

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 180th MEETING

HELD ON MARCH 22, 2007

Pursuant to notice dated March 15, 2007, the Long Island Power Authority (the "Authority") was convened for the one hundred and eightieth time at 11:15 AM at the Omni Teleconference Center, in Uniondale, NY.

The following Trustees of the Authority were present:

**Kevin Law, Chairman
Howard Steinberg, Deputy Chairman
Michael Affrunti
Lawrence Elovich
John Fabio
Michael Fragin
Robert Maimoni
Nancy Nugent
Suzette Smookler**

Also representing the Authority were Richard Kessel, Chief Executive Officer and President, Stanley Klimberg, General Counsel, Seth Hulkower, Chief Operating Officer, Elizabeth McCarthy, Chief Financial Officer, Richard Bolbrock, Vice President – Power Markets, Bert Cunningham, Vice President – Communications, Bruce Germano, Vice President – Retail Services, Michael Hervey, Vice President – Operations, Kenneth Kane, Controller, and Kathleen Stella, Secretary to the Board of Trustees.

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

The Chairman stated that the first item on the agenda is approval of the minutes of the January 25, 2007 meeting of the Board of Trustees.

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

804. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JANUARY 25, 2007 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on January 25, 2007 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

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Chairman Law stated that LIPA will be losing its General Counsel and one of its finest employees, Stan Klimberg, who has decided to retire. The Chairman continued that he was hoping that Mr. Klimberg would stay around, and that Mr. Klimberg has devoted more than 30 years to public service, at LIPA and other New York State offices. He added that Long Islanders owe him a great deal of gratitude for his dedication and commitment and service to all of Long Island, and on behalf of them and the Board, he thanked Mr. Klimberg for his years of service and wished him well.

Chairman Law stated that the public may have heard or read about some of the things that he has been exploring and wanting to do at LIPA. The Chairman continued that he is excited about the challenges at LIPA, and when he states the things that he would like to explore or do, it is not to impugn, attack or criticize any of the great people here at LIPA or his fellow Board members. He indicated that he would like to give an update on a couple of the things that he is exploring.

Chairman Law stated that there has been an issue concerning his suggestion that perhaps the Public Service Commission (“PSC”) oversee LIPA’s rates and surcharges which had generated some interest last year. The Chairman continued that he said that he did want to explore that issue, and he has been exploring it. He indicated that he has been thoroughly briefed by Mr. Klimberg on LIPA’s legal history, in terms of the statute that created LIPA, and by Ms. McCarthy, LIPA’s CFO, regarding LIPA’s financial matters.

Chairman Law stated that he and LIPA staff have met with the three rating agencies: Moody's, Standard & Poor's and Fitch. The Chairman continued that almost immediately, the rating agencies indicated that they had seen his comments in LIPA’s presentations, and all of them expressed a concern about his comments because throughout the country, public utilities are primarily in charge of their own rate setting. He added that PSC’s throughout the country primarily oversee the rates of private and independently-owned utilities.

Chairman Law stated that the rating agencies shared their concerns that PSC review of LIPA’s surcharge or rates may, in fact, lead to a rating downgrade,

and he does not want to do anything that will have the unintended consequence of increasing costs for LIPA's ratepayers. The Chairman continued that he is still exploring what options may make sense, and he is still working with Ms. McCarthy and Mr. Klimberg on some of those issues, and some of those options may include some type of independent audit of LIPA's rates that may be overseen by the PSC and/or the New York State Comptroller. He indicated that he spoke with Thomas DiNapoli, the New York State Comptroller, who has an interest in meeting to discuss this, which they will be doing, and he will also meet with the Public Service Commission Chairperson, once he or she is confirmed.

Chairman Law stated that no decisions have been made, and that he and the rating agencies evaluated comments that he made earlier in the year, because he did not want to give them anything that will have the unintended consequences of actually increasing rates for LIPA's ratepayers. The Chairman continued that nonetheless, he is interested in having another set of eyes look over what LIPA does. He indicated that LIPA will figure out something that works. Chairman Law stated that the easy thing to do is just to attack and criticize LIPA. The Chairman further stated that it is harder to figure out a compromise or a solution that works and addresses the concerns that people may have without hurting LIPA as an entity. The Chairman continued that LIPA will continue to evaluate it and perhaps at the next Board meeting he will be in a position to make a recommendation to the Board on that issue.

Chairman Law stated that earlier this year and again this week he talked about taking a look at some of the operational issues here at LIPA, including

salaries and bonuses. The Chairman continued that he talked about the creation of a compensation committee, and has learned that LIPA already has a personnel committee, which handles compensation and other matters. He indicated that he is going to be asking LIPA's personnel committee to convene and take a look at those issues.

Chairman Law stated that he wants to take a look at some of the charitable contributions that LIPA has made. The Chairman continued that he asks that Mr. Klimberg and/or one of LIPA's staff attorneys take a look at the issues concerning public authorities making charitable contributions and whether or not it is an acceptable practice. If so, the Chairman recommended the development of procedures, policies for such contributions going forward that the Board of Trustees could review and consider if, in fact, LIPA decides to continue that practice.

Chairman Law stated that, as previously mentioned, he recently had a very good conversation with Mr. DiNapoli, the New York State Comptroller, who is an integral player with LIPA, as all of LIPA's contracts with a value of more than \$50,000 need to be approved by the Comptroller. The Chairman continued that he and the Comptroller are going to sit down within the next couple of weeks. He added that he looks forward to a good working relationship with Mr. DiNapoli, as they have been friends for a good 20 years or so, and he looks forward to having a professional relationship with him and his office as well.

Chairman Law stated that he had a very good conversation with Attorney General Andrew Cuomo, and they talked about what role Mr. Cuomo's office could play in perhaps assisting LIPA with counsel issues. The Chairman continued that this is no criticism or second guessing of the great work that Mr. Klimberg and his shop have done for LIPA, but if there are matters that the Attorney General's Office could play a role in and save the ratepayers some money, rather than using outside firms, it is something that he wants to explore. He indicated that Attorney General Cuomo has expressed his willingness to explore that issue.

Chairman Law stated that the next item on the agenda is the CEO report, to be delivered by CEO Kessel.

CEO Kessel stated that he wants to wish Mr. Klimberg well, and that he has known him since the 1970's when he was a consumer activist and Mr. Klimberg was counsel or associate counsel to the State Energy Office. He continued that at the time the State was going to metric pricing and half-gallon pricing in gasoline, and he sued the State Energy Office. He indicated that he remembers meeting Mr. Klimberg in State Supreme Court for the first time, and saying, "Some day I'll get you."

CEO Kessel stated that he eventually hired Mr. Klimberg. He continued that Mr. Klimberg was the first hire of LIPA 20 years ago this month, and this month is the 20th anniversary of LIPA's first meeting in 1987. He added that he was a

trustee of LIPA, and Mr. Klimberg initially was LIPA's Executive Director, and he then became the General Counsel.

CEO Kessel stated that Mr. Klimberg has just done an extraordinary job, and everyone that knows anything about utilities knows that there is no one smarter than Mr. Klimberg. He further stated that Mr. Klimberg has done a terrific job both as LIPA's Executive Director and as LIPA's General Counsel, he deserves all of the praise that is coming his way. He added that there is no one that knows LIPA or the electric industry more than Mr. Klimberg.

CEO Kessel stated that he and Mr. Klimberg were talking just yesterday actually about some of the meetings they used to attend. He indicated that he and Mr. Klimberg at one point worked together to separate two trustees that were ready to come to blows with each other at one of LIPA's meetings, and that Mr. Klimberg has done it all. He added that this is a huge loss for LIPA and Long Island, and that he personally and on behalf of everyone wants to wish Mr. Klimberg all the best in the future. He noted that LIPA will not be the same without him.

Mr. Klimberg stated, "Thank you Richard."

CEO Kessel stated that Edward Grilli, who had been LIPA's Chief of Staff, left last week. He continued that it deserves to be said on the record what an extraordinary job he did as well, and Mr. Grilli's accomplishments were unbelievable, particularly adding more than 1200 megawatts to the system at a

time when no utility could add anything to keep the lights on, and that he did it in such an extraordinary and professional way. He added that people love to take shots at LIPA and others, but Mr. Grilli accomplished a great deal in getting the Cross-Sound Cable and all these plants in service and keeping the lights on.

CEO Kessel stated that the bottom line for the public is keeping the lights on, and if it were not for Mr. Grilli, they would have gone out a few years ago during the summer. He continued that Mr. Grilli came from a background with the District Attorney's office, which was not electric, but he came to LIPA and learned it so quickly. He added that he sees a lot of people from a lot of the utility and energy companies and he thinks they all will tell you that they never met anyone smarter in the energy field now than Mr. Grilli.

CEO Kessel reported that he wanted to indicate that over the last several months Long Island did have several storms. He continued that on February 14th there was a minor ice storm with 61,000 outages and LIPA restored everyone within a day, despite brutal conditions. He added that he just wanted to indicate to the Board what a great job LIPA's people did whether it was the line people or the people in the call center who were working until midnight and beyond.

CEO Kessel reported that there was another storm last week, and there were fewer outages, but again, the employees who are willing to work long hours in very difficult conditions deserve a lot of credit. He indicated that he just wanted to thank them.

CEO Kessel reported that with all the issues that LIPA deals with, there is nothing more important for people than keeping their electricity on and getting it back when it goes off. He continued that he also wanted to point out to the Board, that if you look at the outage patterns, particularly during those storms, the investment that LIPA and the Board has made in the infrastructure is the envy of utilities all over the country. He added that LIPA has invested approximately \$2.5 billion into the system, and LIPA has put up thousands of new poles, thousands of new transformers, and thousands of miles of new wiring.

CEO Kessel reported that it has really paid off, and the capital projects that LIPA continues to do in terms of adding substations, and expanding other substations are all meaningful. He continued that when you have a storm, the number of outages is far less than what LIPA experienced five years ago, and certainly less than when LIPA inherited this utility from LILCO. He added that LIPA basically inherited a utility whose infrastructure was completely falling apart and LIPA reversed it.

CEO Kessel reported that LIPA is the most reliable overhead utility in the State of New York, which is something to be proud of. He continued that between the investment and the great work that the employees do, LIPA has come a long way, and he is very proud of that.

CEO Kessel reported that LIPA is getting ready for the summer, and the crunch season really begins on Memorial Day. He continued that he wants to report that the Neptune Cable is now in the testing phase, and while there are

always little glitches here and there with anything, the testing so far has been very successful. He added that it is hoped that the Neptune Cable will be in commercial operation by July 1st of this summer, and that will allow LIPA for the first time to import power directly from the south, from areas like New Jersey and Pennsylvania, Maryland, Delaware, the PJM market, where electricity supplies are not only plentiful but a lot cheaper.

CEO Kessel stated that this is probably the most important energy project on the positive side that LIPA has ever done. He continued that it will, for the first time, link Long Island to all directions into the national grid, and the project is going well. He noted that Mr. Grilli captained this project and did a great job, and the cable should be in service this summer, which is good news as well.

CEO Kessel stated that LIPA is working with KeySpan in terms of summer preparations, getting everything ready for the summer, making sure the KeySpan generation as well as the LIPA transmission and infrastructure are in good shape and working well. He continued that he will have a further report about that, but everything seems to be going well.

Chairman Law stated that as great as Mr. Klimberg is, LIPA obviously needs to replace him, and LIPA will be going through a process of finding a new General Counsel. The Chairman continued that he asks anybody currently in Mr. Klimberg's shop to feel free to apply. He indicated that LIPA has already received some pretty interesting inquiries, and he would be happy to hear any

suggestions, as LIPA wants to find the most qualified person, who will need to get up to speed.

Chairman Law stated that he also wanted to explore the adoption of a code of ethics for LIPA, which is something that LIPA has been working on. He asked that Mr. Klimberg give a brief update on the matter.

Mr. Klimberg stated that pursuant to Public Authority Accountability Act, the Authority is required to adopt a code of conduct and ethics, and the Board of Trustees already has in place for the past ten years a code of conduct applicable to the Trustees that meets the requirements of the Public Officers Law. He continued that for the last several months LIPA staff has been working on a detailed code that would substantially amend and fill in those requirements, and he expects by the next Board meeting they would be in shape for the Board to consider. He added that LIPA staff's plan is to provide a draft to the Board members shortly for their internal review and then when it's in shape provide it to the Board for consideration.

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

Mr. Hulkower reported that with respect to sales and marketing load and revenue growth and retention, at this point LIPA is very early in the year, so programs are just getting underway. He indicated that he is glad to report that against the goal for this point in the year of 5.8 MW, LIPA has already added

8 MW, and LIPA projects right now that it will add 20.9 MW, against a goal of 35 MW. He added that those projections are actual commitments that LIPA has from customers.

Mr. Hulkower reported that with respect to the clean energy initiatives, it is early in the year, and a couple of programs are off to a bit of a slow start. He continued that the Lighting and Appliances Program is very much driven by particular programs, and there are a couple of programs that are going to really start pushing the lighting systems, especially coming up to April and Earth month. He indicated that LIPA will be promoting those programs very heavily.

Trustee Fabio asked whether Mr. Hulkower would explain the process by which LIPA set these goals. Mr. Hulkower answered that LIPA looks at the market for some of its various programs, and these are generally stretch goals, based on historical performance for LIPA. He indicated that LIPA also takes a look at where LIPA thinks that it is going to get the most bang for the buck with LIPA's clean energy dollars and where LIPA can be most effective in reducing energy consumption and clipping the peak. He added that LIPA is taking the dollars that LIPA has available for clean energy, choosing among the programs and setting goals to meet the targets that LIPA has.

Trustee Fabio stated that for example, LIPA has its Solar Pioneer Program where LIPA have a year-end goal of 205, which he will assume are residential customers. Mr. Hulkower responded that it is equivalent residential customers, because if LIPA gets a large commercial installation, it may count as the equivalent of a couple of homes.

Trustee Fabio asked whether there was some other strategy or some ways of looking at increasing the apparently miniscule percentage of solar pioneers, considering that LIPA has approximately 173,541 residential accounts, and a goal of 205 for solar pioneers, and considering also that LIPA is looking to achieve many clean energy initiatives. Mr. Hulkower answered that there is a way, but it is a question of the level of funding that LIPA wants to dedicate to it. He continued that LIPA is currently providing a rebate of \$3.75 per watt for the Photovoltaic installations, which is a fairly generous rebate within the industry, and even at that it is still very costly for customers to do it. He added that there is a question of how effective it is, and there are other programs that clip more megawatts and save more megawatt hours than the Solar Pioneer Program on a dollar-for-dollar basis.

Mr. Hulkower stated that LIPA has a great deal of commitment to the Solar Pioneer Program, and it is something that LIPA pushes quite a bit. He indicated that this is also a question of how much money the customers are prepared to put out of their own pockets to support this kind of a program.

Trustee Fabio asked whether in light of the fact that various incentives are offered, including rebates both on the state and federal level, there is some role that LIPA as a utility should be playing, or possibly advocating, for more generous rebates to offset the substantial costs. Mr. Hulkower answered that he thinks that LIPA is doing its part, and LIPA has encouraged the tax rebates that exist at the state level as well.

CEO Kessel stated that LIPA has a Solar Pioneer Program, which is one of the most generous solar rebate programs in the United States, and that offers significant rebates to customers and in some instances cuts the solar roof cost almost in half. He continued that he believes that the rebate initially was \$6 per watt, and is now \$3.75 per watt, and LIPA is looking at the possibility of increasing it further. He indicated that the problem is that even with the rebates, the cost of solar technology is very high, and it is an expensive proposition for most people, even though the pay back period has now been shortened significantly.

CEO Kessel stated that the average rooftop photovoltaic system for electricity services on Long Island, probably costs approximately \$60,000 to \$70,000. He continued that the cost can be cut down to about \$40,000 with the LIPA rebate and the state tax credits, among other things, including the net metering benefits, but it is still a big investment. He added that LIPA should be investing more money in it.

Trustee Nugent stated that Trustee Fabio's point is very well taken. She asked whether it is possible to move from the rebate perspective to the initial outlay perspective, and whether there is a role LIPA could play at that point in time.

Mr. Hulkower answered that LIPA is taking a look at some different program structures as part of its review in order to examine whether there is a

different structure that LIPA might use in the future to promote this. He continued that LIPA is balancing the dollars going into this program with LIPA's other efficiency dollars to make sure that LIPA is getting the most cost effective energy reduction possible.

Deputy Chairman Steinberg stated that certain European countries have taken the lead in beginning to outlaw incandescent electricity, as in light bulbs, to promote energy efficiency. He continued that this has not happened anywhere in this country, but he assumes that LIPA is following those developments closely. He indicated that he is interested in Mr. Hulkower's view of the matter and as to whether LIPA needs to try to be influential here, because that kind of change would require legislative action.

Mr. Hulkower stated that he is focusing on what LIPA can do and LIPA strongly promotes the use of compact fluorescents. He indicated that LIPA has a lot of different programs for this, and LIPA has a promotion going on right now that is bringing down the costs significantly of compact fluorescents. He added that they are available at a number of retail locations across Long Island.

Deputy Chairman Steinberg asked how successful that program has been. Mr. Hulkower answered that it has been very successful, and the really remarkable thing about compact fluorescent bulbs is that they have moved from being very much a niche to being in the mainstream in retail sales. He continued that nowadays, if you walk into Walmart, you will find them displayed out front, and if you walk into Home Depot, they will be sitting next to all of the other

incandescent bulbs. He indicated that this may be a tipping point with the consumer in recognizing the benefit of compact fluorescent bulbs.

Mr. Hulkower stated that as sales have increased, the cost of the units has fallen, so people are making an investment now and buying the bulbs. He indicated that LIPA is also offering a rebate on them as well.

Deputy Chairman Steinberg asked whether LIPA has done significant advertising for this program. Mr. Hulkower answered, "Yes."

CEO Kessel stated that LIPA is the most successful utility in the country in the promotion of compact fluorescent bulbs, and LIPA put four million of them into the market on Long Island, which is an extraordinary number. He continued that LIPA has a promotion that it announced in conjunction with the earlier daylight savings time. He added that LIPA started a promotion on the day after the new daylight savings time, which extends through the month of April, which is Earth Month, where you can get discounts not only off the traditional compact fluorescents that are being marketed, but also on the new compact fluorescent high hats.

CEO Kessel stated that one can actually go to a place such as Ace, Home Depot or CostCo and get a package of four of them for fewer than three dollars. He indicated that LIPA has been recognized as the most successful compact florescent promoter in the country.

CEO Kessel stated that California Governor Arnold Schwarzenegger is actually looking for legislation that would slowly phase out the incandescent bulb in California, and he heard that New York may look at this as well. He indicated that if everyone on Long Island switched one bulb in their house from incandescent to compact fluorescent, it would save enough energy for 14,000 homes on Long Island. He added that it is probably one of the most direct things people can do.

CEO Kessel stated that the market is completely different than it was a few years ago when all you could get is the squiggly spiral thing, but now compact fluorescent bulbs that look like regular light bulbs are available. He continued that some of them last between up to five to seven years, and you can also get holiday lights. He added that it is in his view, LIPA's most successful clean energy program.

Trustee Fabio stated that LIPA's SAIFI/CAIDI indices parenthetically show that is first for overhead utilities in the United States, but he noticed that there has been somewhat of an upturn in LIPA's CAIDI. Mr. Hulkower responded that LIPA's CAIDI, which is the average duration of an interruption for a customer, had gotten up to 81 minutes. He continued that it has been trending down recently, so it is starting to go back in the right direction.

Mr. Hulkower stated that part of what happened actually was that the frequency of outages went down so customers were not experiencing very many outages. He continued that LIPA eliminated many of the short-duration outages,

and the longer-duration outages are what are left. He indicated that customers would go for a long time between outages, but when they were out, they were out a little bit longer, so there have been changes made to staffing and there's been increased focus on that, and LIPA is heading in the right direction again on the CAIDI.

Trustee Fragin asked where LIPA is with respect to in its own operation, and the possibly extension of LIPA's relationship with KeySpan, as far as their clean energy initiatives are concerned, and what progress LIPA has made as far clean energy and sustainable green technology is concerned. Mr. Hulkower answered that LIPA is subject to Executive Order 111, which directs LIPA to try to clean up its emissions as much as possible from its facilities. He continued that LIPA itself owns very little in terms of office space, and LIPA has worked with its landlord, Rexcorp to try to be as energy efficient as possible. He added that LIPA has also gone to great lengths with its fleet to use as many alternate fuel vehicles as possible, but LIPA is limited with the bucket trucks in that the high torque that is required is not really suitable for a lot of alternate fuel vehicles, but with respect to the passenger vehicles LIPA has been introducing more and more hybrids and alternate fuel vehicles into that mix.

Trustee Fragin asked whether there are more initiatives that LIPA can do with local governments here on Long Island to promote green and sustainable buildings. Mr. Hulkower answered that when the Executive Order was issued approximately two years ago, LIPA offered its services to the community, and LIPA can reiterate that offer again.

Chairman Law stated that the next item on the agenda is the Finance Report, to be delivered by Ms. McCarthy.

Ms. McCarthy reported that for the two months ended February of this year, the Authority had an excess of expenses over revenues of \$13 million, which was lower than the budget of \$51 million. She continued that the revenues for the two-month period were \$9 million or two percent below budget, driven primarily by lower than anticipated growth in the residential sector and some price mix in the commercial area.

Ms. McCarthy reported that fuel and purchased power costs were \$39 million or 12 percent below budget, year to date. She indicated that this is due to lower than budgeted natural gas costs, and due also to LIPA's fuel switching capability at the power plants. She added that LIPA was able to switch from oil earlier in the year than anticipated and to take advantage of the price decline in natural gas.

Ms. McCarthy reported that the interest expense for the period is approximately \$4 million or 7 percent below budget, due to lower than budgeted variable interest rates and the impact of the debt restructuring that LIPA did in December 2006, which is not reflected in the budget. She continued that from a cash perspective, the Authority had \$745 million of cash on hand at the end of February, with \$250 million of that in LIPA's rate stabilization fund, and the remainder in LIPA's operating fund. She added that it is invested in a variety of

instruments with a mix of durations. She added that this is a balance that LIPA expects will be worked down over the years and utilized, as LIPA has large interest payments coming up shortly.

Chairman Law asked whether based on the results for the first two months, LIPA will see improvements in the forecast over the next few months, where LIPA will be under budget in certain categories. Ms. McCarthy answered that based on what LIPA has seen today and as LIPA looks at the forward price curve for fuel and the volatility in that, which is probably LIPA's most volatile line, she expects that LIPA will be in the range of its financial targets at the end of the year.

Chairman Law asked in which direction fuel has been heading over the last 30 days. Ms. McCarthy answered that it has been trending both up and down, and there has been some recent pressure on the price as a result of the cold February weather. She indicated that now that March has moderated a little, it has come in, but the hurricane forecasts are just starting to come out, and that is starting to put some upward pressure on price again. She added that it moves both up and down pretty much every day.

Chairman Law stated that the next item on the agenda is Board consideration of approval of a resolution establishing a LIPA Governance Committee. Chairman Law requested that Mr. Klimberg provide a briefing on the resolution.

Mr. Klimberg stated that the Trustees are requested to approve and adopt a resolution establishing a Governance Committee as a five-member committee and authorizing the Chairman to appoint the members to fill any vacancies and serve thereon. He continued that The Public Authority Accountability Act of 2005 was signed into law January 2006, and it was designed to increase the accountability, transparency and oversight of all public authorities in New York State, including LIPA. He added that the Act requires public authorities, including LIPA, to establish a Governance Committee comprised of independent members as defined under the Act, and all of the Authority's Trustees are independent members, as defined.

Mr. Klimberg stated that the purpose of this is to keep the Authority Board informed of current best governance practices, review corporate governance trends, update the Authority on corporate governance principles and advise those responsible for appointing trustees on the skills and experience required of potential trustees. He continued that the Governance Committee would be charged with carrying out those responsibilities and apprising the Board from time to time of their conclusions regarding best governance practices. He added that there is a proposed resolution attached to the memorandum that would establish the committee and authorize the Chairman to appoint the members.

Chairman Law stated that since the Authority is obligated to do this under the Public Authority Accountability Act, the Authority should move right away on this, and he will entertain a motion to approve the creation of a Governance Committee.

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

805. ESTABLISHMENT OF AND APPOINTMENT OF MEMBERS TO A GOVERNANCE COMMITTEE OF THE AUTHORITY BOARD OF TRUSTEES

WHEREAS, the Public Authorities Accountability Act of 2005 (the “Act”) requires public authorities including the Long Island Power Authority (the “Authority”) to establish a Governance Committee to address certain governance practices and matters as they relate to the Authority; and

WHEREAS, the Act requires the Governance Committee to be comprised of independent members, as defined therein; and

WHEREAS, the Act requires the Governance Committee to: 1) keep the authority boards informed of current best governance practices; 2) review corporate governance trends; 3) update the authorities on corporate governance principles; and 4) advise those responsible for appointing trustees on the skills and experience required of potential trustees;

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby establishes a Governance Committee, comprised of five members, which shall perform the above-referenced functions, as well as provide such other advice as may be appropriate regarding the governance of the Authority; and be it further

RESOLVED, that the Governance Committee shall undertake reviews and make recommendations to the Board of Trustees from time-to-time, as appropriate, with respect to the matters described above and shall undertake such other tasks and duties as may be referred to the Governance Committee by the Board of Trustees or the Chairman; and be it further

RESOLVED, that the Governance Committee shall act in an advisory capacity, it being the intention of the Board of Trustees that, except as the Trustees may otherwise expressly provide by resolution, all matters requiring the approval of the Trustees are to be considered by the Board of Trustees, either with or without a recommendation of the Governance Committee, and that any matter may be considered by the Board of Trustees whether or not it shall have first been referred to the Governance Committee, and whether or not the Governance Committee shall have considered or made a recommendation with respect to such matter. The Governance Committee shall coordinate and consult with other committees of the Authority and with the Chairman and the Board of Trustees for the purpose of assuring coordinated development of recommendations to the Board of Trustees as to matters which may fall within the jurisdiction of more than one committee and may, if they so elect, meet jointly for the purpose of discussing such matters; and be it further

RESOLVED, that the Board of Trustees hereby authorizes the Chairman to appoint the Trustees to serve on the Governance Committee, including the Chair, fill any vacancies and serve thereon; and be it further

RESOLVED, that this resolution take effect immediately.

Chairman Law stated that if any of the Board of Trustee members are interested in serving on that committee, they should let him know, and the committee will be established before the next Board meeting.

Chairman Law stated that the next item on the agenda is Board consideration of a resolution to approve the reestablishment of the LIPA Finance and Audit Committee. Chairman Law requested that Mr. Klimberg provide a briefing with respect to the resolution.

Mr. Klimberg stated that the Trustees are requested to approve and adopt a resolution reestablishing LIPA's existing Finance and Audit Committee as a five-member committee, comprised of independent members, and authorizing the Chairman to appoint trustees to fill vacancies and serve thereon. He continued that the Public Authority Accountability Act requires that public authorities, including LIPA, establish an Audit Committee, and the Act further requires the committee to be responsible for, among other things, the direct oversight of the performance of the independent audit performed by the accounting firm hired for such purposes. He added that LIPA has an Audit Committee currently that performs these and other functions as part of the Finance and Audit Committee.

Mr. Klimberg stated that it is desirable to modify by resolution the structure, composition and responsibilities of that committee in order to more fully meet the requirements of the Public Authority Accountability Act, and to ensure that there is a full complement of Trustees available to serve on the committee. He indicated that there are currently four Trustees that comprise the current Finance and Audit Committee, and the Authority is reestablishing and expanding the Board. He added that it was previously a seven-member committee, with four Trustees currently serving on it, and by this resolution, the Chairman would be authorized to fill any vacancies.

Trustee Maimoni stated that the committee met this morning with LIPA's outside auditors over their financial findings for last year, and their report was just finished on March 21st. He continued that Trustee Akesson, the chairperson of the committee, could not be present for this meeting, but asked him to convey a brief synopsis of what was reported on this morning. He continued that in terms of the audit, there were no material misstatements, and no significant deficiencies or weaknesses. He added that they rendered an unqualified opinion.

Trustee Maimoni stated that the Authority's policies were found to be appropriate, and the estimates were found to be reasonable. He continued that the controls that were in place with KeySpan were found to be operating as anticipated, and there is no finding of fraud. He indicated that the auditors interviewed nine managers of LIPA and our auditors are confident that LIPA is on the right track.

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

806. REESTABLISHMENT OF AND APPOINTMENT OF MEMBERS TO THE FINANCE AND AUDIT COMMITTEE OF THE AUTHORITY BOARD OF TRUSTEES

WHEREAS, the Public Authorities Accountability Act of 2005 (the "Act") requires public authorities including the Long Island Power Authority (the "Authority") to establish an audit committee comprised of independent members, as defined therein; and

WHEREAS, the Act requires that the audit committee members be, to the extent practicable, familiar with corporate financial and accounting principles; and

WHEREAS, the Act further requires that the audit committee be responsible for, among other things, the direct oversight of the performance of the independent audit performed by the accounting firm hired for such purposes; and

WHEREAS, the Authority's current Finance and Audit Committee (the "Committee"), meets many, but not all of the requirements of the Act; and

WHEREAS, in order to more fully meet the requirements of the Act and to further ensure that there is a full complement of Trustees available to serve on the Committee;

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby reestablishes the Committee as a five member committee comprised solely of independent members; and

RESOLVED, that the Committee members be, to the extent practicable, familiar with corporate financial and accounting principles; and

RESOLVED, that the Committee be responsible for, among other things, the direct oversight of the performance of the independent audit performed by the accounting firm hired for such purposes; and

RESOLVED, that the Board of Trustees hereby authorizes the Chairman to appoint Trustees to fill any vacancies on the Committee, appoint a Trustee to serve as Chair and serve thereon; and be it further

RESOLVED, that this resolution take effect immediately.

Chairman Law stated that that the next item on the agenda is Board consideration of a resolution to approve the LIPA annual report. Chairman Law requested that Ms. McCarthy provide a briefing concerning the resolution.

Ms. McCarthy stated that accordance with the Public Authorities Accountability Act LIPA is required to, within 90 days of the end of the fiscal year, file with various parties an annual report which contains both its audited financial statements and various other information, and a draft of that annual report was circulated. She continued that included in the ultimate report is a certification as to the completeness and fairness of that information from both CEO Kessel and herself, along with a certification of LIPA's internal controls, which is included in the Board materials. She added that those certifications were completed last night in conjunction with the completion of the audit by KPMG, and LIPA staff is asking that the Board of Trustees give approval to finalize this annual report with minor, non-substantive modifications to the draft that was sent.

Deputy Chairman Steinberg stated that he thinks that it is a good, upbeat report, with mostly financial statement information, but maybe for next year LIPA ought to think about the fact that LIPA faces a lot of challenges going into the future. He continued that LIPA ought to be pretty open to addressing publicly some of the challenges that it faces, either in this report or in other vehicles. He indicated that it may be missing an opportunity to educate the public when LIPA puts out reports that are entirely upbeat, and which do not talk about some of the challenges that LIPA faces.

Chairman Law stated that the Authority should finalize the report, submit it, at which time it will be a public document which LIPA will be happy to share. The Chairman indicated that the Board may go over it in more detail at the April meeting and discuss some of the challenges and also some of the good news.

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

807. APPROVAL OF LONG ISLAND POWER AUTHORITY ANNUAL REPORT

WHEREAS, the Public Authorities Accountability Act of 2005 (the "Act") requires public authorities including the Long Island Power Authority (the "Authority") to prepare an annual report; and

WHEREAS, the Act requires that the annual report be certified in writing by the Authority's chief executive officer and chief financial officer; and

WHEREAS, the Act further requires that the annual report be approved by the Trustees of the Authority; and

WHEREAS, as required by the Act, a proposed Annual Report (the "Report") has been prepared by the Authority and certified by its chief executive officer and chief financial officer;

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby approve the proposed Report in the form presented at this meeting.

Chairman Law stated that the next item on the agenda is consideration of approval of the settlement with the Town of Riverhead of litigation regarding the Riverhead to Jamesport Transmission Project. The Chairman requested that Mr. Klimberg discuss the resolution.

Mr. Klimberg stated that the Trustees are requested to authorize LIPA to enter into the attached stipulation of settlement with the Town of Riverhead to

resolve the ongoing litigation over the Riverhead to Jamesport Transmission System Upgrade Project. He continued that this project, which has now been in operation since 2004, was an upgrade of a preexisting all overhead, double circuit 23 kV transmission line to a single circuit 69 kV transmission line, and the project also included associated improvements to Riverhead and Tuthill substations. He added that prior to selecting and constructing the project, LIPA conducted an exhaustive review of the options available.

Mr. Klimberg stated that LIPA evaluated six different alternatives, and as lead agency, LIPA conducted an environmental assessment of the various alternatives. He continued that at the request of the Town of Riverhead, LIPA conducted additional evaluations of further alternatives to constructing the transmission line. He added that the Board ultimately concluded that the project should be built as essentially a half overhead and half underground line, but the Town of Riverhead had requested that the line be put fully underground.

Mr. Klimberg stated that when the Board approved the project as half underground-half overhead line, the Town initiated litigation to block the construction. He continued that the New York State Supreme Court did not approve the issuance of an injunction and the project went forward while the litigation proceeded. He indicated that ultimately, the Court ruled that LIPA had failed to take the required hard look at the impact of the project on the Town's open space acquisition program, and as a result of that, LIPA conducted a further environmental review and concluded that there was not significant environmental impacts associated with the project as built and issued a negative declaration.

Mr. Klimberg stated that the town again sued LIPA in connection with its further issuance of a negative declaration and the Court again determined that LIPA had not undertaken sufficient review of the environmental consequences of the project. He continued that since then, LIPA has been evaluating how best to handle this matter and LIPA has conducted substantial discussions with the Town of Riverhead regarding how best to resolve it. He added that LIPA had various alternatives available, and has concluded that the best alternative available was to enter into a settlement with the town that would ultimately resolve this litigation and provide funds to the town for two possible alternatives.

Mr. Klimberg stated that the first is for the capping and reclaiming of the Town's Young Avenue landfill, or if the Town so determines, the acquisition, expansion and enhancement of open space and park resources. He continued that LIPA has negotiated an amount of \$2 million limited for those purposes as part of an overall settlement that is being proposed for approval by the Board, and if approved, would be presented to the court for its approval.

Trustee Smookler asked whether anything in this settlement impacts a further agenda item regarding the Edwards Avenue substation. Mr. Klimberg answered that LIPA had discussions with the town regarding the Edwards Avenue substation, and LIPA is hopeful that they will recognize the importance of promptly reviewing the Edwards Avenue substation. He indicated that these are entirely separate action items before the Board.

Trustee Smookler asked whether or not anything in this stipulation would effect or bind LIPA in the later one. Mr. Klimberg answered that they are separate, and that the town has indicated to LIPA that they will concur in LIPA serving as lead agency for purposes of the Edwards Avenue substation in the event that the Board were to approve today the settlement of this litigation.

Trustee Elovich asked whether Mr. Klimberg felt that LIPA would lose if this went to trial. Mr. Klimberg answered that he feels that LIPA has a very good case on the merits, but this has been before the courts for several years now, and LIPA has spent a lot of money on the litigation. He continued that State Supreme Court Justice Cohalan, who has been hearing the case, has directed that LIPA take a further look at its requirements under SEQRA, including the possibility of conducting a full environmental impact statement and review. He added that in recognition of the additional costs associated with conducting such a review and the inevitable litigation that would continue, despite LIPA's conducting such a full environmental impact statement, if that was the course taken, LIPA has concluded that it would be preferable on balance to go forward with the settlement.

Trustee Elovich asked whether Mr. Klimberg's recommendation is not because LIPA has done anything wrong, but rather based on the overall costs that would continue to pileup, and that LIPA is better off settling. Mr. Klimberg answered, "That's correct."

Deputy Chairman Steinberg stated that he is going to vote in favor of the settlement, but he thinks that he and a number of other Trustees are not entirely comfortable with this for a couple of reasons. He continued that this Riverhead project was a very expensive project, and it was intensely discussed and debated by the Board and the staff. He added that in his view, LIPA acted entirely properly in this matter.

Deputy Chairman Steinberg stated that the reason for the discomfort is that LIPA is spending money, and on balance he thinks it is probably well spent given the potential cost of continuing to litigate. He continued that it is important for the staff to understand and the public to understand that the Trustees are not entirely comfortable with this process, and that every time that LIPA has a project, that is, where LIPA goes through the required processes and LIPA approves it after considerable discussion and debate over a number of meetings, as in this instance, that towns are going to be able to come to LIPA for LIPA to write checks to make them go away because of the threat of litigation. He added that this is the problem and that he thinks that LIPA wants to make a clear point that this settlement should not be viewed as a precedent for future actions.

Trustee Affrunti stated that LIPA had this discussion on its conference call last week, and he agrees.

CEO Kessel stated that he also agrees, and he remembers the debates concerning the whole Riverhead system. He indicated that the one area where

LIPA has a large amount of work that has to be done to maintain load is the North Fork area, which should not be a precedent at all.

CEO Kessel stated that he concurs with Mr. Klimberg, with whom he worked on this for approximately two years, and it is in LIPA's best interest to settle it, but it should not set as a precedent. He continued that there is always that conflict of in some areas doing what is needed, in this case to get that transmission line, which was critical. He added that LIPA would have had major problems on the North Fork this past summer and who knows what would have happened this summer.

CEO Kessel stated that Communities have to recognize that there is always a conflict, between needing the infrastructure but no one wanting it. He indicated that people do not want it, but they have air conditioning, TVs and three refrigerators and everything else. He added that he agrees with Deputy Chairman Steinberg and everyone understand the concerns, which he had expressed when LIPA did the original Riverhead project.

Trustee Fragin asked whether there are any projects, in the next three to five years that LIPA anticipates having to approve that the local municipalities will, in fact, use this as a precedent, to essentially squeeze the Authority for some type of settlement in order to be able to do extensive upgrades to the system.

CEO Kessel stated that there is always some, but hopefully LIPA will be able to get through without that.

Mr. Hulkower stated that as a result of the experience that LIPA had in Riverhead, LIPA has been working very proactively with the communities where LIPA has future projects to negotiate the routes and the siting of substations and transmission lines to make sure that LIPA does not get into this kind of a bind and to make sure that LIPA has met its concerns but also that LIPA is being mindful of its own.

Deputy Chairman Steinberg stated that his experience has been that LIPA bends over backwards to deal with local communities, and LIPA has extensive discussions, and conducts extensive planning. He continued that as long as LIPA continues to operate the way it has been operating, which is to do it in a forthright, open manner, taking into account all of the local concerns and LIPA then goes forward, he does not think that LIPA is ever going to be in a position where a locality or community will not challenge it. He added that they are free to challenge LIPA's determinations if they want, but the next time something like this happens, where LIPA is advised by counsel that it has done the right thing, that at the end of the day if LIPA continues to litigate it will prevail in the litigation, his vote may well be to continue to litigate, rather than to write the check.

Trustee Nugent asked whether there will there be any post-settlement verification back to LIPA that the money given to the town is going to be, indeed, used for energy-related projects as part of the settlement discussion, and will there be penalties or any repercussions should that money just end up getting

tossed into a general fund. Mr. Klimberg answered that the settlement will be presented to the Court for approval, so it will be a legally binding commitment on the part of the town as well as LIPA to spend the money solely in accordance with the settlement. He continued that there will be a mechanism for certain redress in the event, however unlikely, that it is not spent in accordance with the settlement.

Trustee Maimoni stated that this is a vexing issue on a number of levels, and LIPA has taken the position that the town is holding this up. He indicated that he lives in that area, and had LIPA not put underground utilities along the South Fork completely, he does not believe that LIPA would have this issue with the people on the North Fork. He continued that he does not want to beat on his supervisor, because he is just sticking up for his constituents, but the reality is that elected officials have to look at this from their perspective as well. He added that to have underground utilities will necessitate that LIPA's ratepayers will pay the highest rates in the country, and he voted for this compromise, because he recognized people's ability to pay, as opposed what the aesthetics of it is, and you cannot have it both ways.

CEO Kessel stated that it is important to point out to the public and to the Board that underground facilities are not necessarily more reliable. He continued that, without being critical, it was evident during the heat waves last year in Con Ed's in mostly underground sections of Queens, you could see that. He indicated that it may look better, which every community wants, but LIPA has done a number of studies which have indicated that beside the cost to underground the

electric system, which is approximately \$40 billion, there is no enhanced reliability, and, in fact, restoration time would be significantly lengthened.

CEO Kessel stated that if every utility that shows that it is important to negotiate with the community, otherwise you are not going to get anything built, and all of the utilities go through the same experience, which is challenging. He continued that even for the Neptune Cable that is being built right now, there is no coincidence that there is a community center going up in New Castle, and if the community center is not created, the cable would not be accepted by the community. He added that it is a bad part of the business.

CEO Kessel stated that he appreciate Deputy Chairman Steinberg's comments, LIPA's outreach, because LIPA's government relations staff gets involved in this directly, and he holds a lot of forums as well. He indicated that Mr. Davidson and LIPA's staff do a terrific job in reaching out to the communities and working with them, but a lot of public officials do not see the connection that this raises rates. He added that the same people complain that rates are too high, which is vexing.

Trustee Fragin stated that if LIPA negotiates early on and we do it well, that is a very positive thing, but he is more referring to Article 78 proceedings. He continued that anybody has the ability to bring that type of proceeding where essentially the community comes back ex post facto and argues that it was done wrong, which would be very costly for them and costly for LIPA. He added that in the end, the ratepayer loses.

Trustee Fragin stated that he would like to know, with regard to any communities bringing Article 78 proceedings, whether they are just going to figure that LIPA will settle eventually for a certain amount of money, because litigation is very costly. He continued that he does not want to have a position on the part of the Board or the Authority that even though LIPA did it right, LIPA is going to go ahead and settle anyway.

Trustee Smookler stated that she agrees, which is why she asked whether this has any implications on something further on in the agenda. She indicated that she will vote for the resolution, and it looks like the Board did a phenomenal job, but she does not know whether in the future, should it come up again, that she would want or suggest strongly that there be a test case, should counsel come to the Board and advise that it was a strong case. She added that she does not know how this stops, and she is not hearing a solution other than playing it out once, but the ratepayer losses either way.

The Chairman then opened the floor for comments.

Assemblyman Alessi stated that the crux of the matter was that the North Fork felt that they were entitled to the burying of the transmission lines as was done on the South Fork, and whether there was disparity between the two and what the decision-making process was that buried them on the South Fork and did not do so on the North Fork.

CEO Kessel stated that first of all, it is not plural, and there was a major transmission line that had to be built for an emergency to keep the power going at appropriate levels in terms of supply and voltage levels on the South Fork. He continued that the only way to get that transmission line in at the time was to do it underground. He indicated that it was not an aesthetic issue, and LIPA had to get it in by the summer because LIPA was having real problems with meeting load and other issues out on the South Fork. He added that had LIPA done it above ground, LIPA could not have gotten the rights-of-way and all the necessary easements in time for the summer.

CEO Kessel stated that the single line was built, and LIPA did do some community improvements, including improving the Southampton substation. He continued that LIPA put a new wall there, some shrubs, an American flag, benches, and made it like a little park.

CEO Kessel stated that next there was the proposal to do a similar line on the North Fork, and the argument was then made, that if you buried it on the South Fork you have to do it on the North Fork too. He continued that there was a significant debate before this Board that lasted quite some time over many meetings and sessions about how to do it. He added that there were a group of Trustees at the time that felt that LIPA should do the whole thing above ground and that should be the end of it.

CEO Kessel stated that the Town of Riverhead then threatened to stop it, and there were ways they could have slowed it down. He continued that there

were other Trustees from the North Fork who wanted to bury the whole thing, since it was done on the south shore. He added that this was an aesthetic issue, and the economics were extraordinarily bad for burying the whole system, and worse than it would have been had we done it on the south fork.

CEO Kessel stated that the Board decided on a compromise. He indicated that the Town of Riverhead was very proactive in this, and there were a lot of discussions with the town, and he has continued talking to the Riverhead supervisor. He indicated that this is really the result of those discussions, and the line is in and this resolves the whole issue.

Trustee Nugent stated that with respect to the discussion of the South Fork and the burial of that line versus the North Fork, it was her recollection that on the South Fork there was no existing line, and that it was going in a new route along the highway versus the North Fork replacement of a line that was already overhead. She indicated that she does not know how much weight it was given, but that seemed to be quite a difference in how the various scenarios would be analyzed.

CEO Kessel stated that the biggest growth on Long Island is the North Fork, the Town of Brookhaven, and there is huge demand. He indicated that no one will care whether it is above or below ground if they are in the dark during the summer, but that is what the argument was about.

Assemblyman Alessi asked whether in burying it, LIPA gets the lights on a little quicker. CEO Kessel answered that the reason it was partially buried was to reach a compromise on this Board and with some of the representatives from the North Fork, who are not present today.

Assemblyman Alessi stated that there is probably sensitivity to the issue, and he agrees that as with Con Ed, the overheating with them is problematic, but there is also a small tradeoff with hurricanes. He indicated that he thinks that they are better protected when they are underground, and he is glad that CEO Kessel is closing the chapter on this.

Chairman Law asked with whom the settlement was negotiated at the Town of Riverhead, namely their counsel or the supervisor's office. CEO Kessel answered their counsel was intrinsically involved, but obviously there were a lot of discussions, particularly with Mr. Klimberg, LIPA's legal staff, Mr. Davidson Senator LaValle, who was very involved in this as well. He continued that ultimately there were discussions that took place out in Riverhead with himself, Supervisor Cardinale and the town's counsel, and LIPA's staff people at the same time.

Chairman Law stated that he has just completed negotiations with the deputy supervisor of Riverhead to join the county administration, so to avoid any appearance of a conflict he will abstain on this vote.

Upon motion duly made and seconded, the following resolution was approved, with Chairman Law abstaining:

808. APPROVAL OF STIPULATION OF SETTLEMENT WITH THE TOWN OF RIVERHEAD FOR THE RIVERHEAD TO JAMESPORT TRANSMISSION SYSTEM UPGRADE PROJECT

WHEREAS, the Riverhead to Jamesport Transmission System Upgrade Project (the "Project") was a badly-needed upgrade to a pre-existing transmission line serving the North Fork of Long Island;

WHEREAS, the Project, as completed in July 2004, replaced an all-overhead transmission line with a line that is approximately one-half underground and one-half aboveground;

WHEREAS, on September 25, 2003, LIPA issued a Negative Declaration under the State Environmental Quality Review Act ("SEQRA") for the Project and approved its implementation;

WHEREAS, the Town of Riverhead filed an Article 78 proceeding challenging that approval on a variety of grounds;

WHEREAS, on September 29, 2004, Justice Peter Fox Cohalan issued a memorandum decision annulling LIPA's September 25, 2003 approval of the Project and Negative Declaration, remanding the matter to LIPA for further consideration of the Project's potential impact on the Town of Riverhead's open space acquisition program and aesthetic resources;

WHEREAS, LIPA prepared a Supplemental Environmental Assessment of the potential environmental impacts of the Project and issued a Second Negative Declaration under SEQRA on November 18, 2004;

WHEREAS, the Town brought a second Article 78 proceeding, again challenging the adequacy of LIPA's environmental review and LIPA's Second Negative Declaration, and again asserting that the Project would have a significant adverse environmental impact on open space resources; and

WHEREAS, on April 5, 2006, Justice Cohalan issued a memorandum decision annulling LIPA's Second Negative Declaration and remanded the matter to LIPA for further consideration of the Project's potential environmental impacts and for a reasoned elaboration of LIPA's determination of significance after first soliciting public comment on the Project's environmental impacts; and

WHEREAS, in order to avoid the time and expense of further litigation, LIPA and the Town have entered into negotiations with the goal of settling and resolving all claims they have or may have against each other relating to the Project; and

WHEREAS, the proposed Stipulation of Settlement presented to this meeting represents a compromise of a disputed matter in order to avoid the cost of continued litigation and agency proceedings and for the further purpose of assuring that, by providing the Town with the resources to expand its open space program, any adverse open space impacts from the Project will be fully mitigated and that, accordingly, LIPA will not be faced with the risk of expending the substantial sums, estimated at approximately \$10 million, that would be necessary if, as the Town has requested, the Project's entire transmission line were now reinstalled underground;

NOW, THEREFORE, BE IT RESOLVED, that LIPA hereby (a) approves the Stipulation of Settlement with the Town of Riverhead substantially in the form presented to this meeting; (b) authorizes the Chief Executive Officer or his designee to execute the Stipulation of Settlement; and (c) authorizes the Chief Executive Officer or his designee to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chief Executive Officer or his designee, to implement the settlement in accordance with such Stipulation.

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Chairman Law stated that the next item on the agenda is the consideration of approval and adoption of Negative Declaration under SEQRA for the Edwards Avenue Substation Project.

Mr. Klimberg stated that the Trustees are requested based on the attached Environmental Assessment for the Edwards Avenue Substation Project, dated March 2007, to approve the attached resolution approving and adopting, among other things: the determination that the siting, construction and operation of the Edwards Avenue Substation and the connecting underground transmission cables in the Town of Riverhead will not have an adverse impact on the environment and, accordingly, will not require the preparation of an environmental impact statement; and the issuance of a negative declaration with regard to the project. He continued that as background, in order to address

existing and future electric transmission and distribution system needs in the southern portion of the Town of Riverhead and northern portion of the Town of Brookhaven and the western portion of the Town of Southampton, LIPA staff has determined that it is necessary to build a new substation, 4,000 feet of underground cables connecting the substation to the existing Brookhaven to Riverhead 138 kV transmission line and related facilities. He indicated that the substation would be located on an approximately 6.89-acre industrial zoned parcel in Calverton, Town of Riverhead, located east of Edwards Avenue and north of the Long Island Rail Road tracks.

Mr. Klimberg stated that the proposed electric feeder cables will run underground for a total of approximately 4,000 feet from the substation to the 138 kV right-of-way located on the north side of the LIE service road. He continued that upon leaving the substation, the feeder cables will be installed in the right-of-way of Edwards Avenue and the Long Island Expressway service road, and in the vicinity of Peconic River, the cables will be directionally drilled under the river. He added that the Project is fully described in the detailed Environmental Assessment that LIPA has prepared as lead agency under SEQRA.

Mr. Klimberg stated that the Environmental Assessment which the Trustees are requested to approve and adopt concludes that the project will not have any significant adverse impacts on the environment and thus will not require the preparation of an Environmental Impact Statement. He continued that the Project will also require subdivision and site plan approval from the Town of Riverhead Planning Board. He added that the transmission cable will require the approval of

the State Department of Environmental Conservation, and the recommendation is that the Trustees confirm LIPA'S lead agency status for the project, approve and adopt the Environmental Assessment for the project, and authorize the filing and publication of the Negative Declaration for the project.

Trustee Elovich asked whether LIPA had any discussions with the people in the area so we do not have a problem by doing this. Mr. Hulkower responded that LIPA has done a lot of outreach, and LIPA now has a different location than it initially proposed for the substation. He continued that there was a great deal of objection by the civic association, so LIPA actually went around the community looking for locations and finally settled on this piece of property as being acceptable. He indicated that it is tucked away in an industrial area, so this is much more acceptable to the community, and LIPA has strong support for this location.

Trustee Elovich asked whether LIPA has support from the local politicians in the area. Mr. Hulkower answered, "Yes."

Trustee Elovich asked whether this is in any way connected what the Trustees already voted upon. Mr. Klimberg answered that LIPA had substantial discussions with the local officials, and LIPA staff believes that approving the settlement will facilitate the approvals in connection with the substation. CEO Kessel stated that in other words, everyone is happy.

Trustee Elovich stated that not everyone is happy. Trustee Smookler stated that this is the test case for come back and try one of those articles at a later date. CEO Kessel agreed.

Assemblyman Alessi stated that he is assuming that the constituents and local leaders are aware that this is on today's agenda, and he has not heard any complaints as of yet. CEO Kessel responded that to point out again, there have been extensive discussions with all of the local leaders, civic groups, community groups, and there was an alternative location initially discussed that did raise a great deal of consternation and opposition. He continued that after working with the town and all of the elected officials out there and the community groups, LIPA arrived at this particular location.

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

809. APPROVAL OF NEGATIVE DECLARATION FOR THE EDWARDS AVENUE SUBSTATION PROJECT UNDER SEQRA

WHEREAS, the Long Island Power Authority (“LIPA”) is committed to providing reliable electric service to its customers on Long Island; and

WHEREAS, the growing Long Island economy and other factors have resulted in an increasing demand for electricity that is projected to continue into the foreseeable future; and

WHEREAS, LIPA’s staff has concluded that in order to ensure timely, adequate and reliable electric service to LIPA’s customers and meet reliability criteria, it is necessary for LIPA to acquire real property to promptly site, undertake and complete the Edwards Avenue Substation Project (the “Project”); and

WHEREAS, the maintenance of a continuous and reliable supply of dependable electric power and energy is an essential matter of urgent public concern and requires immediate action; and

WHEREAS, LIPA has advised all other potentially involved agencies that LIPA proposes to serve as “lead agency” under SEQRA in connection with the environmental review of the Project, and all such agencies have consented to LIPA’s serving in such capacity; and

WHEREAS, LIPA’s staff has prepared, with the assistance of environmental engineers, consultants, and counsel, an Environmental Assessment of the potential environmental impacts from the proposed Project in order to determine, under the State Environmental Quality Review Act (“SEQRA”), whether the Project might have any significant adverse environmental impacts; and

WHEREAS, the Environmental Assessment finds 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) confirms that it is the “lead agency” for the review of the Project under SEQRA, (b) approves and adopts the Environmental Assessment, dated March 2007, for the Project, and (c) for the reasons set forth in and on the basis of such Environmental Assessment, finds and determines that (1) the Project 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 Chief Executive Officer or his designee is directed to file and publish a Negative Declaration, effective immediately, for the Project in accordance with the requirements of SEQRA, and to perform such further acts as may be necessary, convenient or appropriate, in the judgment of the Chief Executive Officer or his designee, to ensure that the foregoing is carried out.

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Chairman Law stated that the next item on the agenda is consideration and approval to acquire real property for the Edwards Avenue Substation.

Mr. Klimberg stated that the Trustees are requested to approve and adopt a resolution authorizing the Chief Executive Officer or his designee to execute and effect an agreement for the acquisition of real property necessary to construct the Edwards Avenue Substation Project in the Town of Riverhead. He continued

that, as previously indicated, the project would be located on approximately a 6.89 acre flag-shaped industrially-zoned parcel in the Town of Riverhead. He added that LIPA proposed to acquire the property for a consideration of \$1,825,850, and in order to determine the appropriate purchase price for the property we obtained appraisals of the property from the firms of Given Associates and Rogers & Taylor Appraisers, Inc.

Mr. Klimberg stated that the stated purchase price was arrived at based upon these two appraisals and negotiations with the owner of property, and at LIPA's request, KeySpan's real estate unit has also reviewed the appraisals and has advised LIPA that the proposed purchase price is reasonable. He noted that the purchase of this property on which the substation would be located will close only after all local approvals are obtained.

Chairman Law asked who is the owner of the property, and if it is a legal entity, who its principals are. Mr. Klimberg answered that the owner of the property is the DeLalio family. Mr. Hulkower indicated that DeLalio South Farms Incorporated is the owner of the property.

Assemblyman Alessi asked what is the outreach to local elected officials when LIPA goes through this kind of procedure, and in terms of the negative declaration and SEQRA process, who is LIPA in communication with in terms of elected officials. CEO Kessel answered that in this particular instance, this was a few years ago when this started, LIPA was in touch with the assembly and senate representatives at the time, and the town board, most if not all of the board

members and the supervisors. He indicated that LIPA also discussed all of these matters with a number of the local civic and community groups. He added that there were extensive ongoing discussions with those officials, and a lot of the work and some credit certainly for bringing this to a halt really belongs to Senator LaValle, and the county legislator.

Assemblyman Alessi stated that the discussions were not had with him, but he is sitting here because of the pledge he has made is to come to the LIPA Board meetings, and because he represents this area; but, he further stated that he is unaware of any of these matters. He indicated that he wants to be on the record that he might come back if he hears complaints about this, and nobody has reached out to him.

CEO Kessel noted that he should have also mentioned that LIPA had several discussions with Assemblyman Alessi's predecessor, Assemblywoman Acampora.

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

810. AUTHORIZATION TO ENTER INTO AN AGREEMENT TO PURCHASE REAL PROPERTY AND UNDERTAKE RELATED ACTIVITIES IN CONNECTION WITH THE EDWARDS AVENUE SUBSTATION PROJECT

WHEREAS, the Long Island Power Authority ("LIPA") is committed to providing reliable electric service to its customers on Long Island; and

WHEREAS, the growing Long Island economy and other factors have resulted in an increasing demand for electricity that is projected to continue into the foreseeable future; and

WHEREAS, the maintenance of a continuous and reliable supply of dependable electric power and energy is an essential matter of urgent public concern and requires immediate action; and

WHEREAS, LIPA Staff have concluded that in order to ensure timely, adequate and reliable electric service to LIPA's customers and meet reliability criteria, it is necessary for LIPA to acquire real property to promptly site, undertake and complete the Edwards Avenue Substation Project proposed to be located on real property currently owned by Delalio Sod Farms Inc., located on Edwards Avenue in the Town of Riverhead (the "Project"); and

WHEREAS, on this date, by separate resolution, LIPA, the lead agency for a coordinated review under the State Environmental Quality Review Act, determined that the Project will not have any significant adverse environmental impacts and, accordingly, adopted a Negative Declaration for such Project;

WHEREAS, in order to determine an appropriate purchase price for the real property necessary to site and construct the Project, two appraisals were conducted, and based upon the appraisals and negotiations with the property owners, LIPA Staff concluded that \$1,825,850 was a reasonable amount to pay for the property; and

WHEREAS, it is in the best interest of LIPA to meet the immediate need for electric power and energy by entering into an agreement with Delalio Sod Farms Inc. for the purchase of the property; and

WHEREAS, the purchase of the property will close only after the local approvals are obtained;

NOW, THEREFORE, BE IT RESOLVED, that the Chief Executive Officer or his designee is authorized to execute and effect an agreement for the acquisition of the property and to perform such further acts as may be necessary, convenient or appropriate, in the judgment of the Chief Executive Officer or his designee, to implement the Project.

*** * ***

Chairman Law stated that the next item on the agenda is Board consideration of approval of modifications to LIPA's tariff concerning daylight savings time.

CEO Kessel stated that the new Energy Policy Act that was passed by Congress in August of last year which changed the dates of daylight savings time, and now daylight savings time this year began three weeks earlier on March 11th. He continued that it will end one week later on the first Sunday in November rather than the last Sunday in October. He noted that this provided some problems with a number of our commercial customers, because certain rate codes under LIPA's tariff, namely 282 M, 282, 284 M, 284, 285 M, 285, 277, 289, 680, 681 that are billed at time differentiated rates for their electric consumption during specified time periods each day.

CEO Kessel stated that they have meters that were already preprogrammed at the old daylight savings time and not in the March-November time period that has now taken place, and in order for these meters to recognize that there is now a new start and end, and each meter would have had to have been reprogrammed or replaced, which would have been very complex. He continued that the revised start and end for daylight savings time will cause an impact to those approximate 5800 commercial customers who have those meters to be incorrectly metered and billed pursuant to the current tariff by one hour during the additional weeks one way or the other of daylight savings time. He added that LIPA staff proposes that the tariff be revised so that the metering circumstances require the affected commercial customers be permitted to be metered and billed by LIPA as daylight savings time continues to occur between the first Sunday of April and the last Sunday of October.

CEO Kessel stated that there will also be an economic approach to replace or reprogram the existing meters over time under LIPA's normal replacement program that will minimize the cost to ratepayers, and LIPA has already reprogrammed or replaced certain of the meters where it was less costly to do so. He indicated that he presided over public hearings on this proposal and no member of the public attended.

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

811. APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF CONCERNING DAYLIGHT SAVINGS TIME

WHEREAS, Section 110 of the U.S. Energy Policy Act of 2005 amends Section 3(a) of the Uniform Time Act of 1966 by changing the start and end dates of Daylight Savings Time, which effectively extend DST each spring and fall; and

WHEREAS, LIPA's commercial customers in Rate Codes 282, M282, 284, M284, 285, M285, 277, 289, 680 and 681 are billed pursuant to LIPA's tariff at time-differentiated rates for their electric consumption during specified time periods each day; and

WHEREAS, although these accounts use meters that have internal electronic clocks that are pre-programmed to record consumption as a function of the hour of the day, they have been programmed to adjust automatically to the annual shift between Daylight Savings Time and Standard Time in April and October, not in March and November; and

WHEREAS, the revised Daylight Savings Time start and end dates will cause the affected commercial customers to be incorrectly metered and billed pursuant to LIPA's current tariff by one hour during those additional weeks, since the affected commercial customers' meters will not recognize and not adjust to the change in the Daylight Savings Time period; and

WHEREAS, the Proposal recommends that LIPA's Tariff be modified to state that Rate Codes 282, M282, 284, M284, 285, M285, 277, 289, 680 and 681 continue to be metered at Daylight Savings Time between the first Sunday of April and the last Sunday of October and for the remainder of the year at Eastern Standard Time, for accounts where metering equipment cannot support the calendar change to Daylight Savings Time; and

WHEREAS, following the issuance of public notice in the State Register on January 24, 2007, two public hearings on the Proposal were held on March 13, 2007; no comments were received from the public, and the public comment period under SAPA has expired.

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.

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Chairman Law stated that the next item on the agenda is Board consideration of the discussion of the State Procurement Lobbying Law. Chairman Law requested that Mr. Klimberg discuss the matter.

Mr. Klimberg stated that last year New York State enacted a procurement lobbying law, which covers lobbying on governmental procurements valued at more than \$15,000, and the law expanded on the requirements governing lobbying related to government procurements which were set forth in Executive Order 127, which has been rescinded. He continued that the general rule behind this law is that during the restricted period of a procurement, which is from the earliest solicitation of a proposal to the final approval of a procurement, and in the case of LIPA final approval, in most cases, is approval by the State Attorney General as to form, and approval by the State Comptroller. Individuals or entities defined as offerers, should only communicate with persons designated by the governmental entity, in this case LIPA, to communicate with such offerers about that procurement. He added the law requires LIPA and other governmental

entities to collect and maintain specific information about the contacts made during the procurement process.

Mr. Klimberg stated that contact made by or to members of the State Legislature and/or the staff are not reportable under the law provided that they are acting in their official capacity and thus such contacts do not require the filling out of forms required otherwise under the Procurement Lobbying Law. He continued that certain communications which because of their subject matter constitute permissible communications and can be made by an offerer to anyone and those permissible communications are set forth in the law and generally consist of routine communications relating to the procurement process, such as participation in a preproposal conference and communications to certain agencies and officials complaining about the procurement process. He noted that if someone has a dispute about how LIPA conducts its procurement process that would be a permissible communication and not require the filling out of a form.

Mr. Klimberg also stated that while an offerer is permitted to engage in permissible communications with anyone, if such a communication constitutes an attempt to influence the procurement, it constitutes a contact and must be reported. He continued that if an offerer violates any of the law's requirements, the governmental entity may find the offerer nonresponsible and ineligible for a contract award, and may be barred from submitting a proposal for four years if a second nonresponsibility determination is made within four years of the first one. He added that he has provided to the Trustees, as well as to LIPA staff today, a memo discussing the requirements of the Lobbying Law, along with certain

attachments, including a list of qualifying LIPA procurements and our guidelines governing procurement lobbying.

Mr. Klimberg stated that if anyone receives or has received a communication from an offerer with respect to a qualifying procurement that they believe is intended to influence the procurement, they should fill out the form that has been provided. He added that any questions regarding whether or not to fill out a form, should be directed to either himself, Assistant General Counsel Lynda Nicolino, or his staff, who will refer them to the Contract Administrator.

Trustee Nugent asked whether there is there any notice that goes on the other side of it to the individual looking to establish a relationship with LIPA that they are not to contact Board members or anybody else in that position that we would be required to report. Mr. Klimberg answered “Yes.” He continued that whenever LIPA issues a request for proposals, LIPA details the requirements of the State Procurement Law, and the potential proposers are put on notice as to what those requirements are. He further indicated that proposers have to submit information to LIPA indicating that they are conducting themselves fully in compliance with the law.

Chairman Law indicated that LIPA should in the future include a form with its RFP’s, and advise the potential proposers that if they do contact LIPA, that LIPA will be obligated to fill it out.

Deputy Chairman Steinberg asked whether it is fair to say Trustees are considered on a parity with LIPA staff since the document provided mentions contact with LIPA staff. Mr. Klimberg answered "Yes." He continued that LIPA designates specific people who may be contacted in connection with a procurement.

Deputy Chairman Steinberg asked whether the law applies equally to Trustees as it would for staff and officers. Mr. Klimberg answered, "That is correct."

Assemblyman Alessi stated that he would like to receive a copy of agenda for the Meeting of the Board of Trustees at an earlier date. Chairman Law stated that LIPA will try in the future to make them available, reserving the right to amend it and include some other things as LIPA gets closer to the Board meeting.

Assemblyman Alessi stated that he applauds Chairman Law with respect to what he is looking to do in his tenure in terms of reigning in consultant costs and his discussions with the Attorney General in terms of whether he could provide legal services. He continued that he is very hopeful that LIPA is going to resubmit the issues of LIPA's fuel and purchased power surcharge to the Public Service Commission for review. He indicated that he does have cause for concern in terms of what the rating agencies might have said, and that he does not know what would be the problem in terms of the Authority's rating going down unless that they find problems with the finances.

Assemblyman Alessi stated that Chairman Law was briefed on the enabling statute for LIPA and the Public Authority Control Board's resolution Number 5. That resolution according to Assemblyman Alessi stipulated that in order to take the \$8 billion to buy out LILCO, required LIPA to submit any rate increase over 2.5 percent in a 12-month period would have to go to the Public Service Commission ("PSC") for review. He indicated that he believes that the PSC interpreted the law incorrectly, and declined to do that review, and he has appealed the decision, which was denied by the PSC. He added that last week, he filed an Article 78 petition against the PSC in the Supreme Court of New York so that the judiciary can weigh in on what he believes the law stipulates.

Chairman Law stated that he shares the same end goal that there should be another set of eyes on the rates, surcharges, and he is trying to come up with a solution that achieves that goal but that also addresses the concerns he learned last week from the rating agencies.

Chairman Kessel entertained a motion to go into executive session to discuss litigation and personnel issues.

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

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

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

* * *

At 1:30 p.m. the open session of the Board of Trustees was temporarily adjourned and an executive session of the Board of Trustees was convened.

At 2:20 p.m. 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 voted unanimously to adjourn the meeting at 2:20 PM.

Respectfully submitted,

Lynda Nicolino