

**LONG ISLAND POWER AUTHORITY**

**MINUTES OF THE 199<sup>th</sup> MEETING**

**HELD ON MAY 28, 2009**

Pursuant to notice dated May 22, 2009, the Long Island Power Authority (the "Authority") was convened for the one hundred and ninety-ninth time at 11:09 AM at the Omni Teleconference Center, in Uniondale, NY.

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

**Howard Steinberg, Acting Chairman  
Laurence Belinsky  
Cristofer Damianos  
Lawrence Elovich  
John Fabio  
Michael Fragin  
Christopher Hahn  
Lawrence Waldman  
Diana Weir**

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

**Harriet Gilliam  
James Herrmann  
Susan Gordon Ryan  
Suzette Smookler**

Representing the Authority were Kevin S. Law, President and Chief Executive Officer; Lynda Nicolino, General Counsel and Secretary; and Kenneth Kane, Acting Department Head of Finance and Controller. Also present were Edward Dumas, Vice President-Communications; Michael Hervey, Vice President-Operations; Bruce Germano, Vice President-Retail Services; and Sam Lee, Acting Department Head of Power Markets.

Acting Chairman Steinberg addressed the audience, called the meeting to order, and in special recognition of Memorial Day led the Board in a moment of silence, followed by the Pledge of Allegiance.

The Acting Chairman stated that the first order of business is to welcome a new member to the Board of Trustees. He continued that the Board is honored to be joined by Diana Weir, who has had a distinguished business and public service career. He added that she currently serves as Executive Vice President of the Long Island Housing Partnership. He noted that she previously held positions as Councilwoman for the Town of East Hampton and as Chief of Staff to Congressman Michael Forbes.

Acting Chairman Steinberg stated that it is particularly appropriate, or at least coincidental, that Diana Weir is here today during the same week that President Obama has announced the appointment of the first Latina to the U.S.

Supreme Court. He continued that the Board is privileged to have its first Hispanic woman on the Board of Trustees at LIPA and welcomed her aboard.

Acting Chairman Steinberg stated that it is also in order this morning to pay tribute to a fellow Trustee, Jonathan Sinnreich. He continued that Mr. Sinnreich was the longest serving Trustee on the Board, having served since 1995. He stated that Mr. Sinnreich was an extraordinarily capable Trustee, always willing to give his time, and his point of view, whether it was popular or not, and always having the courage to speak out and put forth his dissent when he thought it was appropriate.

Acting Chairman Steinberg stated that there were many times when Trustee Sinnreich dissented with very valid points. He continued that Mr. Sinnreich's absence will be a great loss to the Board. He added that Mr. Sinnreich has indicated his willingness to continue to provide his advice and counsel to President Law and to LIPA in various advisory capacities, for which the Board is very grateful. He noted that Mr. Sinnreich will be missed, and that he was an extraordinarily valuable Trustee.

Acting Chairman Steinberg read the following resolution honoring Jonathan Sinnreich:

**926. RESOLUTION HONORING JONATHAN SINNREICH**

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**WHEREAS, Jonathan Sinnreich was appointed by Governor George Pataki to serve as a Trustee on the Board of Trustees of the Long Island Power Authority (“LIPA”) on August 30, 1995; and**

**WHEREAS, Mr. Sinnreich duly served in this position until his resignation on April 27, 2009; and**

**WHEREAS, Mr. Sinnreich graciously gave of his time and shared his wisdom with his fellow Trustees during his 14 years of distinguished service on behalf of the ratepayers in LIPA’s service territory; and**

**WHEREAS, Mr. Sinnreich’s active, thought-provoking participation in the serious matters affecting LIPA over the years provided a great value to LIPA’s ratepayers; and**

**WHEREAS, Mr. Sinnreich’s inspiring insight was influential to those who worked with him in his role as Trustee; and**

**WHEREAS, Mr. Sinnreich has been admired and respected by his colleagues for his outstanding contributions and unwavering commitment to the Board of Trustees:**

**NOW, THEREFORE BE IT RESOLVED, that the Board of Trustees of the Long Island Power Authority pause in its deliberations, on this day, May 28, 2009, in honor of Mr. Sinnreich’s dedication to public service; and be it further**

**RESOLVED, that a copy of this resolution be transmitted to Mr. Sinnreich with sincere appreciation for his exemplary performance as a Long Island Power Authority Trustee.**

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**Acting Chairman Steinberg then presented Mr. Sinnreich with a plaque commemorating his service.**

**Mr. Sinnreich thanked the Acting Chairman for his enormously kind, overgenerous words. He congratulated the new Trustee, acknowledging that she**

will be a very distinguished and valuable member of the Board and wished her well.

Mr. Sinnreich continued that the staff at LIPA, past and present, were always there for him and always accepted his eccentricities and many demands. He continued that he thinks that the staff members are the great, unsung heroes of LIPA, and that they do a fabulous job.

Mr. Sinnreich stated that as the longest serving member of the Board, he has served with the Board as it evolved, and that the current Board is the strongest Board that LIPA has ever had. He continued that he thinks that it is the most qualified and actively participating Board. He told the Board to keep up the good work, and to fight for the little guy.

Mr. Sinnreich next addressed the Acting Chairman by noting that he has been a fabulous deputy, a fabulous Acting Chair, and that the powers that be would be enormously wise to appoint the Acting Chairman as the full-time Chair. Mr. Sinnreich ended his remarks by thanking one and all.

President Law confirmed that Mr. Sinnreich has agreed to serve on both the Business Advisory Panel, which is looking at LIPA's future, and the Shoreham Advisory Panel, which is trying to determine what should be done with the Shoreham property.

**Mr. Sinnreich thanked President Law for the appointments.**

**Acting Chairman Steinberg made a motion to accept the minutes of the April 23, 2009 meeting of the Board of Trustees. He asked if there were any changes or deletions.**

**Upon noting that there were none, a motion was duly made and seconded, and the following resolution was approved, with Trustee Weir abstaining.**

**927. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MAY 28, 2009 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY**

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**RESOLVED, that the Minutes of the meeting of the Authority held on May 28, 2009 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.**

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**Acting Chairman Steinberg stated that President Law has been playing a leadership role in the State with respect to Governor Paterson's mandate to achieve important and ambitious goals in terms of clean and renewable energy. He added that President Law has really been showing the way and carrying the torch. He continued that the Governor has been very vocal in terms of asserting his leadership role in the State and in the Country on very critical energy issues. He noted that President Law is hard at work on LIPA's roadmap for achieving**

these goals as well as the critically important issue of the affordability of electric power.

Acting Chairman Steinberg stated that the issue of affordability involves taking a very hard look at ways to obtain relief from LIPA's high property taxes and its very, very significant debt burdens. He continued that President Law has said that everything is on the table, and that LIPA is actively reviewing its alternatives. He noted that there are some very significant strategic decisions on the horizon.

Acting Chairman Steinberg stated that he and the board are looking forward to seeing the roadmap to achieve LIPA's goals, and to meeting the Governor's goal of 45 by 15. He continued that he would like to set a goal of achieving very significant positive change in energy affordability by 2030. He noted that it may be optimistic to think that the roadmap will be ready to be discussed in public by the June Board meeting, but he hopes it will be available at the very latest in September.

The Acting Chairman turned the meeting over to President Law for the President's report.

President Law stated that he had a number of things on which to report. He continued that today is the 11<sup>th</sup> anniversary of LIPA taking over LILCO, which

occurred on May 28, 1998. He added that it is an appropriate time for LIPA to be examining whether the decisions made eleven years ago were the right ones. He stated that LIPA owes it to itself and to its customers to explore whether the business model created eleven years ago is the model that should carry it into the next ten or twenty years. He noted that is why LIPA is examining its business model, and that he looks forward to reporting on that.

President Law reported that there are often delays in the things that LIPA undertakes because it is required to comply with procurement guidelines. He continued that LIPA is right now reviewing a couple of proposals for companies to assist LIPA with some of its review. He added that to the extent that he needs to bring anything back to the Board, he will do that, but that there is nothing to share at this time.

President Law reported that one of the biggest issues that LIPA has right now is the customer satisfaction dispute with National Grid. He noted that since there is the potential for litigation, it will be discussed later in Executive Session. He continued that it is a contractual dispute that LIPA has with National Grid related to a performance metric in the Management Services Agreement. He noted that National Grid has failed the metric three years in a row, which is an event of default. He added that he is very disappointed that National Grid did not meet its obligations under the agreement, and that the Board would be discussing its various options.

President Law reported that the repowering and generation options will also be discussed in Executive Session, and that he hopes to be in a position to make a recommendation to the Board at the June meeting on both LIPA's legal option on the E.F. Barrett facility as well as giving National Grid LIPA's thoughts on whether it is interested in purchasing the rest of the generation units, which National Grid currently owns and which provide power to LIPA.

President Law reported that the PSC legislation was back in the papers over the Memorial Day weekend. He continued that last year, the Assembly had introduced a bill that is similar to the one that was introduced recently, which was passed and vetoed last year. He added that there are some nuances in terms of the changes from last year's bill, which Ms. Nicolino is examining to determine the impacts to LIPA.

President Law reported that he and Ms. Nicolino were in Albany yesterday, where they were able to meet with some elected officials on the bill. He continued that he has said it publicly before, and will say it again, that LIPA has nothing to hide. He added that he has asked the PSC in the past to review the books, as well as the State Comptroller to audit everything and anything at LIPA. He noted that everything done at LIPA is transparent and public, including holding public hearings and public meetings.

President Law stated that he is not aware of LIPA doing anything wrong or improper, and if it is, he will be the first to correct it. He added that as he has stated before, he welcomes some type of role for the PSC with LIPA. He continued that LIPA also needs to be cognizant of the concerns that the rating agencies have with such legislation. He noted that LIPA feels an obligation to stabilize and lower rates, which means that LIPA should not be doing anything that is going to increase rates, whether it is as a result of the cost of borrowing or staffing.

President Law reported that LIPA has been working with the Assembly. He continued that he has gone to Albany twice this year to work with staff on the bill, and that it was a surprise to LIPA when the bill was actually introduced. He added that LIPA did not see a copy of the bill until after it was introduced. He noted that LIPA remains willing and able to work with the Assembly on language that LIPA can support, which will protect both the customers and LIPA's credit ratings.

President Law reported that the Assembly also introduced legislation earlier this year to create an elected Board of Trustees. He continued that he always defends the great job that the current Board does because he often hears people saying that LIPA needs to have a board of LIPA customers and Long Islanders, which makes him laugh because everyone on the Board is a Long Islander and LIPA customer. He added that none of the current Board members

are compensated, and that they take time away from their families, businesses, and other responsibilities to serve the public. He noted that the Board should be commended for that.

President Law reported that as he has stated publicly in the past, he remains open to some type of elected representation on the Board. He continued that he thinks the current Board members do a terrific job, and he hopes that they continue to do so. He noted that he just wanted to let the Board know that the proposed legislation is also out there, and that it is currently a one-house bill, but that he has heard there is going to be a Senate sponsor soon.

Acting Chairman Steinberg stated that he would like to comment on to both points, which need to be repeated so that the public understands. He continued that there is a great fiction regarding the PSC legislation, which is that if only LIPA were regulated by the PSC, somehow rates would come down. He noted that the reality is the opposite. He stated that LIPA is working hard to stabilize rates and reduce them if it can. He added that the public needs to understand that there is a high likelihood that if the PSC bill passes, and if LIPA were to be regulated by the PSC, it would result in increased rates because there is an increased cost to LIPA for compliance with PSC mandates and funding of PSC operations to supervise LIPA.

Acting Chairman Steinberg stated that LIPA would also take a hit in the bond market. He continued that with nearly seven billion dollars in debt outstanding, LIPA cannot afford an increase in the interest rates that it pays. He added that if LIPA does become regulated, its credit ratings could be negatively affected, which will end up costing the ratepayers more. He noted that it is really counterproductive and a fiction that PSC regulation is going to lead to lower rates.

Acting Chairman Steinberg stated that with respect to an elected Board, the concept behind having a public authority with appointed Trustees is to insulate the Authority from politics. He continued that creating the political model that exists in other parts of the state will not be the most efficient. He noted that the Albany model is not necessarily the most efficient one. He added that if the idea is that there should be a mirror image of Albany down at LIPA, it is a mistake to believe that that is going to result in better service, lower rates, better quality, or anything else. He noted that the concept is to keep the Board free from politics, and that the public needs to understand that, even though the board members are each appointed by an elected official, politics is irrelevant to the discussions, the deliberations, and the decisions that are made by LIPA.

Acting Chairman Steinberg stated that the Board's decisions and discussions are focused solely on delivering electricity to LIPA customers, keeping the lights on, and doing what it can to keep the rates stable and perhaps

reduce them, while continuing to provide for the future for power and to direct the Authority in terms of clean energy and energy efficiency. He continued that those are the goals, and that they are not political goals. He questioned how having elected politicians sitting at the meeting would advance those goals even if that is what some people contend.

President Law reported that LIPA's Power Supply Agreement with National Grid sets forth a rate that LIPA pays and it resets every few years. He continued that LIPA is in the midst of a FERC proceeding on re-establishing what the rate is going to be. He added that LIPA is also in settlement talks with National Grid on the issue, but that it is ongoing, with a proceeding on this PSA reset taking place down in Washington.

President Law reported that LIPA has a Request For Proposals out for a consultant to assist LIPA with plans for the Shoreham property. He continued that LIPA is legally obligated to come up with a reuse plan for the property. He noted that there has been tremendous interest in the RFP, and that LIPA expects responses in the middle of June. He added that he is not sure if he will be able to make a recommendation by the end of June, but staff will do its best to do so.

President Law reported that he is going to be sending a letter to Tom King, President of National Grid, asking him to join LIPA in its planning process since National Grid owns most of the property around the Shoreham facility, and it is

unclear what Grid's plans for the property are as well. He noted that to the extent that National Grid makes plans, it would be in everybody's interest for LIPA and Grid to work together.

Next, President Law reported on the Caithness project. He continued that Ms. Nicolino can brief anyone who has any questions regarding the most recent lawsuit against Caithness, including an attempt to have the U.S. Supreme Court hear the case. He continued that as far as he has been told, the plant is going to be online by the end of June, which is in accordance with the originally proposed schedule.

President Law reported that as for the Energy Master Plan, it is complete and has been released with all the exhibits and appendices and is posted on the LIPA website. He continued that the comment period on the plan has been extended. He added that staff has been asked to set up a technical meeting with those interested, to explain some of the assumptions which form the basis for the recommendations in the plan.

President Law reported that in terms of staff, LIPA's new CFO, Herb Hogue, will be starting on Monday. He continued that as some may have heard or read, as leaked by the Governor yesterday, the Vice President of Power Markets position, which was formerly held by Richard Bolbrock, is going to be filled by Paul DeCotis, the current Deputy Secretary for Energy to the Governor. He added

that Mr. DeCotis, like Mr. Hogue, has a tremendous background with over 31 years in the energy business. He noted that between Mr. Hogue and Mr. DeCotis, LIPA is bringing 55 years of good, solid energy experience into LIPA, to supplement the great staff that LIPA has now.

President Law reported that he is getting close to filling the Vice President of Administration position, and that he will share more with the Board at the next meeting. He noted that this position has also been open for a while, and that he has been trying to fill it.

President Law reported that LIPA is also exploring a lease of vacant space in Albany since LIPA has so many employees spending a lot of time at the New York ISO and the New England ISO, in addition to all the time he and Matt Cohen spend in Albany. He continued that LIPA is looking at obtaining limited space, maybe one or two offices and conference rooms, which would allow LIPA employees to accomplish other work when they are in Albany. He noted that LIPA will come back to the Board with a proposal for limited space in the Capitol, similar to what other state agencies have.

President Law reported that in terms of space in Uniondale, LIPA is waiting for CBRE to look into LIPA's space needs for its headquarters. He continued that currently, LIPA is exchanging proposals back and forth with the current landlord and is awaiting a proposal back from them as to perhaps consolidating the space

in Uniondale. He added that it is a good time to be a tenant, and that it is a tenant's market, which LIPA can take advantage of.

President Law reported that LIPA is also having CBRE look at other spaces, including some out in Suffolk County, some LIPA-owned land, as well as some state-owned land. He continued that LIPA will do what is in the best interest of the customers and of the Authority. He noted that there are no decisions or recommendations to make at this point, but just that the process is ongoing and that LIPA is continuing to assess its space needs.

President Law reported that programmatically, the 50 megawatt solar project, which again, is the largest solar energy project in the state, is still in the midst of contract negotiations with the top two firms that the Board authorized. He continued that LIPA is hitting a little bit of a snag with the Brookhaven National Lab property, since it is a federally-owned property and therefore requires going through the National Environmental Protection Act (NEPA) process, as opposed to the SEQRA process. He added that administratively, the program is going to take LIPA into the summer, so LIPA will not be making a recommendation to the Board on a contract in June, but will in September, since the Board does not meet in July and August.

President Law reported that regarding solar energy, LIPA's Solar Pioneer Program continues to attract participants. He continued that LIPA is the number

one utility in the State in terms of both the applications and projects, which is causing an impact on the budget. He added that LIPA is working with the State and NYSERDA to obtain additional funds to keep the program going, which will allow LIPA to address the tremendous volume of applications.

President Law reported that with respect to the LIPA/Con Edison Offshore Wind Initiative, LIPA has formed a collaborative with other state agencies, including NYPA, MTA, Port Authority, and the City of New York. He continued that these are agencies that are interested in helping LIPA get a project off the ground and/or interested in buying the power that could be generated from the initiative.

President Law reported that LIPA is looking to prepare a Request for Expressions of Interest and then ultimately an RFP to see where the numbers and the pricing come in. He continued that as he had promised, LIPA will keep the Board in the loop every step along the way, and that when there are numbers to share regarding cost, LIPA will share them and make them public.

President Law reported that as announced, hopefully by the middle June, LIPA will be submitting an application to the Department of Energy for a smart grid stimulus project along the Route 110 Corridor, which will include the SUNY Farmingdale campus. He added that LIPA is working with its Congressional Delegation on that as well. He stated that Tim Bishop and Steve Israel joined LIPA and will be supporting its application through the Department of Energy. He

continued that LIPA is excited about the possibility, and that there is a competitive grant, so there is no guarantee that LIPA will get it, though LIPA will be trying. He noted that LIPA hopes it is one of the first to actually submit an application, which will not be accepted until the middle of June.

President Law reported that he and Ms. Nicolino met the other day to discuss engaging LIPA's outside counsel to update LIPA on its property tax issues that exist for both LIPA's own properties as well as the National Grid owned properties that are pass throughs to LIPA. He added that to the extent that LIPA believes that there are legitimate tax certiorari matters, LIPA will come back to the Board with a recommendation in June. He noted that he had promised some of the Trustees, specifically Trustee Fragin, earlier this year, that LIPA would look at that, and LIPA will be making a recommendation to the Board in June regarding those possibilities.

President Law reported that as previously mentioned by himself and by the Chairman, LIPA spends half a billion dollars a year on taxes. He continued that the great majority of that is property taxes, and so LIPA owes it to its customers to take a look at whether or not the taxes that are being paid are fair. He noted that if they are not fair, LIPA should do something about it, and it will.

President Law reported that one of the pleasant and enjoyable things that he was recently involved in was a LIPA safety poster contest with all of the

**schools on Long Island. He continued that 7,000 students were educated on electric safety, and 1100 of them participated in the contest, from which there were 12 winners. He added that he gave out awards to the third, fourth, and fifth grade students. He stated that Tracy Burgess-Levy does a great job with the program, and that it is a way for LIPA to reach out to the schools, the parents, the principals, and the kids to see the other side of LIPA, and the good things that LIPA does. He noted that the Board should be aware of the contest, which is held every year. President Law thanked Ms. Burgess-Levy, and the rest of the staff who participated.**

**President Law reported that he was up with the NYISO in Albany giving a speech on smart meters and on dynamic pricing, which LIPA is exploring. He continued that he was down in Washington with the Large Public Power Council, which is made up of the 23 largest public utilities in the world, and which is shaping the energy legislation that is moving through Washington at both the House and, maybe, the Senate. He noted that out of the 23 largest public utilities in the country, not one is them is regulated by their respective Public Service Commission in their states, and that includes Florida, California and Texas.**

**President Law reported that he had the pleasure of going up to Buffalo, where he was able to attend all of the meetings for the New York State Solar Energy Association Conference (NYSSEA) with Mr. Deering. He continued that LIPA won the Utility of the Year award for being the number one utility in the State**

when it comes to solar energy and solar power. He thanked the Board for their support of all of the solar initiatives.

President Law reported that with respect to the media, he knows that Mr. Dumas tries to keep everyone in the loop when there is going to be something happening. He continued that Mark Harrington recently interviewed him with respect to a big series Newsday is running on the 30<sup>th</sup> anniversary of Shoreham. He added that he and Mr. Dumas met with the News 12 editorial boards to better educate them about who LIPA is, who LIPA is not, and what LIPA does and does not do.

President Law reported that he has also recently spent time with the Wall Street Journal. He continued that the Journal has been covering a tremendous number of energy stories. He added that he shared with them of all the great things that LIPA is doing on Long Island, so that maybe there will be something in that paper down the road as well.

President Law then concluded his report.

Acting Chairman Steinberg thanked President Law for his report and for his exemplary leadership. He continued that he would like to congratulate Paul DeCotis on his new position at LIPA. He expressed that he thinks that Mr. DeCotis will be a great addition to the staff, bringing a wealth of experience and

knowledge both in terms of energy and in terms of Albany. He added that LIPA can use that additional expertise, and that President Law is doing a great job of really building a great staff by continually increasing the quality and commended the President for that.

Trustee Hahn stated that he had a comment regarding the PSC legislation. He continued that it cannot be overlooked that LIPA is a local Board, which means local control. He added that taking it out of Long Islander's hands, and putting it in the hands of bureaucrats in Albany, never solves any problems for Long Island.

Acting Chairman Steinberg next introduced Mr. Kane to provide the financial report.

Mr. Kane reported that for the first four months of 2009, LIPA generated expenses in excess of revenues of approximately \$80 million, compared to a budgeted amount of \$38 million. He continued that revenue for the period totaled \$1.09 billion, which is approximately \$6 million, or one percent, below budget. He explained that this is being driven by lower than expected sales in the commercial and industrial market. He noted that LIPA did see higher sales in the residential market. He noted however, that those increases were not enough to offset the decline in the commercial and industrial market.

Mr. Kane reported that fuel and purchased power was \$611 million or \$13.5 million over budget. He continued that the \$611 million includes a regulatory non-cash bookkeeping charge of \$84 million, which is required by the mechanics of the FPPCA. He noted that the commodity cost of fuel and purchased power decreased by \$80 million.

Mr. Kane reported that operations and maintenance expenses were \$281 million, which exceeded the budget by \$18.3 million. He explained that this is due almost entirely to the FERC PSA reset proceeding, which President Law mentioned earlier. He continued that LIPA is required, under the proceeding, to pay National Grid the amount that they have filed with FERC. He added that those rates are subject to a refund once that case is settled. He noted that also included in the operations and maintenance costs is a \$3.1 million non-budget charge related to the recently enacted Temporary State Energy and Utility Conservation Assessment.

President Law stated that as he had mentioned before, Mr. Hogue will be joining LIPA on Monday, and with Dave Feldman, LIPA's budget director, and Mr. Kane, the finance department will be sitting down in the first two weeks in June, and will come back to the Board at the June meeting to make a recommendation as to how LIPA should deal with the new one percent fee which applies to all utilities in the State, and how much of it LIPA thinks it can absorb in terms of cuts

or deferrals, and how much LIPA is going to have to pass along to its customers, as the other utilities do.

Mr. Kane reported that the higher costs were partially offset by lower efficiency related program costs of almost \$4 million, although LIPA believes those costs are timing related, and that by the end of the year, those costs will catch up.

Mr. Kane reported that other income and deductions was \$13 million, which is approximately \$6 million under budget. He explained that this is due to lower than anticipated rates of return on the money that LIPA has invested, as well as lower balances on those investments. He continued that interest expense was \$113 million for the period, or \$3 million under budget. He explained that again, this is due to lower than expected interest rates on LIPA's variable component of its long-term debt.

He noted that for the full year, LIPA expects to come within its financial target.

Mr. Kane reported that at April 30<sup>th</sup>, the Authority had cash and investments of \$387 million. He explained that \$151 million of that is currently in the Construction Fund, \$157 million in the Rate Stabilization Fund, and approximately \$80 million in the Operating Fund. He continued that over those investments, 49

percent are liquid, 49 percent are in the zero to three month maturity range, and the balance, or two percent, are in maturities of up to one year.

Mr. Kane concluded his report.

Trustee Waldman asked about the balance sheet. He questioned that with respect to the allowance for doubtful accounts, whether delinquencies are increasing, given the current economic crisis. He asked if LIPA is increasing the allowance for expected future bad debts.

Mr. Kane stated that he has been watching the allowance quite closely throughout the year. He continued that if one were to compare the allowance at April 30, 2009, to December 31, 2008, the current portion was at 59 percent. He added that there is a slight uptick in the amount that is over 90 days, which is currently at 19.5 percent of the receivable balance, where at the end of the year it was at 18 percent. He noted that is up quite a bit from last year, when it was 16 percent of the receivable balance.

Mr. Kane stated that this is something that LIPA is looking at and watching very closely. He added that it is something that he will discuss with Mr. Hogue when he arrives next week, noting that it is high on LIPA's list of priorities.

Mr. Waldman asked if LIPA has increased the allowance.

**Mr. Kane stated that he has not increased the allowance yet. He explained that the allowance is about \$19.5 million, consistent with last year. He continued that last year, LIPA ended up writing off \$17 million on a reserve balance of \$19 million. He added that LIPA is getting to the point where it should examine this issue.**

**Trustee Fragin asked with regard to LIPA's decline in the investment portfolio, if that was something that LIPA expected to carry over to the future quarters of the year, or does LIPA expect to rebound.**

**Mr. Kane stated that he would certainly expect the cash balances to increase as LIPA goes through the year. He continued that at this time of the year, traditionally, cash balances are low. Since it is before the summer, sales are low. He added that LIPA's fixed costs remain fixed, and that this is really one of the lower points of the year for LIPA's cash balances. He noted that LIPA expects the balances to increase as the year proceeds.**

**Acting Chairman Steinberg stated that the Trustees take great comfort in the fact that LIPA's financial situation is monitored constantly. He continued that it is obviously very important that LIPA meet its targets at the end of the year. He added that the Board would expect that if the circumstances change in some way, and that the staff thinks that adjustments have to be made, they will be brought to the attention of the Trustees promptly.**

The Acting Chairman stated that the next item on the agenda is the Operating Report to be delivered by Michael Hervey.

Mr. Hervey reported that from a reliability standpoint, his comments from last month stand. He continued that there have really been no changes in trends, and that LIPA continues to enjoy a very long stretch of just exceptional weather relative to storms. He added that Long Island has had one storm since the third week of December of 2008. He noted that it has resulted in an improvement of LIPA's reliability metrics to record levels once again, and the average time between interruptions is approaching 19 months. Mr. Hervey reminded the Board that once Long Island resumes normal weather, the reliability figures are expected to come back into normal range.

Mr. Hervey reported on LIPA's readiness for summer. He continued that the electric system is stressed most during the summer in carrying higher loads and also in the storms and the weather experienced during the summer. He added that there are over 2,000 maintenance items, major maintenance items in the system, that have been completed or will be completed on time. He noted that there are several dozen critical capital projects that are all on schedule and have been completed or will be completed over the next few weeks, so that LIPA is prepared for summer.

Mr. Hervey reported that key among the capital projects is the Edwards Avenue Substation in Riverhead, which LIPA has been planning, engineering, designing, and attempting to locate for several years. He indicated that it is now energized to carry load. He continued that this is a significant improvement for Riverhead from the transmission and substation perspective, and the area should enjoy improved reliability because of it.

Mr. Hervey reported that transmission upgrades that are necessary for the Caithness Power Plant have also been completed on time and are ready from a transmission perspective to receive power from the Caithness system. He added that one of the other significant activities that has occurred for summer preparation is that each year, LIPA drills the entire workforce on its hurricane readiness plan. He stated that the training has been completed and later this summer, LIPA will schedule a tabletop with the management team to drill that summer readiness plan. He noted that LIPA is ready for summer, and perhaps more ready than it has been in several years.

Mr. Hervey concluded his report.

Trustee Fragin asked for an idea of how the new transmission line in Southampton is operating, and what is LIPA's expected capacity on the East End for the summer months.

Mr. Hervey stated that the transmission line is in service in Southampton and has been since July of last year, with no operational problems. He continued that the transmission line gave LIPA the capacity to serve the load on the South Fork for the next several years. He added that LIPA's next major capital project right now is projected for perhaps 2012, for an additional transmission line between Riverhead and Southampton which will require an Article VII proceeding with the PSC.

Mr. Hervey stated that there was an underground duct that was placed there in 2001, and this was to be used for a cable. He continued that for right now, LIPA's capacity is good for the next several years. He added that depending on the growth, and that is what is leading to some variability in the schedule, LIPA is looking at the next major transmission project in the 2011, 2012, and 2013 timeframe.

Acting Chairman Steinberg commented that as Trustee Hahn had mentioned, it is important that Trustees be local. He continued that speaking as a local and as a customer, he wanted to compliment Mr. Hervey, as his service has never been better, even given the lack of storms. He continued that if you look at the numbers, at the tree trimming program, at the efforts made in terms of capital improvements, the operating efficiencies, everyone, including the staff and workers at National Grid, have done a great job, and the system is operating very well. He complimented everyone involved.

Mr. Hervey thanked the Acting Chairman. He added that in addition to Acting Chairman Steinberg's comments earlier on PSC regulation, if, in fact, the scenario that he laid out were to become true, then capital would become more expensive, and LIPA's debt would become more expensive. He continued that it would put pressure on LIPA's capital program and on its ability to be able to continue to deliver this level of reliability.

The Acting Chair thanked Mr. Hervey. He stated that the next item on the agenda is the consideration of the approval of guidelines regarding the use, awarding, monitoring and reporting of procurement contracts. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Ms. Nicolino.

Ms. Nicolino stated that Section 2879 of the Public Authorities Law requires certain public authorities, including LIPA, to periodically review and approve procurement guidelines which detail the operative policy and instructions regarding the use, awarding, monitoring, and reporting of procurement contracts. She continued that LIPA's procurement guidelines were last amended in May 2008, principally to reflect certain changes in the law regarding the procurement procedures and requirements for State entities, including LIPA. She added that the procurement guidelines have currently been reviewed by staff, and it has been determined that no such additional modifications are necessary or desirable

at this time. She stated that accordingly, the staff is recommending the approval of the Guidelines in the form presented to the Trustees at this meeting.

Acting Chairman Steinberg asked for public comment. After hearing none, the Acting Chairman called for a vote on the motion which was approved unanimously:

**928. APPROVAL OF LONG ISLAND POWER AUTHORITY GUIDELINES REGARDING THE USE, AWARDING, MONITORING AND REPORTING OF PROCUREMENT CONTRACTS**

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WHEREAS, the Long Island Power Authority (the "Authority") is required by Section 2879 of the Public Authorities Law to periodically review and adopt guidelines which detail the Authority's use, awarding, monitoring and reporting of Procurement Contracts and all other contracts; and

WHEREAS, the Authority has reviewed its existing Procurement Guidelines, and no modifications are required at this time;

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves and adopts the "Long Island Power Authority Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Procurement Contracts (May 28, 2009)" in the form presented at this meeting; and be it further

RESOLVED, that such Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Procurement Contracts are to be effective with respect to the use, awarding, monitoring and reporting of Procurement Contracts and all other contracts, as defined in such Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Procurement Contracts, entered into after the date hereof.

\* \* \*

The Acting Chairman then allowed public comment to be heard, after which he announced that the next Board meeting is scheduled for June 25, 2009 at 11:00 a.m. in Uniondale.

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

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**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 acquisition of property and securities.

\* \* \*

At approximately 12:17 p.m. the open session of the Board of Trustees was temporarily adjourned on motion into Executive Session to discuss a litigation matter and proposed acquisition of property and securities.

After noting that no votes were taken in the Executive Session, Acting Chairman Steinberg entertained a motion to adjourn, which was duly made and seconded, after which a quorum was no longer present at 12:50 p.m. with the meeting ended at 1:51 p.m.

Respectfully submitted,

Lynda Nicolino