component is an insurance recycling transaction, which will remove some insurance capacity due to the tight insurance market and issue uninsured bonds. She continued that on April 1, LIPA's Series 8C Bonds will become due for a mandatory tender, and LIPA plans to remarket those bonds. She added that LIPA will seek approximately \$100 million to \$200 million of new money for LIPA's capital programs.

Ms. Song indicated that LIPA was able to get through the year 2002 without any new financing resources, which was not expected and reflects LIPA's strong cash flow position. She further indicated that LIPA's forecasts reflect some need for supplemental capital.

Ms. Song stated that the third component of the plan involves LIPA's \$1 billion letter of credit capacity with eight banks, which expires on May 23. She continued that the insurance market is currently difficult due to tight credits related to weak credit fundamentals in the world economy, and LIPA seeks the

authority to investigate alternative tools in the event that the full \$1 billion cannot be negotiated at a desirable price.

Ms. Song indicated that the swaption transactions will not add new debt to LIPA's balance sheet, but rather will restructure LIPA's debt. She stated that the new money issue will add \$120 million of debt to the balance sheet.

Ms. Song stated that LIPA is attempting to accomplish a lot within a short span of time in order to minimize transaction costs, limit the number of financial statements to one, save on fees and expenses, limit legal costs and minimize staff time. She further stated that LIPA's staff will have to prepare approximately six disclosure documents within the next four to six weeks, which is a huge amount of work on a tight timetable. She noted that this is driven by the swaption timetables and the fact that LIPA is undertaking these tasks simultaneously.

Ms. Song indicated that LIPA is asking for the Board's grant of authority to proceed and to seek PACB approval. She continued that additional resolutions will be brought to the Board.

Chairman Kessel thanked Trustee Polimeni and the Board's Finance Committee for dealing with these hard issues. The Chairman stated that the job is thankless, and Board members are not compensated.

Deputy Chairman Foye asked whether LIPA would have the option of not issuing new bonds in 2003 were it not to absorb the \$197 million of excess fuel

and purchased power costs. Ms. Song responded affirmatively. Chairman Kessel stated that if LIPA chose to pass through all fuel costs, the surcharge would be approximately 12 percent; and this would harm Long Island's struggling economy and could impact LIPA on the revenue side.

Chairman Kessel stated that the only area where the economy has not slowed is in electric use. The Chairman indicated that LIPA set three records for electric use this winter, and LIPA's summer growth and peak demand projections are up approximately 30 to 40 MW from original projections. He added that growth may even be another 125 to 150 MW this summer.

Trustee Polimeni indicated that LIPA is taking a step in the right direction by passing on excess fuel and purchased power costs. He stated that LIPA has to eventually pass on the entire amount when it is incurred as do other utilities.

Chairman Kessel reiterated that LIPA is trying to avoid rate shock by spreading the cost out over ten years during this difficult economy. Trustee Polimeni stated that LIPA is borrowing against the future, and LIPA must ensure that this does not go beyond current levels.

Deputy Chairman Steinberg asked what the net effect of the borrowing in terms of debt service cost will be. Ms. Song answered that it will be issued at about a 4.5 percent rate against \$100 million with roughly a thirty-year term. Deputy Chairman Steinberg asked what the annual increase in debt service cost is. Ms Song answered approximately \$4 million per year. Deputy Chairman

Steinberg asked whether insurance would be eliminated on existing bonds. Ms. Song responded that LIPA is recycling insurance capacity, and there are outstanding bonds that are backed by an FSA insurer who has agreed to allow LIPA to map the insurance capacity to a different set of bonds.

Trustee Polimeni asked whether there will be an increase in the cost of borrowing due to the KeySpan error, and if so can it be quantified. Ms. Song answered that LIPA does not anticipate any incremental financing cost since LIPA has not been downgraded, but substantially higher borrowing costs would result from a downgrade. She continued that the rating agencies have informed LIPA that a preliminary analysis indicates that there is no detrimental effect to LIPA's credit based on this situation, and LIPA should be in line for an upgrade of credit based upon other factors such as the hedging program and the fuel surcharge. Trustee Polimeni stated that KeySpan should be responsible for any quantifiable higher borrowing costs resulting from its error.

Chairman Kessel stated that the credit watch that LIPA is on is attributable primarily to that KeySpan error. The Chairman asked whether a failure to lift the credit watch in time for these financings could result in higher basis points, which may be quantified. Ms. Song responded that there is no evidence of this at the present time, but LIPA will consult closely with its financial advisors and the rating agencies on this issue.

Deputy Chairman Foye asked whether LIPA's bonds trade at their rating or below it. Mr. Colton of Morgan Stanley responded that they are trading based on their current rating.

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

634. APPROVAL OF A PLAN OF FINANCE RELATING TO THE SERIES 1-3 BONDS AND THE ISSUANCE OF ADDITIONAL BONDS FOR THE PURPOSE OF FINANCING CAPITAL EXPENDITURES

WHEREAS, Long Island Power Authority (the "Authority") is authorized by the Long Island Power Authority Act (the "Act") to issue its bonds for any purposes authorized thereby and to adopt bond resolutions establishing the contract with its bond and note holders; and

WHEREAS, on May 13, 1998 the Authority adopted its Electric System General Revenue Bond Resolution (the "General Resolution"), which, consistent with the Act, authorizes bonds of the Authority, designated as "Electric System General Revenue Bonds" (the "Senior Lien Bonds"), as special obligations of the Authority in accordance with the terms thereof for, among other purposes, refunding Subordinated Indebtedness (as defined therein); and

WHEREAS, on May 20, 1998 the Authority adopted its Electric System General Subordinated Revenue Bond Resolution (the "Subordinated Resolution"), which, consistent with the Act, authorizes bonds of the Authority, designated as "Electric System Subordinated Revenue Bonds" (the "Subordinate Lien Bonds"), as special obligations of the Authority in accordance with the terms thereof for, among other purposes, refunding Subordinated Bonds (as defined therein); and

WHEREAS, on May 28, 1998, the Authority issued \$750,000,000 of its Electric System Subordinated Revenue Bonds, Series 1 through 3 (the "Series 1-3 Subordinate Lien Bonds"), \$700,000,000 of which are currently outstanding; and

WHEREAS, the Authority plans to implement a plan of finance (the "Plan of Finance") providing for the restructuring of all or part of the Series 1-3 Subordinate Lien Bonds by (i) issuing Senior Lien Bonds (the "Refunding Senior Lien Bonds") and/or Subordinate Lien Bonds (the "Refunding Subordinate Lien Bonds" and collectively with the Refunding Senior Lien Bonds, the "Refunding Bonds") for the purpose of refunding all or part of the Series 1-3 Subordinate Lien Bonds, (ii) changing the interest rate determination methods applicable to all or portion of the Series 1-3 Subordinate Lien Bonds to different interest rate

determination methods and remarketing the same, or (iii) any combination of (i) and (ii); and

WHEREAS, in order to reimburse the Authority for, or to fund, certain capital expenditures incurred in 2001, 2002 and 2003, the Authority also intends to issue up to \$300,000,000 principal amount of Senior Lien Bonds (the "2003 New Money Bonds"); and

WHEREAS, Sections 51 and 1020-f of the Public Authorities Law provide that the acquisition, financing and construction of any project by certain public authorities, including the Authority, is subject to the approval of the Public Authorities Control Board (the "PACB"); and

WHEREAS, on April 22, 1998, the PACB adopted a resolution approving the issuance of the Series 1-6 Subordinate Lien Revenue Bonds, which resolution recognizes that the interest rate determination method applicable to all or part of the Series 1-3 Subordinate Lien Bonds may be adjusted from time to time, but does not address all of the actions to be taken as part of the Plan of Finance and no existing PACB resolution addresses the issuance of the 2003 New Money Bonds; and

WHEREAS, the Authority plans to submit to the PACB an application (the "PACB Application") requesting approval for the issuance of the Refunding Bonds and the 2003 New Money Bonds and certain of the related transactions to be taken as part of the Plan of Finance.

NOW, THEREFORE, BE IT RESOLVED BY THE TRUSTEES OF THE LONG ISLAND POWER AUTHORITY, AS FOLLOWS:

1. The Plan of Finance and the issuance of the 2003 New Money Bonds described above is hereby approved and adopted.
2. Each Authorized Representative (as defined in the General Resolution) is hereby authorized to proceed to take preliminary actions necessary to permit the Authority to effectuate the Plan of Finance, including preparation of necessary resolutions, disclosure documents and other financing and remarketing documents and filing of requests for all necessary approvals for, and the taking of other actions necessary to implement, the Plan of Finance and the issuance of the 2003 New Money Bonds, including the filing of a PACB Application.
3. This resolution shall take effect immediately.

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Chairman Kessel indicated that the next item on the agenda is Board consideration of a resolution necessary to implement the plan of finance of the Authority relating to the refunding of certain maturities of the Authority's

outstanding Electric System General Revenue Bonds, Series 1998A, 1998B and 2000A together with the reimbursement or refunding of certain capital expenditures.

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

635. APPROVAL OF ADOPTING RESOLUTIONS RELATING TO THE ISSUANCE OF ELECTRIC SYSTEM GENERAL REVENUE BONDS TO REFUND CERTAIN MATURITIES OF SERIES 1998A, 1998B AND 2000A BONDS AND REIMBURSE OR FUND CAPITAL EXPENDITURES OF THE AUTHORITY

WHEREAS, Long Island Power Authority (the "Authority") is authorized by the Long Island Power Authority Act (the "Act") to issue its bonds for any purposes authorized thereby and to adopt bond resolutions establishing the contract with its bond and note holders; and

WHEREAS, on May 13, 1998 the Authority adopted its Electric System General Revenue Bond Resolution (the "General Resolution"), which, consistent with the Act, authorizes bonds of the Authority, designated as "Electric System General Revenue Bonds" (the "Senior Lien Bonds"), as special obligations of the Authority in accordance with the terms thereof for, among other purposes, refunding other Senior Lien Bonds; and

WHEREAS, Section 205 of the General Resolution requires that the issuance of each series of Senior Lien Bonds by the Authority shall be authorized by a supplemental resolution or resolutions of the Authority adopted at or prior to the time of issuance, subject to further delegation to certain officers to establish the details of the terms of such Senior Lien Bonds; and

WHEREAS, on May 28, 1998, the Authority issued \$3,449,527,638.05 of its Electric System General Revenue Bonds, Series 1998A (the "Series 1998A Bonds"); and

WHEREAS, on November 12, 1998, the Authority issued \$1,313,800,000 of its Electric System General Revenue Bonds, Series 1998B (the "Series 1998B Bonds"); and

WHEREAS, on May 3, 2000, the Authority issued \$325,165,278.85 of its Electric System General Revenue Bonds, Series 2000A (the "Series 2000A Bonds"); and

WHEREAS, the Authority plans to issue up to \$1,000,000,000 principal amount of Senior Lien Bonds for the purpose of refunding certain maturities of the Series 1998A, 1998B and 2000A Bonds insured by FSA (collectively, the "FSA Insured

Bonds”) and to reimburse the Authority for, or to fund, certain capital expenditures incurred in 2001, 2002 and 2003 (the “2003 Bonds”); and

WHEREAS, in order to achieve such purposes there has been prepared and submitted to the Trustees a form of Sixth Supplemental Resolution (the “Sixth Supplemental General Resolution”)

NOW, THEREFORE, BE IT RESOLVED BY THE TRUSTEES OF THE LONG ISLAND POWER AUTHORITY, AS FOLLOWS:

1. The Sixth Supplemental General Resolution, in the form presented to this meeting and made a part of this resolution as though set forth in full herein, is hereby approved and adopted. The Chairman of the Authority is hereby authorized to deliver the Sixth Supplemental General Resolution to The Bank of New York, as the Trustee for the Senior Lien Bonds, with such amendments, supplements, changes, insertions and omissions thereto as may be approved by the Chairman, which amendments, supplements, insertions and omissions shall be deemed to be part of such resolution as approved and adopted hereby.

2. Each Authorized Representative (as defined in the General Resolution) is hereby authorized with respect to each series of 2003 Bonds, to execute and deliver a Bond Purchase Agreement (as defined in the Sixth Supplemental General Resolution) in substantially the form of the bond purchase agreement executed by the Authority in connection with the issuance of the Authority’s Electric System General Revenue Bonds, Series 2001A, with such modifications thereto as any Authorized Representative of the Authority, upon the advice of counsel to the Authority, approves, which approval shall be conclusively evidenced by the execution thereof by such Authorized Representative.

3. Each Authorized Representative (as defined in the General Resolution) is hereby authorized and directed to execute and deliver any and all documents, including but not limited to the execution and delivery of one or more official statements or other disclosure documents and instruments and to do and cause to be done any and all acts necessary or proper for carrying out each Bond Purchase Agreement, the issuance, sale and delivery of each series of the 2003 Bonds and for implementing the terms of each Bond Purchase Agreement, and the transactions contemplated thereby, the Sixth Supplemental General Resolution and this resolution.

4. This resolution shall take effect immediately.

* * *

Chairman Kessel indicated that the next item on the agenda is Board consideration of a resolution approving and adopting, among other things, a determination that the Riverhead Transmission Line Upgrade Project discussed in the Full Environmental Assessment Form (EAF) will not have a significant impact on the environment and does not require the preparation of an Environmental Impact Statement, and the issuance of a Negative Declaration with respect to such action. The Chairman indicated that the growing Long Island economy and other factors have resulted in significantly increasing demand for electricity, including on the North Fork, which is projected to continue into the foreseeable future, and it is essential to increase the capacity of the existing overhead double circuit 23 KV Riverhead transmission line to a single circuit 69 KV line. He continued that the Project runs from LIPA's Riverhead substation to LIPA's Jamesport substation, and it is located almost entirely within the Town of Riverhead.

Chairman Kessel stated that at present there are four options included in the Project, and all options combine overhead and underground construction methods and range from approximately 8 ³/₄ miles to just under 10 miles in length. The Chairman continued that the overhead portions all use single steel poles to replace the existing steel lattice towers, and three conductor wires to replace the existing six conductor wires. He added that the underground portions of the Project options all involve installation of four polyethylene conduits buried in a common trench approximately three feet wide and four feet deep, with cables placed in three of the conduits and the fourth serving as a spare.

Chairman Kessel stated that the Project is fully discussed and analyzed in the Full EAF, which LIPA has prepared as lead agency under SEQRA, and which demonstrates that the Project will not have a significant adverse impact on the environment, and thus does not require the preparation of an Environmental Impact Statement under SEQRA. The Chairman stated that the options will be presented to the Board, and he recommends that the Board adopt the Full EAF for the Project and authorize the issuance of a Negative Declaration for the Project.

Chairman Kessel stated that at this time the Board is considering only the environmental requirements associated with the Project, and not approving the Project itself. The Chairman continued that LIPA will ultimately select an option based upon the input of the Board and the Riverhead community.

Chairman Kessel indicated that the Project is to upgrade the existing line to meet growth and demand, particularly on the North Fork, and not to construct a new line; and the reliability of the electric system on the East End will be jeopardized if the line is not upgraded on a timely basis.

Chairman Kessel stated that for a number of years the growth on the East End was primarily on the South Fork, but due to various factors such as the successful wineries and the tourism industry, and the growth in homes, the demand for electricity on the North Fork has grown to the point when the lights cannot be kept on if the transmission line is not upgraded. The Chairman

indicated that the question is not whether to undertake the Project, but rather how to accomplish it. He added that there has always been a desire on the part of some in the North Fork community to construct the entire Project underground, which is an option that may not make sense, and LIPA has devised a number of hybrid proposals to construct a line that would be partially underground and partially above ground, which may include the removal of some transmission towers.

Chairman Kessel stated that the input of the community is desired. He indicated that the expense of constructing the entire line underground would be extraordinarily high for LIPA, and may set a precedent that could lead to LIPA replacing or constructing new transmission lines underground, which would raise electric rates.

Chairman Kessel indicated that the criticism that LIPA does not view the North Fork the same as the South Fork is unfounded. He stated that the underground transmission line constructed on the South Fork was a completely new line that was installed on an emergency basis to keep the lights on in that area. The Chairman continued that an overhead line could not have been constructed on a timely basis on the South Fork. He indicated that if LIPA were to bury the entire line on the North Fork, it would either be buried under farms, causing major disruptions, or buried along the roadway and destroying hundred-year old trees.

Chairman Kessel stated that LIPA must operate as an Island-wide entity and not focus merely on a particular community, and there is additional transmission work forthcoming the cost of which will be affected by the decisions on this Project. The Chairman indicated that the South Fork situation was very different, because there was no pre-existing line and there were easement issues that LIPA could not satisfy. He further indicated that it would cost about \$20 billion to bury LIPA's entire electric system, and that would take two decades to accomplish.

Chairman Kessel indicated that LIPA will have to decide whether to proceed with a hybrid (underground/above ground) option, do nothing and let the lights go out, or underground the entire system and raise electric rates on Long Island.

Trustee Auerbach asked whether the Board is being asked to consider only the Negative Declaration at this time. Chairman Kessel answered affirmatively.

Deputy Chairman Foye asked whether the Negative Declaration covers all the options that are the subject of this presentation. Chairman Kessel responded affirmatively. Mr. Klimberg indicated that the Negative Declaration would also cover any combination of those options.

Trustee Maimoni asked why an all-underground option was not included in the handout. Mr. Hulkower responded that an EAF was not done on all-underground routes because no acceptable route was found.

Chairman Kessel asked Mr. Hulkower to make a presentation concerning the proposed transmission line upgrade.

Mr. Hulkower stated that LIPA has been discussing the Project with Riverhead and Southold for more than 2 ½ years, during which time he, the Chairman and LIPA staff have met with the Supervisor, Town Attorney and Town Engineer. He continued that the 23 KV transmission line to the North Fork is 75 years old, and it has reached its life expectancy. He indicated that in 1977 LILCO added a new 69KV radial transmission line to help carry the load, and in 1991 LILCO created a network system by bringing a line from the South Shore across Shelter Island and into Southold, which allowed the North Fork to be back-fed in the event of line failure of the 69 or 23 KV system.

Mr. Hulkower stated that LIPA needs to phase out the 23 KV line because it is not capable of carrying the increased load. He continued that the load growth is occurring primarily in Riverhead, not Southold, which is why LIPA decided to examine the Riverhead portion of the project. He indicated that much of the increase in interruptions in the system is due to lower system reliability in the area.

Mr. Hulkower stated that LIPA's Tuthill and Mattituck substations are being fed radially by a 23 KV system only, which is not reliable, particularly at extreme temperatures. He indicated that there are approximately 10,000 customers served by the Riverhead substation who are at risk in extreme weather

conditions from a loss of one transformer bank. Mr. Hulkower stated that LIPA will transfer the load from the Mattituck substation to the Jamesport substation in order to relieve some of the pressure. He continued that LIPA is undertaking additional measures for this summer, but LIPA will have difficulty preventing a voltage collapse if LIPA does not add another feed by the summer.

Mr. Hulkower stated that there are four options presented for the transmission upgrade, and these combine overhead and underground construction. He noted that construction opportunities seventy-five years ago allowed for the construction of straight lines, and this option does not exist today. He added that the construction options which include longer underground lengths of the line are more expensive.

Mr. Hulkower stated that there are additional difficulties with underground construction, including interference with a national historical site, closure of Sound Avenue, which is a main road, for an extensive period of time, and destruction of longstanding trees. He continued that the overhead construction will be in agricultural areas. He indicated that the farmers have informed LIPA that their first preference is to remove the line altogether, but they recognize that LIPA has full and valid easement rights to maintain and reconstruct poles there. Mr. Hulkower further indicated that LIPA does not have a right to the ground underneath the transmission towers and lines and the farmers prefer that LIPA leave the line overhead.

Mr. Hulkower stated that the existing towers will be replaced by steel monopoles and the number of conductors will be reduced from six to three. He further stated that LIPA will remove poles as part of the upgrade. He added that an all-underground route is estimated to cost between \$45 to \$65 million, which is significantly greater than the cost of any of the proposed hybrid routes.

Mr. Hulkower requested that Mr. Sheehan and Mr. Dalton address the SEQRA issues. Mr. Sheehan stated that he is a partner in the law firm of Adams, Dayton and Sheehan, environmental counsel for LIPA regarding this matter. He continued that under New York State's SEQRA requirements, LIPA has the option of preparing a short or full Environmental Assessment Form (EAF). He indicated that the purpose of an EAF is to determine whether a project may have any significant adverse impacts on the environment, and LIPA elected to prepare a Full EAF in order to thoroughly review the Project. He further indicated that the Full EAF concludes that the Project will not have any significant adverse environmental impacts, and it is appropriate for the Board to issue a Negative Declaration under SEQRA.

Mr. Dalton stated that he is employed by KeySpan in its Environmental Engineering and Compliance Department, and KeySpan was requested by LIPA to assist in the preparation of the full SEQRA Environmental Assessment for this Project with the assistance of EAA, Incorporated and Archeological Services, LLC. He indicated that the Environmental Assessment evaluated the Project's potential impacts to fourteen environmental resources; that there will be no significant environmental impacts created by the construction or operation of the

Project; and any potential minor impacts can be minimized or avoided entirely through appropriate design and construction methods.

Mr. Dalton stated that the Full EAF identifies no environmental impacts with respect to air resources, critical environmental areas, energy requirements, noise, odor, public health or community growth. He continued that with respect to the other environmental resources, the Full EAF indicates that the Project will cause only temporary and minor impacts.

Mr. Dalton stated that the areas of ecological and archeological resources were assessed in more depth to ensure that any impacts were fully evaluated. He continued that no threatened or endangered species have been found along the route; and the transmission line will be constructed outside nearly all wetlands and any impacts will be avoided or mitigated by following the New York State DEC Wetland Permit requirements any by utilizing appropriate construction methods.

Mr. Dalton stated that with respect to historical and archeological resources, a Phase I-A archeological study was conducted that identified six areas as being potentially sensitive; and this potential will be minimized by utilizing previously disturbed locations. He continued that LIPA will commission a Phase I-B archeological study as necessary to determine if any resources actually do exist. He indicated that the EAF demonstrates that the Project has no significant environmental impacts, and any potentially minor impacts can be satisfactorily mitigated.

Trustee Sinnreich stated that although he may not be able to vote on the resolution due to his legal representation of the Town of Riverhead, he strongly opposes it as framed, since it does not include an all-underground option. He continued that precedent has already been set by LIPA in undergrounding the Southampton line. He stated that if LIPA could underground a line on the South Fork, LIPA should be prepared to do it for the people on the North Fork, and this is a matter of economic justice. He indicated that the driving force to underground the line on the South Fork was not the issue of easements, but the opposition of powerful political forces on the South Fork that could have held up the Project. He continued that the people on the North Fork are entitled to the same respect and concern.

Trustee Sinnreich indicated that he thinks the EAF is deficient. He continued that the same basic route was the subject of a Public Service Commission hearing in which he represented the Town of Riverhead, dealing with the siting of the transmission lines that were going to be built to support the Jamesport Nuclear Power Plant. He continued that the Long Island Farm Bureau was an intervenor in that proceeding, and the impact on the visual aesthetics was strongly considered. He indicated that the hearing examiner ordered the undergrounding of the entire route of those lines through the open farm area.

Trustee Sinnreich indicated that LIPA has undergrounded other lines in Nassau County to satisfy a particular constituency for reasons that were not even remotely as compelling as here. He continued that the Board should not adopt a

Negative Declaration until an all-underground alternative is included and considered.

Trustee Maimoni asked whether the existing Environmental Assessment anticipates a complete underground route. Mr. Hulkower indicated that it does not. Trustee Maimoni stated that he wishes to make a motion to amend the proposed resolution to include an all-underground route.

Chairman Kessel indicated that he did not support the underground line on the South Fork because of political opposition; rather it was installed on an emergency basis to prevent rolling blackouts and a voltage collapse on the South Fork. Mr. Hulkower stated that the South Fork has a double circuit 69 KV feed, and LIPA's right-of-way was not wide enough to accommodate an additional line of poles. He continued that a reliability analysis demonstrated that adding another line to the existing poles was precluded by reliability rules, and another overhead route could not be located.

Mr. Hulkower stated that LIPA has taken interim measures to address problems on the North Fork, but that only buys a few months. He highlighted his concern that LIPA must begin the Project as soon as possible. He added that the PSC case concerning the Jamesport Power Plant pertained to a 345 KV transmission line that started as a single circuit growing to a double circuit, a drastically different configuration than here. He indicated that the towers for the 345 KV line would have been more than 100 feet tall as opposed to the 70 foot towers here.

Trustee Maimoni asked whether LIPA, when it proposed the South Fork line, received reactions similar to those of the farmers who prefer the above ground route in this Project. Mr. Hulkower responded that the underground construction in the South Fork project was done on Long Island Rail Road property, existing easement areas, and county and state roads, i.e., essentially using government property. He added that this option does not exist for the entire route on the North Fork, and part of the problem also has to do with the limited number of roads, which will be subject to closure for construction. Mr. Hulkower indicated that the community has not offered a single underground route that it thought made sense.

Trustee Auerbach asked whether an approval of the Negative Declaration at this time will preclude the possibility of a complete underground system. Mr. Sheehan indicated that it will not, and if the Board determines to study another option, the appropriate environmental analysis will have to be done. Chairman Kessel asked how quickly such option could be studied if the Board were to approve a resolution to take a look at it. Mr. Sheehan stated that it would not take an extremely lengthy period of time. Chairman Kessel asked whether it is possible for the study to be done as soon as next month. Mr. Sheehan answered that it is possible, but this is a matter of staff resources. Mr. Hulkower added that while it is possible, it will be difficult considering staff time and the fact that no underground route has been chosen.

Chairman Kessel asked whether a selected option would have to be presented to the Board at a future date if such a study were undertaken, thus precluding meeting needs this summer. Mr. Hulkower responded that LIPA already made an interim design for this summer after concluding that the 69 KV upgrade would not be constructed in time, but he is concerned that it soon will be three years from the time LIPA engaged the community regarding the Project, and it is necessary to start construction soon. He continued that this Board must make a decision, and direct staff on what actions to take that will be paid for by customers. He noted the differences between the North Fork and the South Fork projects.

Chairman Kessel asked whether the Project can be accomplished by the end of the year. Mr. Hulkower answered that he believes that could be accomplished, and an overhead option would involve the fastest construction.

Trustee Maimoni asked whether it is quicker to get approvals for underground easements as compared to above ground. Chairman Kessel responded that was the case with respect to the South Fork project.

Trustee Maimoni asked whether the North Fork community could delay the process to create an emergency that would require the Project to be done underground. Chairman Kessel answered that if the line had to be placed underground, that would actually slow down the process.

Deputy Chairman Steinberg stated that this is not a political issue, nor should it be one. He continued that it is a quality of life, an economic and an environmental issue. He then asked how many miles of farmland will be affected. Mr. Hulkower responded that it will affect approximately four to five miles, with seventy-five property owners, fifty-four easements and more than twenty farms involved.

Deputy Chairman Steinberg requested that more specific facts be presented to the Board regarding the opposition to undergrounding the line. Mr. Hulkower concurred, but he indicated that one farmer's opposition will stop the Project, forcing LIPA to route around him.

Trustee Akeson asked why the Town of Riverhead wants the lines underground if the farmers are opposed to it. Mr. Hulkower responded that the Town has not articulated the route it wants.

Trustee Akeson suggested that the best underground route to serve LIPA's needs should be located, and then LIPA should proceed with the decision making. Chairman Kessel responded that he has no problem with a separate resolution requiring a full environmental assessment of an underground route with options, but the Board must look at the matter as an environmental, a construction and time issue.

Deputy Chairman Foye suggested that the Board approve the resolution as originally presented, and then adopt a second resolution directing staff to

examine within 60 days a full underground proposal, and to work in consultation with Town officials and the community. He continued that cost is a major consideration, and the underground option can be greatly more expensive than the overhead option. He indicated that LIPA must be sensitive to the economic discrimination issue.

Chairman Kessel stated that the consultation with the community should include all of the underground options, but the analysis should be done by LIPA.

Trustee Herrmann stated that the Board should not vote to approve additional work and research if it would not be committed to spending \$50-\$70 million to construct an underground line. He continued that it would be a waste of money and resources to do it to placate the community. He added that the Town should be asked what resources it is willing to contribute to make this happen. Chairman Kessel concurred.

Trustee Affrunti stated that the Board has a fiduciary responsibility to the ratepayers of all Long Island. He continued that the \$20 million option presented seemed outrageous, and it could easily increase to \$40 or \$50 million, which is more realistic.

Trustee Polimeni stated that if the Board will be asked to approve a project that will ultimately cost \$50 - \$60 million, it is unlikely that a full underground option will ever happen.

Trustee Nugent indicated that she disagrees with the comment that political forces propelled the Board to approve undergrounding the South Fork cable; rather the key concern was the necessity to get power into the area rapidly and across virgin property. She continued that the Board is sensitive to aesthetic concerns, but there are other factors to consider.

Trustee Gilliam asked whether there is a representative from EEA present. Mr. Hulkower stated that they are not present, but they worked under Mr. Dalton's direction and he is present and familiar with their work. Trustee Gilliam stated that the EAF is not a full assessment because it does not consider the fully underground option, and it refers to the Project as an upgrade when there is going to be significantly increased KV in the area and significant changes in the community. She continued that it would be helpful to have someone present from the environmental group that conducted hands-on work with this study. Mr. Hulkower stated that Mr. Dalton and Mr. Yablonsky are engineers from the Environmental Engineering Department and the consultant worked under their direction, and thus they are qualified to answer technical questions.

Trustee Gilliam asked what the difference was between the Full Environmental Assessment form being used and an Environmental Impact Statement (EIS). Mr. Sheehan responded that under the SEQRA scheme, an EAF is prepared first, and the purpose of the EAF is to determine whether there is potential for significant adverse impacts. He continued that if such potential

exists an EIS must be prepared. Trustee Gilliam asked whether the resolution states that an EIS is not needed. Mr. Sheehan replied that it so states.

Trustee Gilliam stated that she has some fundamental problems with the study in that it takes into consideration and acknowledges that there are recreational and open space areas that may be impacted, but it indicates there is no significant impact. She continued that the whole proposal needs to be reevaluated, and there are important issues to consider that involve health, well-being and property values.

Chairman Kessel stated that he accepts the point, but the reliability of the system is being jeopardized. He continued that the system will collapse quickly if something is not done soon.

Trustee Nugent stated that she agreed that economic justice is important but it is not an issue here. She continued if nothing is done, the negative characteristics of an overhead system would still exist, and an improvement is necessary.

Chairman Kessel pointed out that LIPA has dealt with frequent requests for undergrounding, and a prime consideration is safety. He continued that there are more contact cases with an underground system than overhead.

Trustee Polimeni asked whether LIPA could proceed with upgrading the system using the existing path without having to obtain municipal approvals. Mr.

Klimberg responded in the affirmative, noting that LIPA is exempt from local zoning restrictions under its enabling statute.

Deputy Chairman Steinberg asked if he is correct in assuming that it would not be permissible under LIPA's tariff to surcharge a community for additional costs relating to underground construction. Mr. Klimberg responded that under these specific circumstances he does not believe LIPA could charge a different rate.

Upon motion duly made and seconded, and following a motion to table that was duly made by Trustee Maimoni, seconded and not approved, the following resolution was approved, with Trustee Gilliam opposing, and Trustees Maimoni and Sinnreich abstaining:

636. APPROVAL AND ADOPTION OF THE FULL ENVIRONMENTAL ASSESSMENT FORM FOR THE RIVERHEAD TRANSMISSION LINE UPGRADE PROJECT, AND OF ISSUANCE OF A NEGATIVE DECLARATION UNDER SEQRA

WHEREAS, the growing Long Island economy and other factors have resulted in significantly increasing demand for electricity, including on the North Fork, which is projected to continue into the foreseeable future; and

WHEREAS, LIPA's staff has concluded that in order to meet the electricity needs of LIPA's customers on the North Fork and meet reliability criteria, it is necessary to undertake and complete during 2003 the Riverhead Transmission Line Upgrade Project ("Project") which involves increasing the capacity of the existing overhead double circuit 23 kV Riverhead transmission line to a single circuit 69 kV line; and

WHEREAS, said Project runs from LIPA's Riverhead Substation to LIPA's Jamesport Substation and at present there are four options included in the

Project, all of which combine overhead and underground construction methods and range from approximately 8 3/4 miles to just under 10 miles in length; and

WHEREAS, LIPA's staff has prepared, with the assistance of environmental engineers, consultants and counsel, a Full Environmental Assessment Form ("EAF") for the Project in order to determine, under the State Environmental Quality Review Act ("SEQRA"), whether the Project would or might have any significant adverse environmental impacts; and

WHEREAS, the EAF demonstrates that no significant adverse environmental impacts will result from the Project and, accordingly, that no environmental impact statement is required under SEQRA;

NOW, THEREFORE, BE IT RESOLVED, that LIPA hereby (a) approves and adopts the Full EAF for the Project, and (b) for the reasons set forth in and on the basis of such Full EAF, finds and determines that (1) the construction and operation of the Project as described in the Full EAF will not have a significant adverse effect on the environment and (2) an environmental impact statement need not be prepared in connection with such proposed action; and be it further

RESOLVED, that the Chairman or his designee is directed to prepare and file a Negative Declaration, effective immediately, for such proposed action in accordance with the requirements of SEQRA, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chairman or his designee, to ensure that the foregoing is carried out.

*** * ***

Deputy Chairman Foye introduced a resolution to provide for certain further review and study on undergrounding options.

Chairman Kessel emphasized that under this resolution the LIPA review would be directed to a preferred undergrounding option, and perhaps a few other undergrounding options, to be submitted by the Town of Riverhead. He noted that Town Supervisor Kozakiewiez has committed to make that submission.

Trustee Polimeni asked what it will cost to do the study provided for in the resolution being introduced. Mr. Hulkower responded about \$50,000 but for not more than three routes.

Trustee Nugent suggested that LIPA look at a multitude of options coming from the Town of Riverhead, and Chairman Kessel stated that this is already incorporated into the proposed resolution. The Chairman emphasized that this resolution should not be viewed as an indication that LIPA will not proceed expeditiously with resolving this matter.

Trustee Sinnreich commented that the resolution is an excellent step in the right direction.

Upon motion duly made by Deputy Chairman Foye and seconded, the following resolution was approved unanimously (Trustee Auerbach was not present for this vote):

637. RESOLUTION PROVIDING FOR FURTHER REVIEW AND STUDY OF UNDER-GROUNDING OPTIONS FOR RIVERHEAD TRANSMISSION LINE UPGRADE PROJECT

RESOLVED, that with respect to the Riverhead Transmission Line Upgrade Project, the Board of Trustees of the Long Island Power Authority directs LIPA staff and counsel to study one or more undergrounding options to be submitted by the Town of Riverhead, including the Town's preferred option, and to prepare a full Environmental Assessment Form under the State Environmental Quality Review Act; and be it further

RESOLVED, that such review and study be completed within sixty days of the date hereof; and be it further

RESOLVED, that LIPA staff, counsel and advisors continue to work in consultation with Town of Riverhead officials and the local community.

*** * ***

Chairman Kessel stated that Trustee Auerbach had asked him to publicly indicate that he approves the resolution just passed.

At 1:50 PM the open session of the Board of Trustees was temporarily adjourned and an executive session of the Board of Trustees was convened.

At 2:13 PM the executive session was adjourned and the open session was reconvened.

After noting that no votes were taken in the executive session, Chairman Kessel entertained a motion to adjourn. Upon motion duly made and seconded, the Board vote unanimously to adjourn the meeting at 2:14 PM.

Respectfully submitted,

Stanley B. Klimberg