

**LONG ISLAND POWER AUTHORITY**  
**MINUTES OF THE 176th MEETING**  
**HELD ON MAY 24, 2006**

Pursuant to notice dated May 17, 2006, the Long Island Power Authority (the "Authority") was convened for the one hundred and seventy-sixth time at 11:09 AM at the Omni Teleconference Center, in Uniondale, NY.

The following Trustees of the Authority were present:

**Richard M. Kessel, Chairman**  
**Howard Steinberg, Deputy Chairman**  
**Patrick Foye, Deputy Chairman**  
**Michael Affrunti**  
**Nancy A. Akeson**  
**Harvey Auerbach**  
**John Fabio**  
**James Herrmann**  
**Robert Maimoni**  
**Nancy Nugent**

Also representing the Authority were Stanley Klimberg, General Counsel, Edward Grilli, Chief of Staff, 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, Kenneth Kane, Controller, and Kathleen Stella, Secretary to the Board of Trustees.**

**Upon determining that a quorum was present, Chairman Kessel called the meeting to order. The Chairman stated that the first item on the agenda is approval of the minutes of the January 26, 2006 meeting of the Board of Trustees.**

**Trustee Nugent stated that she wished to correct the draft minutes of the January 26, 2006 meeting. She stated that contrary to the draft minutes, she agreed only in part with the comments of Trustee Fabio concerning the Ratepayer Protection Plan. She stated that she agreed with his support of the Solar Initiative, but noted that she supported the issuance of a \$35 rebate check. She indicated that she moves to modify the draft minutes to reflect this clarification.**

**Upon a motion duly made and seconded, the following resolution was approved, with Deputy Chairman Steinberg and Trustee Maimoni abstaining:**

**774. APPROVAL OF MODIFICATION OF DRAFT MINUTES OF JANUARY 26, 2006 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY**

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**RESOLVED, that the Draft Minutes of the meeting of the Authority held on January 26, 2006 are modified to reflect that Trustee Nugent agreed in part with the comments of Trustee Fabio concerning the Ratepayer Protection Plan, i.e., she agreed with his support of the Solar Initiative, but she supported the issuance of a \$35 rebate check.**

Upon a motion duly made and seconded, the following resolution was approved, with Deputy Chairman Steinberg and Trustee Maimoni abstaining:

**775. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JANUARY 26, 2006 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY**

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**RESOLVED**, that the Minutes of the meeting of the Authority held on January 26, 2006 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

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Chairman Kessel stated that the next item on the agenda is approval of the minutes of the March 8, 2006 meeting of the Board of Trustees. Upon a motion duly made and seconded, the following resolution was approved, with Deputy Chairman Steinberg abstaining:

**776. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MARCH 8, 2006 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 March 8, 2006 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

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Chairman Kessel stated that the next item on the agenda is approval of the minutes of the April 27, 2006 meeting of the Board of Trustees. Upon a motion duly made and seconded, the following resolution was approved, with Deputy Chairman Foye abstaining:

**777. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE  
APRIL 27, 2006 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 April 27, 2006 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.**

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**Chairman Kessel indicated that yesterday LIPA announced, along with KeySpan, Nassau and Suffolk Counties and various towns and businesses, that an Island-wide hurricane emergency drill will be held on June 2, 2006. The Chairman continued that this is important, since all of the predictions are for an extremely active hurricane season this year. He added that he thinks that America learned much from the experiences of Hurricanes Katrina and Rita, and there is a lot to do to be prepared for this summer.**

**Chairman Kessel stated that he wants to commend Mr. Cunningham, Ms. Schwantner, who is LIPA's Director of Communication Services and Special Events, and all of the other staff at LIPA who are working on this critical exercise. The Chairman continued that this could be the most important exercise of its kind on Long Island, because ultimately this could protect health, safety and lives in the event of a hurricane or another emergency. He indicated that**

LIPA will be coordinating the drill with KeySpan and Nassau and Suffolk Counties.

Chairman Kessel stated that he wants to commend County Executives Levy and Suozzi for their participation. The Chairman continued that their emergency facilities will be open, operating and coordinating during this event, along with the facilities of many towns and municipalities. He indicated that he spoke with many of the town supervisors in Nassau and Suffolk Counties, including Steve Bellone of Babylon, John Venditto of Oyster Bay, Kate Murray of Hempstead, Jon Kaiman of North Hempstead and Frank Petrone of Huntington, and all of their towns will be participating in the drill as well.

Chairman Kessel stated that LIPA is asking the public to participate by voluntarily reducing their energy consumption as much as possible between the hours of noon and 3:00 p.m. on Friday, June 2, 2006. The Chairman continued that LIPA would need people to cut back on electric consumption quickly in the event of an emergency. He indicated that LIPA had to do this the day after the blackout several years ago.

Chairman Kessel stated that at the time of the blackout Governor Pataki informed LIPA that if LIPA did not reduce consumption, there would have been a recurring blackout, because there would have been insufficient generation to supply all of the customers that were restored so quickly. The Chairman continued that the public responded by reducing consumption by approximately four and five hundred megawatts in a matter of hours, which saved the day for

Long Island. He indicated that this could occur again, and it could come in the form of a terrorist attack, a blackout or a hurricane.

Chairman Kessel stated that LIPA has mailed letters regarding hurricane preparedness, and including magnets, to every LIPA customer. The letters list supplies needed by customers should they lose power for a considerable amount of time. The Chairman continued that LIPA is also asking its customers next Friday to go through that checklist in their home or their business to make sure, for instance, that they have necessary supplies such as bottled water, canned foods, a manual can opener, flashlight, portable radio, fresh batteries and other items. He added that they should store important papers in a metal box or boxes, and they should know where to take them if necessary, and that they should have an evacuation plan for themselves and their pets.

Chairman Kessel stated that he wants to indicate to the Board that a number of businesses on Long Island are participating in the drill, including King Kullen, Allstate, and a number of the animal shelters. The Chairman continued that non-profit groups, such as the Health and Welfare Council, the Community Development Corporation, and a whole host of other businesses are participating in this drill. He added that this is the first time LIPA has done a drill in which it has asked people to go beyond reducing consumption to actually preparing for the possibility of a hurricane.

Chairman Kessel stated that he urges everyone on the Board not only to participate, but to encourage large groups with which they are affiliated to

participate. The Chairman continued that this is critically important to Long Island, and although it does not mean much until the emergency happens, LIPA does not want to see the same things that happened with Katrina in terms of response. He added that he commends LIPA and KeySpan for putting this drill together.

Deputy Chairman Foye asked whether someone on the LIPA staff would send an e-mail to the Board concerning this drill, so that the Board members can notify the not-for-profit and other groups that they are affiliated with. Chairman Kessel indicated that this would be very helpful.

Chairman Kessel stated that the media has a real responsibility not just to cover the event, but to promote it. The Chairman continued that it is a public service to Long Island, and he wants to commend News 12 and Cablevision, who will be promoting this. He added that the media should not be there only when the storm hits, and the media has an obligation to inform and to help to prepare the public.

Trustee Affrunti asked what the hours for the drill are. Chairman Kessel answered that the drill starts on June 2, 2006, at 8:30 a.m. and lasts through 3:00 p.m., although the major components of the drill occur in the morning. The Chairman added that the hours for reducing electric consumption are noon to 3:00 p.m., and the hurricane "I'm Ready" checklist portion is all day.

Chairman Kessel stated that emergency preparedness was first started by Governor Pataki three years ago, and he came to Long Island the last two years to announce these drills. The Chairman indicated that this year, LIPA added the hurricane "I'm Ready" component, and LIPA mailed out approximately one million magnets. He added that he cannot emphasize enough the importance of everyone being ready for a hurricane, and LIPA, KeySpan and the government can only do so much.

Deputy Chairman Steinberg asked whether LIPA separately tracks the costs of having to deal with these major events. Chairman Kessel responded affirmatively.

Chairman Kessel stated that at the next Board meeting LIPA staff will offer a briefing concerning LIPA's summer preparedness, and generally LIPA is in very good shape. The Chairman continued that LIPA is in better shape supply-wise than most of the rest of the State. He indicated that he wants to commend Mr. Hulkower, Mr. Hervey and the LIPA and KeySpan staff who have worked very closely together to make sure that all of the plants have been serviced and ready.

Chairman Kessel stated that LIPA does not expect big usage over the Memorial Day weekend, but all you need is two or three days in a row of high 90's temperatures and high humidity, and the demand could be pushing 5,800 megawatts, which is extraordinary. The Chairman continued that LIPA set records last summer when it was not that hot, and LIPA is ready for such conditions. He noted that since LIPA acquired LILCO, Long Island has gone from

being the second worst region in the country in terms of supply and demand, to one of the best in the country, with more than 1,100 megawatts have been added to the system.

Chairman Kessel stated that LIPA now has more than 6,100 megawatts available, while just a few years ago LIPA barely had 5,000 megawatts available. The Chairman continued that this is due to the great work of professional people, and you want professionalism in planning, developing and running the electric system on Long Island. He added that he wants to assure the Board that LIPA is ready for this summer, and LIPA staff will provide a further update with some specific numbers, either at or before the next meeting.

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

Mr. Hulkower reported that in addition to increasing the supply of electricity, LIPA also added nearly 300 megawatts in terms of demand management, which LIPA can turn or ratchet down at a moment's notice. He indicated that he will give a report on reliability and the Newbridge Connector Project at the end of the meeting, in addition to this report.

Mr. Hulkower reported that LIPA is running behind schedule for the year with respect to Sales Marketing Load and Revenue Growth and Retention. He continued that to date LIPA has added 9.78 megawatts against a goal of 12.26,

and LIPA has seen a slow start to the year. He indicated that he is focusing on catching up on this.

Mr. Hulkower reported that with respect to LIPA's Clean Energy Initiatives, LIPA is slightly ahead of the year-to-date target for Coincident Peak Reduction Megawatts, with an actual reduction of 6.5 megawatts against a goal of about 6.4 megawatts. He continued that a large part of that reduction is due to "Lighting and Appliances", which continues to be a very strong program for LIPA.

Mr. Hulkower reported that with respect to LIPA's Customer Care Programs, the number of balanced billing accounts continues to increase, and LIPA has almost 400,000 now. He indicated that LIPA is short of its current goal of 408,000, but LIPA is making progress. He added that with respect to the e-News notification program, LIPA has 85,000 subscribers, against a current goal of 77,000, and he is pleased with the progress.

Deputy Chairman Foye asked whether most e-News subscribers are also electronic bill payers. Mr. Hulkower answered that it is a mix and most are electronic bill payers. He continued that LIPA has some customers who pay electronically but still like to receive the paper bill. Mr. Germano added that the whole idea is to get customers comfortable with the electronic medium, so LIPA tried to get involved with e-News and to do electronic transactions.

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

**Ms. McCarthy reported that for the four months ended April 30, 2006, LIPA's revenues over expenses are significantly over budget by \$83 million, driven by lower than budgeted commodity costs.**

**Ms. McCarthy reported that LIPA's revenues and sales are approximately three percent under the budget for the year, or \$35 million. She continued that sales are behind budget due to the impact of the very mild weather for the first four months of this year, as well as to lower than expected growth both on the residential and commercial side.**

**Ms. McCarthy reported that fuel and purchased power costs are fourteen percent or \$89 million below budget. She continued that approximately eighty percent or \$70 million is a result of lower commodity costs, and the remainder is a result of the lower than budgeted bundled sales. She added that from a commodity perspective, this has been driven by the lower than budgeted natural gas prices, and LIPA has been able to utilize gas in the plants and take advantage of the lower prices.**

**Ms. McCarthy reported that year-to-date Operations and Maintenance Expenses are approximately seven percent below budget, attributable to the impact of the amended MSA that LIPA negotiated with KeySpan earlier this year. She indicated that this is also attributable to timing related to capital versus operating expenses in that area, and timing related to the clean energy expenditures.**

Deputy Chairman Steinberg asked whether this great result of the new agreement will be recurring. Ms. McCarthy reported that the expectation for the year is that Operations and Maintenance Expenses will come in around \$15 to \$16 million below the original budget as a result of the amended MSA, assuming it is approved.

Chairman Kessel asked whether that reduction would grow over the next two years and then recur. Ms. McCarthy answered that is correct. She indicated that it would grow by approximately \$10 million in 2007 and another \$10 million in 2008, and then be at an approximate total of \$34 to \$35 million each year thereafter.

Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution to approve the designation of certain firms to serve as underwriters, swap counterparties, and members of the security selling group, on behalf of the Authority and its subsidiary, LIPA, for a period of four years, and authorizing the Chairman or the Chief Financial Officer to negotiate and enter into appropriate agreements related to such services on an as-needed basis. The Chairman continued that the Authority has determined that there is a need to engage the services of investment bankers, underwriters, swap counterparties and securities selling group members in connection with various financings to be undertaken by the Authority to finance its ongoing capital program, refinance existing Authority debt and other authorized purposes. He added that the

Authority issued a Request for Proposals (RFP) on April 18, 2006 for the purpose of selecting a pool of qualified firms to provide such services.

Chairman Kessel stated that the RFP indicated that the selected underwriters would be divided into potentially three groups: senior managers, co-managers, and a selling group. The Chairman continued that all underwriters selected could serve as swap counterparties, and proposers were asked to indicate their interest in serving as each.

Chairman Kessel stated that on May 9, 2006, thirty-five firms responded to the RFP, and a Selection Committee comprised of LIPA staff members carefully examined each proposal. The Chairman continued that the Selection Committee first reviewed the proposals for compliance with the terms of the RFP and then evaluated the qualifying proposals against the criteria set forth in the RFP, and based on the committee's evaluation of the proposals, it conducted interviews of the top-qualifying firms. He indicated that based on the written submissions, the interviews and an assessment of the Authority's needs, the Selection Committee concluded that the pool of investment bankers that are set forth in the resolution possess the skills and experience necessary to fulfill those needs.

Chairman Kessel stated that the firms selected as Senior Managing Underwriters offer the Authority broad-based experience with large public power clients, and they have demonstrated superior understanding of the Authority's financing transactions and presented high-quality ideas related thereto.

Trustee Affrunti asked whether this is required by the Public Authorities Accountability Act. Chairman Kessel answered that it is not mandated, but rather the Authority intends to make sure that the selection of underwriters, which is sometimes controversial, is done competitively on a rotating, but regular basis.

Upon a motion duly made and seconded, the following motion was approved, with Deputy Chairmen Steinberg and Foye abstaining:

**778. SELECTION OF FIRMS TO SERVE AS UNDERWRITERS, SWAP COUNTERPARTIES AND MEMBERS OF A SECURITIES SELLING GROUP TO THE AUTHORITY, AND AUTHORIZATION OF THE CHAIRMAN OR THE CHIEF FINANCIAL OFFICER TO NEGOTIATE AND ENTER INTO APPROPRIATE AGREEMENTS WITH RESPECT THERETO, AS NEEDED**

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**WHEREAS the Long Island Power Authority (the “Authority”) was created by Title1-A, Article 5 of the Public Authorities Law and is governed by the provisions contained in Public Authorities Law Section 1020 et seq., known as the LIPA Act (the “Act”); and**

**WHEREAS, the Act empowers the Authority, among other things, to issue bonds and use financial derivatives for any purpose authorized thereby; and**

**WHEREAS, the Authority deems it necessary and desirable to engage the services of investment bankers, underwriters, swap counterparties and securities selling group members in connection with various financings to be undertaken by the Authority to finance its capital program and/or refinance existing debt; and**

**WHEREAS, on April 18, 2006, the Authority issued a Request for Proposals (“RFP”) for Underwriting, Swap Counterparty and Investment Banking Services; and**

**WHEREAS, the Authority’s staff and advisors have reviewed the proposals received in response to the RFP, interviewed certain of the firms and discussed its recommendations for selection of Senior Managing and Co-Managing Underwriters, Swap Counterparties and Securities Selling Group Members with the Board of Trustees; and**

**WHEREAS, firms selected through the April 2006 RFP process are eligible to serve for a period of four years, at the discretion of the Authority; and**

**WHEREAS, the Board of Trustees desires to select, and to authorize the Chairman or the Chief Financial Officer to negotiate and enter into appropriate agreements with firms to provide investment banking, underwriting, swap counterparty and securities selling group member services to the Authority from time to time;**

**NOW, THEREFORE, BE IT RESOLVED, that the following firms are hereby selected as the Authority's Senior Managing Underwriters:**

**Citigroup Global Markets  
Goldman, Sachs & Co.  
Lehman Brothers  
Morgan Stanley  
UBS Securities LLC**

**BE IT FURTHER RESOLVED, that the following firms are hereby selected as the Authority's Co-Managing Underwriters:**

**A.G. Edwards & Sons, Inc.  
Banc of America Securities LLC  
First Albany Capital Inc.  
First Southwest Company  
Loop Capital Markets, LLC  
Ramirez & Co., Inc.  
RBC Capital Markets  
Roosevelt & Cross Incorporated  
Siebert Branford Shank & Co., LLC**

**BE IT FURTHER RESOLVED, that the following firms are hereby selected as the Authority's Special Co-Managing Underwriters:**

**JP Morgan Chase & Co.  
Merrill Lynch & Co.**

**BE IT FURTHER RESOLVED, that the following firms are hereby selected as members of the Authority's Securities Selling Group:**

**Janney Montgomery Scott, LLC  
M.R. Beal & Company  
Piper Jaffray & Co.  
Raymond James & Associates, Inc.  
Ryan Beck & Co.**

**BE IT FURTHER RESOLVED, that the following firms are hereby selected as Swap Counterparties:**

**Citigroup Global Markets  
Goldman, Sachs & Co.  
JP Morgan Chase & Co.**

**Lehman Brothers  
Merrill Lynch & Co.  
Morgan Stanley  
RBC Capital Markets  
UBS Securities LLC  
Wachovia Bank, NA**

**BE IT FURTHER RESOLVED, that the Chairman of the Board of Trustees and the Chief Financial Officer are each hereby authorized to negotiate and enter into any contracts or other agreements necessary from time to time to engage or designate the services of the underwriters, swap counterparties and securities selling group members selected by the Authority herein, and to take such other and further actions as the Chairman or the Chief Financial Officer deems necessary for the purpose of effectuating this resolution and assuring that such services are provided to the Authority, all upon such terms and conditions, including appropriate underwriting compensation, as the Chairman or the Chief Financial Officer determines to be appropriate and in the best interests of the Authority and LIPA.**

**BE IT FURTHER RESOLVED, that this resolution shall take effect immediately.**

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**Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution to adopt Guidelines Regarding Property Disposition Contracts and Guidelines Regarding Property Acquisition Contracts. The Chairman continued that the Authority has existing guidelines regarding the use, awarding, monitoring and reporting of contracts for both the disposition and acquisition of real and personal property. He added that the proposed Property Disposition Guidelines and the proposed Property Acquisition Guidelines, if adopted, will separate such guidelines into individual guidelines governing disposition of property and acquisition of property, and in the case of the new Property Disposition Guidelines, make amendments to conform to the requirements of the newly enacted Section 2896 of the Public Authorities Law.**

Chairman Kessel stated that each of the proposed Guidelines provides that there will be a Contracting Officer appointed by the Trustees who will be responsible for the supervision and direction over the custody, control and disposition or acquisition of property and responsible for the Authority's compliance with, and enforcement of, the Guidelines. The Chairman continued that the proposed Property Disposition Guidelines track language from Section 2896 of the Public Authorities Law, and consistent with that section, the guidelines are required to be annually reviewed and approved by the Trustees. He added that the Authority is also required to file annually with the State Comptroller a copy of the most recently reviewed and adopted Property Disposition Guidelines and post such guidelines on the Authority's website.

Chairman Kessel stated that the proposed Property Acquisition Guidelines have not been substantively changed from the Authority's existing guidelines.

Deputy Chairman Foye stated that a small number of Trustees were on a telephone call yesterday for a briefing relating to this matter, which was very helpful, and he believes that this is a good thing for the Board to adopt. He asked whether the suggestions made or things discussed during the conference call were incorporated in the Guidelines, regarding actual or potential abuses that may have occurred in connection with other authorities, such as not relying solely on the Contract Reporter for publication. Mr. Klimberg answered that LIPA will be adopting specific procedures to implement these guidelines, but those procedures have not been reflected in these guidelines to date.

Deputy Chairman Foye stated that it is important that LIPA comply with the legal requirements, but LIPA ought to go further and publicize as much as possible, as an example, not only in the Contract Reporter, but in other ways on a cost effective basis, if LIPA does sell property so that LIPA gets the best price and the public is assured that some of the abuses that may have occurred regarding the Erie Canal and other situations do not occur here. Mr. Klimberg responded that LIPA will definitely do that. Chairman Kessel stated that it is a very good idea, and copies of the policies and procedures ought to be sent to the Board before they are formalized.

Chairman Kessel asked whether the policies and procedures need to be put out for public comment. Mr. Klimberg responded no.

Deputy Chairman Foye indicated that, as he understands it, no single LIPA employee would have the right to direct the sale of any property, however small. Mr. Klimberg stated that is correct. He continued that the guidelines specify that two or more executives are responsible for approving dispositions of property at different value levels.

Chairman Kessel stated that it is important to note that any major properties are subject to the Board's input and approval. The Chairman continued that he thinks the Authority is trying to not just meet the requirements of the new Public Authorities Law, but also to go beyond that for disclosure.

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

**779. APPROVAL OF LONG ISLAND POWER AUTHORITY GUIDELINES  
REGARDING PROPERTY DISPOSITION AND ACQUISITION CONTRACTS**

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**WHEREAS, pursuant to recently enacted changes in law, the Long Island Power Authority (the "Authority") is required by Section 2896 of the Public Authorities Law to adopt by resolution comprehensive guidelines, to be annually reviewed and approved by the Trustees of the Authority, regarding the use, awarding, monitoring and reporting of contracts for the disposal of real and personal property;**

**WHEREAS, the Authority has existing guidelines regarding the use, awarding, monitoring and reporting of contracts for both the disposition and the acquisition of real and personal property;**

**WHEREAS, the Authority has determined to amend such existing guidelines as they relate to the disposition of property to conform to the requirements of the newly enacted Section 2896 of the Public Authorities Law and as they relate to the acquisition of property, and to separately adopt guidelines regarding property disposition contracts and guidelines regarding property acquisition contracts;**

**NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves and adopts the "Long Island Power Authority Guidelines Regarding Property Disposition Contracts" and the "Long Island Power Authority Guidelines Regarding Property Acquisition Contracts" in the forms presented at this meeting; and be it further**

**RESOLVED, that the Contracting Officer for the Guidelines Regarding Property Disposition Contracts and Guidelines Regarding Property Acquisition Contracts shall be the Authority's Chief Operating Officer; and be it further**

**RESOLVED, that such Guidelines Regarding Property Disposition Contracts and Guidelines Regarding Property Acquisition Contracts are to be effective with respect to the use, awarding, monitoring and reporting of all Property Disposition Contracts and Property Acquisition Contracts, as defined in such Guidelines Regarding Disposition Contracts and Guidelines Regarding Property Acquisition Contracts, respectively, entered into after the date hereof.  
Insert Property Guidelines Resolution**

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Chairman Kessel requested that Mr. Hulkower offer a brief report to the Board on LIPA's electrical system performance, as well as a quick update on the Newbridge Connector Cable Project.

Mr. Hulkower reported that the system has shown steady improvement in 2005 over the past three-year average. He continued that with respect to reliability statistics concerning frequency and duration of outages, LIPA improved in SAIFI, CAIDI and SAIDI, and LIPA's MAIFI also improved by fourteen percent to a record low level of less than five momentary interruptions per customer per year. He added that LIPA is in the first quartile for all three major indices in the national rankings, and in New York, LIPA was first in CAIDI and second in SAIFI, compared to all overhead New York State utilities.

Chairman Kessel stated that these accomplishments are critically important to LIPA's customers. The Chairman continued that these numbers are extraordinary, and it is important to note that if you look at where the electric system on Long Island was under LILCO, and you look at where it is today in comparison to where other utilities are today, LIPA's reliability is extraordinary. He added that the bottom line is that reliability and cost are what are critically important to LIPA's customers.

Chairman Kessel stated that it is very easy to go through a presentation and say that the frequency of interruptions improved, but LIPA is in the first quartile for all major indices in national rankings, and first in the State in CAIDI and SAIDI. The Chairman continued that this takes real work, planning, money,

investment and intelligence, which is what is important. He indicated that he does not want to gloss over this, and this is something that is not reported, because it does not sell newspapers.

Deputy Chairman Steinberg stated that the Trustees are also customers, and speaking as a customer, when he joined this Board several years ago he did not think that his service was so terrific, but he has seen a dramatic improvement in the frequency of outages, the responses to storms and in other areas. He indicated that there is nothing like seeing it first hand as a customer.

Trustee Fabio stated that he could not agree more with the Chairman's comments. He asked how LIPA may get information to the public and in the public forum, since it is obviously no secret, and since LIPA has taken a couple of knocks in the press of late. He added that he thinks that it is appropriate for LIPA to get this type of information out, and he would like to see this information in an advertisement for LIPA in some way, so that the public can understand and appreciate what LIPA has done here.

Chairman Kessel stated that LIPA will do that, but part of the problem is that when LIPA spends money on advertising, LIPA gets criticized for that. The Chairman continued that there is no media covering this meeting, because this is not sexy, and it does not sell newspapers.

Trustee Fabio stated that it does not prevent LIPA from still putting it out there for the public. Chairman Kessel responded that LIPA will attempt to do that.

Mr. Hulkower reported that with respect to LIPA's monthly average on the SAIFI, which is calculated on a twelve-month rolling average, LIPA ended at 14.4 at the end of 2004 with respect to the months between interruptions for customers. He continued that at the end of 2005, LIPA ended at 14.1. He added that some above average heat storm activity in the summer of 2005 lowered LIPA's numbers a bit.

Mr. Hulkower reported that there are some new arrangements that LIPA structured with KeySpan under the revised MSA. He continued that LIPA and KeySpan are operating under this agreement. He indicated that improving reliability is always good, but it comes at a cost, and LIPA thinks that it has found the right place on the curve for the cost-benefit tradeoff with reliability.

Mr. Hulkower reported that with respect to LIPA's CAIDI, Long Island did have three major storms. He continued that even though major storms are excluded, there is always a lot of fallout, and the system takes a beating afterwards. He added that even after Long Island recovers from a major storm, there will be some residual effect on the system.

Mr. Hulkower reported that SAIDI is the product of multiplying the frequency of outages by the duration of outages. He continued that LIPA is at fifty-five minutes at this point, which is a good target.

Mr. Hulkower reported that with respect to the source of outages, transmission and substation related outages showed a sixteen percent improvement from 2005 to 2006, with a reduction of 18,000 outages. Mr. Hulkower reported that with respect to the transmission and substation related interruptions, the 94,000 outages were the lowest since 1998, and there have only been four better years since 1964. He continued that with respect to distribution related interruptions, LIPA saw a five-percent increase. He added that much of that is attributable to the higher storm load, noting that LIPA had a high number of storms in 2005 that had a residual effect on the system. He also indicated that there were an extraordinary number of motor vehicle accidents last year that led to distribution related interruptions.

Mr. Hulkower reported that with respect to overloads due to heat storms, LIPA's peak day was not an exceptionally hot day. He noted that across the whole summer, LIPA had a sustained load, and the transformers never got a chance to cool down. He indicated that there was one transformer that failed, and that alone accounted for 12,000 outages.

Mr. Hulkower reported that in 2005 LIPA experienced seventeen storms, and on average from 1999 to 2002 LIPA experienced fifteen storms. He indicated that the years 2003 and 2004 were slightly better with only fourteen storms, and this all plays into LIPA's reliability results as of the end of the year. He noted that in 2004 to 2005, no other New York State utility improved regarding their CAIDI and duration of outages, and a few of them got much worse.

Deputy Chairman Steinberg asked why Con Edison was not represented on the chart comparing LIPA's reliability statistics with other utilities. Mr. Hulkower answered that LIPA compares itself to the overhead utilities, and Con Ed has an underground system, which really is exposed to a different level of interruptions. He continued that it is a more reliable system, and it is also a networked system where, if they have a failure at one cable, the supply is automatically fed from another cable. He indicated that LIPA's system is wired completely differently, so it is not a fair basis of comparison.

Mr. Hulkower stated that you can see that in 2004, LIPA was first with respect to SAIFI, and in 2005 LIPA was second. He indicated that LIPA's SAIFI numbers were consistent, but Rochester Gas and Electric did have a considerable improvement for that period of time.

Mr. Hulkower stated that with respect to LIPA's reliability programs, the Circuit Improvement Program has been in place for ten years, and that has targeted the worst performing circuits. He continued that it has yielded a sixty percent improvement in reliability for these targeted circuits. He indicated that the Tree Trim Program, the Automatic Sectionalizing Unit Program and the Exit Cable Replacement Program have accounted for a reduction of almost four million outages over an eleven-year period, which is better than 300,000 outages per year.

Mr. Hulkower reported that the other program that has been very helpful is the Microprocessor Controlled Relay Program, which has reduced LIPA's MAIFI

from 12.5 to 4.9 momentary interruptions over the last ten years, and he is very pleased with the performance of that program. He indicated that with respect to LIPA's Pole Inspection Program, LIPA continues to replace poles as necessary, and LIPA is helped by some of its customers who send samples of poles to LIPA that they think need to be replaced.

Mr. Hulkower reported that LIPA has been driving down over the last several years the spending on its reliability capital budget as LIPA has become more effective. He continued that LIPA is in a good place concerning the cost benefit ratio on the capital expenditures. He indicated that LIPA will continue to try and push that down going forward.

Deputy Chairman Steinberg asked whether this would have an adverse effect on reliability. Mr. Hulkower answered that it will not have an adverse effect. He indicated that LIPA is trying to stay within certain bandwidths, and there will be a natural variation just due to weather, but LIPA is trying. He added that LIPA does not want this to climb, but spending a lot more money will not obtain considerable improvements, and LIPA will not let its reliability go down.

Deputy Chairman Steinberg asked whether there are steps that LIPA could be taking if it wanted to significantly improve reliability. Mr. Hulkower answered that the next level of reliability would require billions of dollars of capital. He added that this would probably be a twenty-year program on the order of ten to twenty billion dollars, a lot of it would be networking, and it would be a matter of undergrounding parts of the system as well.

Deputy Chairman Steinberg asked whether there are steps that LIPA could be taking at some reasonable cost that would take LIPA to another level, other than dramatically changing the distribution system itself, like undergrounding. Mr. Hulkower answered that LIPA is doing all that is reasonable and prudent. Deputy Chairman Steinberg stated that he thinks that LIPA has made dramatic improvements, but he is not so sure that LIPA should be completely satisfied. Mr. Hulkower indicated that he can come back to the Board with another presentation on that issue.

Mr. Hulkower reported that in 2006 through the end of April, there have been 42,000 fewer outages, compared with the same period in 2005. He continued that there were four winter storms in 2006 which had a negative impact on reliability, and overall LIPA is doing very well. He indicated that LIPA is looking at some target and reliability programs, and LIPA has actually done some work in the Port Washington Peninsula and some undergrounding of problematic circuits in Great Neck, which has really helped. Deputy Chairman Foye stated that there is a real perception that service is better, and the people appreciate it. He indicated that as a resident of that part of the Nassau County, he does too.

Mr. Hulkower reported that there was a concern that was raised that Port Washington was particularly bad, and when LIPA stepped back and asked for an analysis of the "Pier Peninsulas", which include Port Washington, Great Neck, Oyster Bay, and some of the other areas, the conclusion was that Port Washington in particular had some problems. He added that there were some

problem areas in Great Neck as well, and as a result of that LIPA targeted some of their programs.

Chairman Kessel stated that the improvements are noticeable. He indicated that he has heard from a lot of people from those locations about the improvements, including one of LIPA's critics regarding service. He commended Mr. Hulkower for his great work there and on other parts of the system.

Mr. Hulkower reported that LIPA is beginning to develop a Multiple Interruption Program, and while LIPA's average statistics are very good, one of the problems that LIPA faces is that some circuits and some customers experience a lot of momentary outages. Deputy Chairman Foye asked whether LIPA has systems in place now to focus on that. Mr. Hulkower answered yes.

Mr. Hulkower reported that, in summary, LIPA's reliability has seen improvement overall in the three-year average, and transmission and substation related customer interruptions improved by sixteen percent over that period. He indicated that LIPA is well-positioned to keep moving forward.

Trustee Nugent asked whether the increase in motor vehicle incidents is a function of more motor vehicle accidents, or whether there has there been an analysis of the spacing of poles, and whether the replacement poles are of a different material that would cause outages. Mr. Hulkower answered that one of the things that LIPA looks at is if a pole location has been hit multiple times. He indicated that LIPA will look to move the pole in that case because that obviously

suggests there is a problem with that intersection or that stretch of road. He added that it is hard to say what causes the variability in motor vehicle accidents from one year to the next, and LIPA does take a look at that, but LIPA has not yet been able to draw any firm conclusions.

Trustee Nugent stated that she imagines LIPA will be able to take a look at the number of motor vehicle accidents and examine whether the involvement with LIPA is greater than that gross number used to be. Mr. Hulkower indicated that he would pull together all of the statistics.

Deputy Chairman Steinberg stated that he thinks LIPA's reliability capital budget is very reasonable relative to LIPA's overall financial position, and he would be very careful about having a priority to drive that budget down, because the reliability of this system is very important. He continued that he knows that everybody is focused on cost containment and so forth, but he is not sure that this is what LIPA really ought to be cutting.

Chairman Kessel stated that he tends to agree, and he will talk with Mr. Hulkower and Mr. Hervey, and LIPA's capital planning people to take another look at that.

Mr. Hulkower reported that the Newbridge Connector Project is associated with the Neptune Cable, and LIPA is doing this project because the Neptune Cable, which is coming from New Jersey across New York Harbor, and then up the Wantagh Parkway, is a 67-mile, DC cable which ultimately will come up the

Wantagh Parkway and then into the Duffy Avenue Converter Station. He continued that from there, Neptune is responsible for bringing that power at 138kV, AC, down to LIPA's substation at Newbridge Road. He added that LIPA then has to make major upgrades at the Newbridge Road Substation.

Mr. Hulkower reported that the project consists of thirteen miles of solid dielectric cable, which goes four miles west to the East Garden City Substation and nine miles east to the Newbridge Road Substation and to the Ruland Road Substation from Newbridge. He continued that it will be installed to support the Neptune high voltage DC connection, and the Article VII application was approved in November of 2005. He added that the contractor, LS Cable, is being supported by Hawkeye Construction, and they mobilized in February of 2006.

Mr. Hulkower reported that this project will be completed by December of 2006. He indicated that LS Cable is a Korean manufacturer, and this is the first major project that LS Cable is doing for LIPA. He added that the reels are fourteen feet in diameter and are over nine feet wide, and LIPA can only fit about 1,600 feet of cable onto each of these.

Deputy Chairman Foye asked whether there is a program in place to test the quality of each reel as it arrives. Mr. Hulkower answered that they are proof-tested over in Korea, and then once they are installed they get an extensive testing period.

Deputy Chairman Foye asked what the total cost of the project is. Mr. Hulkower answered that the total cost of the project is about \$60 million.

Trustee Maimoni asked whether they supplied cable to other American companies. Mr. Hulkower answered that he is not sure if LS Cable supplied 345 kV cable in the U.S., but they have provided other cable in the U.S., and they have supplied 345 kV cable around the world.

Mr. Hulkower reported that that it is a solid dielectric cable, and it has XLPM installation which is a high-density, cross-link polyethylene, and it sits inside a jacket of plastic and aluminum that sits inside a conduit. He continued that the manholes are twenty-nine feet long, ten feet wide and ten feet high, and it actually comes in two parts. He added that the three conduits that LIPA is installing are at least three feet, six inches, and in some places they go as deep as twenty-five feet.

Mr. Hulkower reported that in addition to the conduits, LIPA is installing two sets of fiber optic cables alongside for control in the operation of the cables. He indicated that in numerous places LIPA had to directionally drill underneath the roadways, using one of the largest directional drilling rigs in the country.

Deputy Chairman Steinberg asked whether LIPA contracted out the road repair work. Mr. Hulkower responded that the entire project has been contracted out to LS Cable.

Deputy Chairman Steinberg asked whether they separately subcontract road repair. Mr. Hulkower responded that the bid was won by LS Cable, who then subcontracted a lot of the civil work to Hawkeye, and Hawkeye is doing most of the work. He indicated that they may subcontract some of the road repair work to another party, but LIPA and KeySpan watch the overall construction process to make sure it is all being done to LIPA's standards, and done and approved in accordance with the expectation of the counties and the towns.

Chairman Kessel stated that he welcomes Mr. Christopher Furlong, who began LIPA's Customer Service Operation. The Chairman continued that it is good to see him in the audience.

Chairman Kessel stated that Trustee Shuart has resigned from the Board, and he wishes him well. The Chairman continued that Trustee Shuart's health is better, but there is some way to go. He indicated that Trustee Shuart contributed a great deal to the Board in the short tenure that he was here, and he is an extraordinary guy.

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:

**780. 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 litigation and personnel matters.**

**\* \* \***

**At 12:14 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 12:57 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 12:58 p.m.**

**Respectfully submitted,**

**Stanley B. Klimberg**