

**LONG ISLAND POWER AUTHORITY
MINUTES OF THE 161st MEETING
HELD ON MAY 26, 2004**

Pursuant to notice dated May 24, 2004, the Long Island Power Authority (the "Authority") was convened for the one hundred and sixtieth time at 8:00 PM at the Suffolk Community College, Sagtikos Arts & Sciences Building Theater, Brentwood, NY.

The following Trustees of the Authority were present:

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

Also representing the Authority were Stanley Klimberg, General Counsel, Edward Grilli, Chief of Staff, Elizabeth McCarthy, Chief Financial Officer, Seth Hulkower, Chief Operating Officer, Richard Bolbrock, Vice President – Power

Markets, Bert Cunningham, Vice President – Communications, 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.

Chairman Kessel indicated that the first item on the agenda is the adoption of the minutes of the March 24, 2004 Board meeting.

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

680. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MARCH 24, 2004 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on March 24, 2004 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 the Operations Report, to be delivered by Mr. Hulkower.

Mr. Hulkower reported that LIPA projects that 35.99 MW of load will be added this year, against a goal of 41 MW. He continued that he expects the projection to catch up to the goal as the year passes.

Mr. Hulkower reported that major accounts started the year at a fast growth rate, and LIPA was halfway towards its goal by the end of April. He further reported that LIPA has 164 MW committed towards its demand response goals so far, against a goal of 382 MW.

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

Ms. McCarthy stated that LIPA is below budget by approximately \$24 million, while revenue and sales continue to be strong. She continued that sales growth in the residential area is now \$13 million in excess of budget, but fuel and purchased power costs continue to offset that gain.

Ms. McCarthy reported that operation and maintenance expenses are approximately \$14 million or 6 percent above budget for the first four months of the year. She continued that much of that amount is due to the timing of capital work, in relation to maintenance work. She added that part of the \$14 million is due to higher than expected property tax increases.

Ms. McCarthy reported that at the end of April, LIPA had approximately \$350 million in cash, which is \$100 million more than LIPA's targeted \$250 million rate stabilization fund. She added that LIPA's total outstanding commercial paper is \$200 million.

Deputy Chairman Foye asked what the target is for commercial paper outstanding. Ms. McCarthy answered that she expects it to be in the \$100 to \$150 million range by the end of the year.

Trustee Sinnreich asked whether the 17 percent reduction in general and administrative costs was the result of deliberate cuts by LIPA. Ms. McCarthy responded that much of it is related to timing issues in terms of when professional fees are incurred with respect to projects that did not begin as early as anticipated. Trustee Sinnreich asked whether LIPA expects to lose the cost reduction. Ms. McCarthy responded that LIPA expects to lose part of it.

Deputy Chairman Steinberg asked how much LIPA projects fuel and purchased power costs to be above budget for the balance of the year. Ms. McCarthy responded that currently LIPA has approximately \$50 million in fuel and purchased power costs deferred on the balance sheet, and LIPA is in the process of projecting fuel and purchased power costs for the remainder of the year, as compared to budget. Deputy Chairman Steinberg asked whether there may be an additional \$90 million for the balance of the year. Ms. McCarthy responded that potentially it may be an additional \$90 million or more, and LIPA is continuing to work on this issue.

Chairman Kessel stated that LIPA announced a broad-based energy plan for Long Island, which includes a number of projects. The Chairman continued that two of the projects are combined cycle 79.9 MW projects to be in service in 2005, and that there are also longer-term projects, including a line from New

Jersey to Long Island under the Atlantic Ocean, a 326 MW baseload project in Bellport, 75 MW of energy efficiency projects, and an offshore wind project between 100 and 140 MW.

Chairman Kessel indicated that Governor Pataki has given his full support for each of the projects associated with LIPA's energy plan. The Chairman continued that the Governor is excited that the energy plan encompasses all of his goals, including on-Island generation, new transmission to open up Long Island to the rest of the electric grid, demand reduction and energy efficiency, and renewable technology.

Chairman Kessel indicated that LIPA has held public hearings giving customers, interested Long Islanders and groups to come and speak their mind about any part of the energy plan. The Chairman stated that he urges the Board to continue to work with LIPA's staff on these important issues. He added that he is proud of the LIPA staff that worked on the plan, including Mr. Grilli, Mr. Klimberg, Ms. Barish-Strauss, Mr. Peterson and the rest of LIPA's staff and consultants who did such a great job.

Chairman Kessel stated that the Cross-Sound Cable is unavailable for use at this time by LIPA. The Chairman continued that Governor Pataki has asked LIPA to petition the federal government to reenergize the cable. He added that LIPA filed petitions with the Department of Energy (DOE) and Federal Energy Regulatory Commission (FERC) to try to get the cable energized for both short term emergency use and for regular operation. The Chairman noted that LIPA

discussed the issue with the staffs of both agencies prior to filing the petitions, and that he testified before Congress on the matter. He added that there has been pressure applied from a bipartisan group, including Congressmen Peter King and Steve Israel and Senators Charles Schumer and Hillary Clinton. He added that he hopes that one or both of the agencies acts quickly to authorize the energization of the cable.

Chairman Kessel stated that without the Cross-Sound Cable, LIPA is in a tight situation this summer, and rolling blackouts may occur if LIPA loses a large resource such as the Y-49 cable. The Chairman continued that in light of this situation, LIPA staff requests that the Board approve a resolution allowing LIPA to enter into agreements with General Electric to bring in about 80 MW of additional, truck-mounted generation that could be utilized in the event of an emergency this summer. Chairman Kessel stated there will be a number of days this summer during which LIPA will be in an emergency situation, which is why the cable is critical.

The Chairman continued that Connecticut's position is politically motivated. He added that the moratorium passed by the Connecticut legislature will make the cable unavailable for next summer as well, if LIPA is not granted relief.

Chairman Kessel stated that without the cable LIPA will have to purchase replacement fuel at much higher costs, and the rental of the generators will cost LIPA even more. The Chairman indicated that LIPA's customers will ultimately

pay for this, which will be a difficult situation. He thanked the Trustees for their support.

Chairman Kessel stated that the Cross-Sound Cable is a 330 MW resource, and it is one of LIPA's largest resources, which should be made available. The Chairman indicated that he believes FERC is very supportive on the issue of whether to protect the integrity of the nation's electric grid.

Deputy Chairman Steinberg asked whether the approval of both FERC and the DOE are necessary to energize the cable. Chairman Kessel responded that the DOE would allow LIPA to turn it on in an emergency situation, and FERC deals with the long term commercial operation of the cable. Deputy Chairman Steinberg asked whether FERC and DOE can authorize operation of the cable independently of each other. Chairman Kessel responded affirmatively.

Chairman Kessel emphasized that operation of the cable is important for financial reasons. The Chairman continued that DOE approval does not resolve the financial crisis on normal days, and FERC relief is significant because it is long-term. He thanked Mr. Klimberg, his legal team and the Governor's Office for their great job in preparing the FERC and DOE petitions.

Deputy Chairman Steinberg asked whether the DOE and FERC have to issue a decision within a specified period after the comment period ends. Mr. Klimberg answered that they do not, but he expects they will act promptly considering their procedural requirements. Deputy Chairman Steinberg asked

when LIPA may hear from DOE and FERC. Mr. Klimberg responded within approximately one month.

Chairman Kessel stated that the next item on the agenda is Board consideration of a proposal to adopt a resolution approving the selection of two combined cycle projects received in response to the Summer 2005 RFP: the 79.9 MW Pinelawn Combined Cycle Power Plant proposed by Pinelawn Power and the 79.9 MW Bethpage 3 Energy Center Combined Cycle Project proposed by Calpine. He added that the Trustees are also requested to authorize the Chairman or his designee to negotiate power purchase agreements with both Pinelawn Power, LLC and Calpine Corporation or its affiliates.

Chairman Kessel stated that LIPA's staff projects a need for an additional 116 MW to meet the energy needs in the LIPA service area by the summer of 2005, and to prevent Long Island's generating capacity from slipping below prudent levels in future years. The Chairman continued that the shortfall assumes the operation of the 330 MW Cross-Sound Cable.

Chairman Kessel stated that LIPA issued an RFP on February 23, 2004 seeking proposals to provide power from new on-Island combined cycle electric generating facilities to be available in the summer of 2005, and the RFP was distributed to over 170 developers. The Chairman continued that LIPA received 15 proposals, which were evaluated by a selection committee consisting of an interdisciplinary group of experts from LIPA staff and consultants. He added that

the selection committee has concluded that the Pinelawn Power Project and Bethpage 3 Project are the two projects that best met the terms of the RFP.

Chairman Kessel stated that Pinelawn Power has proposed the siting, installation and operation of a 79.9 MW General Electric LM6000 combustion turbine, once through steam generator and other associated equipment to be located on property owned by the Town of Babylon. The Chairman continued that the facility would permit LIPA to use the plant's capacity, energy and ancillary services to meet Long Island's load and, where appropriate, to bid such capacity, energy and ancillary services into the New York ISO markets. He indicated that payments under the PPA to be negotiated will be based on charges that will be mutually agreed upon by LIPA and Pinelawn.

Chairman Kessel stated that he is pleased to announce that the Town of Babylon intends to serve as lead agency under SEQRA for this project. The Chairman indicated that the environmental review under SEQRA must be completed before LIPA makes any commitments to proceed.

Chairman Kessel stated that Calpine has proposed the siting, installation and operation of a 79.9 MW General Electric LM6000 combustion turbine, which will be adjacent to its existing power plant in the Town of Oyster Bay. The Chairman continued that Calpine will convey the approximately 1.7 acre project site to LIPA, which in turn will lease the site to Calpine for construction of the facility.

The Chairman asked Mr. Grilli to offer further remarks on this matter. Mr. Grilli stated that LIPA issued an RFP in February for 79.9 MW of combined cycle generation, and LIPA received 15 responses, most of which were extremely competitive. He continued that LIPA's team of internal staff and consultants narrowed the field and eventually chose two finalists, namely Calpine and Pinelawn. He added that the projects have wide community support, and LIPA's staff recommends that LIPA go forward with both the Pinelawn project and Calpine project for 2005.

Mr. Grilli indicated that the projects have a different construction cycle than the single cycle units, so that LIPA has a more lengthy lead time for these combined cycle units. He continued that it is important for developers to have assurances that LIPA is serious about going forward before expending money. He indicated that there will be liquidated damage clauses associated with the projects, whereby the developers will pay LIPA if they miss certain milestones.

Trustee Fabio asked whether LIPA staff is confident that the units can be brought on-line as projected. Mr. Grilli responded that both developers have proven track records, and Calpine previously constructed an LM6000 on an adjacent property in record time. He stated that Pinelawn has the benefit of using a contractor that has been ahead of schedule in constructing the Freeport project and that has the manpower and the best opportunity to make the commercial operation date by next summer.

Chairman Kessel stated that Governor Pataki has directed his staff and other involved agencies to work with LIPA to ensure completion of the projects. The Chairman stated that having the administration's support and expediting the process will get the projects done on time.

Deputy Chairman Foye asked what the effect on rates will be. Mr. Grilli answered that the pressure on rates will be approximately \$25 million each year. Chairman Kessel stated that some of the costs will be offset by higher sales.

Mr. Grilli stated that these units will be the most efficient on the Island. He indicated that the new units will have superior performance to the units installed in 2002, and the new units are better than most of the units KeySpan operates.

Chairman Kessel stated it is important to note that the units will hopefully be the last that need to be built to bridge the 2007 time frame, unless the situation changes.

Trustee Fabio asked whether LIPA would save money on temporary generation in 2005 if the Cross-Sound Cable is operational and the plants are on-line next summer. Mr. Grilli answered that LIPA would save money, since LIPA's lease for mobile generating equipment from Cummins will be for four years with an option for LIPA to terminate the lease each year.

Deputy Chairman Steinberg asked whether alternatives to advertising in the New York State Contract Reporter have been considered given the

Comptroller's recent criticisms of other public authorities. Chairman Kessel answered that he has met with the Comptroller, who has been comfortable with the process. The Chairman indicated that he has asked the Comptroller not only to review the contracts, but to examine the entire process of selection for this and every other project that LIPA does, and he stated that he appreciates the Comptroller's cooperation.

Deputy Chairman Foye stated that it is comforting that fifteen proposals were received, so there was obviously widespread knowledge of the RFP in the industry.

Chairman Kessel stated that this is the first group of power projects that LIPA did through an RFP process. The Chairman continued that the other projects were done via a negotiation process, and LIPA is exempt from the RFP process. He indicated that LIPA has gone the extra step to include the Comptroller's office in the process.

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

681. AUTHORITY TO APPROVE THE SELECTION OF TWO PREFERRED PROJECTS IN RESPONSE TO THE SUMMER 2005 RFP AND THE NEGOTIATION OF POWER PURCHASE AGREEMENTS AND RELATED ACTIVITIES IN CONNECTION WITH THOSE TWO PROJECTS

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, in order to meet the electricity needs of LIPA's customers and statewide and location generation requirements established by the New York Independent System Operator ("NYISO") and the New York State Reliability Council, it is necessary to secure additional sources of power supply from generation located within LIPA's service area, to be in operation by the summer of 2005; 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's Selection Committee has reviewed proposals in response to its February 23, 2004 Request For Proposals for new, on-island combined cycle generation projects for early summer 2005 and has recommended the selection of 1) the 79.9 MW Pinelawn Combined Cycle Power Plant proposed for Babylon by Pinelawn Power LLC (the "Pinelawn Power Project"); and 2) the 79.9 MW Bethpage 3 Energy Center, LLC Combined Cycle Project proposed for Bethpage by Calpine Corporation or its affiliates (collectively, "Calpine") (the "Bethpage 3 Project"); and

WHEREAS, it is in the best interest of LIPA to meet this immediate need for electric power and energy by negotiating a power purchase agreement ("PPA") and other related agreements regarding the Pinelawn Power Project; and

WHEREAS, LIPA understands that the Town of Babylon intends to serve as the lead agency for the Pinelawn Power Project, which environmental review under the State Environmental Quality Review Act ("SEQRA") must be completed before LIPA makes any commitments to proceed with that Project; and

WHEREAS, it is also in the best interest of LIPA to meet this immediate need for electric power and energy by negotiating a PPA and other related agreements regarding the Bethpage 3 Project; and

WHEREAS, by separate Resolutions the Trustees will be requested to adopt a Negative Declaration based upon the comprehensive environmental review conducted under SEQRA for the Bethpage 3 Project;

NOW, THEREFORE, BE IT RESOLVED, in order to ensure the availability of sufficient additional power supply resources to serve LIPA's customers, the Trustees approve the selection of the Pinelawn Power Project and the Bethpage 3 Project in response to the Summer 2005 RFP, and authorize the Chairman or his designee to negotiate the terms of proposed PPAs and other related agreements for LIPA's purchase of power from the proposed Pinelawn Power Project and the Bethpage 3 Project; provided that LIPA not make any commitments to proceed

with the Pinelawn Power Project prior to completion of the environmental review under SEQRA.

Chairman Kessel stated that the next item on the agenda is Board consideration of the adoption of a Negative Declaration under SEQRA for the Calpine Bethpage 3 Energy Center Combined Cycle Project. The Chairman stated that the Trustees are requested to approve a resolution approving and adopting, among other things, the determination that the siting, construction and operation of the 79.9 MW General Electric LM6000 turbine with a steam turbine generator in the Town of Oyster Bay will not have a significant adverse effect on the environment, approving and adopting the comprehensive Environmental Assessment for Bethpage 3, and authorizing the filing and publication of a Negative Declaration for Bethpage 3.

Mr. Grilli requested that Mr. Steven Kass make a presentation concerning the Environmental Assessment.

Mr. Kass stated that he is a member of the firm Carter Ledyard & Milburn, providing environmental counsel to LIPA and that AKRF, which is an environmental consultant to LIPA, performed a comprehensive Environmental Assessment. He indicated that the Environmental Assessment is exceptionally thorough, including a cumulative impact analysis of the facilities, and it merits the issuance of a Negative Declaration.

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

682. APPROVAL OF NEGATIVE DECLARATION FOR BETHPAGE 3 ENERGY CENTER, LLC COMBINED CYCLE PROJECT UNDER SEQRA

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

WHEREAS, the Long Island Power Authority (“LIPA”) staff anticipates that there is a potential for a shortfall of approximately 116 MW by the summer of 2005 in the LIPA service area, assuming that the 330 MW Cross Sound Cable is available to transmit energy to Long Island, such that new generating capacity must be installed and operational by summer 2005 in order to meet customer needs, ensure system reliability and satisfy reliability criteria during summer 2005 and thereafter; and

WHEREAS, the New York Independent System Operator has updated its on-island location reliability requirement from 95 to 99 percent, effective May 1, 2004; and

WHEREAS, LIPA’s Selection Committee has reviewed proposals submitted in response to LIPA’s Request For Proposals for new, on-island combined cycle generation projects for early summer 2005 and has recommended the selection of Bethpage 3 Energy Center, LLC (the “Bethpage 3 Project”); and

WHEREAS, LIPA’s staff has prepared, with the assistance of environmental engineers, consultants and counsel, a comprehensive Environmental Assessment of the potential environmental impacts of the proposed Bethpage 3 Project in order to determine, under the State Environmental Quality Review Act (“SEQRA”), whether that project would or might have any significant adverse environmental impacts; 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, 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 Bethpage 3 Project under SEQRA, (b) approves and adopts the comprehensive Environmental Assessment, dated May

2004, 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 siting, construction and operation of the Bethpage 3 Project in the Town of Oyster Bay, Nassau County, as described in the Environmental Assessment, and the carrying out of the project will not, either individually or cumulatively with other LIPA projects, have a significant adverse effect on the environment and (2) an environmental impact statement need not be prepared in connection with such proposed action; and be it further

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

Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution for the approval of authorization to enter into a power purchase agreement and undertake related activities for the Calpine Bethpage 3 Energy Center, LLC combined cycle project. The Chairman continued that the Trustees are being requested to approve and adopt a resolution authorizing the Chairman or his designee to execute and effect a power purchase agreement and other related agreements with Calpine or its affiliates, and to take such actions as are necessary to implement arrangements for LIPA to purchase power from the planned 79.9 MW Bethpage 3 Energy Center. He indicated that the Trustees are being further requested to approve and adopt a resolution authorizing the Chairman or his designee to execute and effect any other related agreements necessary to accomplish the project goals, including arrangements for the acquisition of the project site and subsequent lease to Calpine.

Mr. Grilli indicated that approval of the resolution would allow LIPA to proceed with negotiations with Calpine.

Trustee Sinnreich asked whether the use of an RFP had any impact on the pricing from the developers in comparison to the negotiating process. Mr. Grilli answered that there was a negative effect on the pricing. He indicated that when LIPA was building the same projects in 2004, LIPA was able to simultaneously negotiate with approximately seven developers, and play one off the other, and the prices that LIPA received for the present projects might have been 20 percent lower had LIPA not used the RFP process.

Trustee Sinnreich asked whether there is any way to change the RFP process to deal with the pricing issue. Mr. Grilli stated that LIPA will work on this issue with the Comptroller to make sure that LIPA will not be second guessed at the end of the process.

Chairman Kessel stated that LIPA needs to look at this process and getting competitive pricing. The Chairman continued that having utilized the RFP process, LIPA does not have these projects available for this summer, and LIPA will now incur higher costs from having to rent temporary generators. He indicated that he believes the negotiation process ultimately results in better pricing, and LIPA is discussing the matter with the Comptroller and his staff.

Trustee Sinnreich stated that he is familiar with public procurement and there are costs that government incurs to achieve certain policies, but a 20

percent premium for a project such as this is a lot of money to pay for policy considerations. He indicated that he believes LIPA must find a way to structure the RFP and procurement process so that it does not cost a 20 percent premium.

Chairman Kessel stated that the procurement issue is a priority, and the Comptroller has not objected to negotiations as opposed to an RFP process. He indicated that it will do LIPA good to get the Comptroller to work on a process that is comfortable to everyone.

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

683. AUTHORIZATION TO ENTER INTO POWER PURCHASE AGREEMENT, ACQUIRE AND LEASE PROPERTY AND UNDERTAKE RELATED ACTIVITIES IN CONNECTION WITH THE CALPINE BETHPAGE 3 ENERGY CENTER, LLC COMBINED CYCLE 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, in order to meet the electricity needs of LIPA’s customers and statewide and locational generation requirements established by the New York Independent System Operator (“NYISO”) and the New York State Reliability Council, it is necessary to secure additional sources of power supply from generation located within LIPA’s service area, to be in operation by the summer of 2005; 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's Selection Committee has reviewed proposals submitted in response to LIPA's Request For Proposals for new, on-island combined cycle generation projects for early summer 2005 and has recommended the selection of Bethpage 3 Energy Center, LLC Combined Cycle Project (the "Bethpage 3 Project"); and

WHEREAS, it is in the best interest of LIPA to meet this immediate need for electric power and energy by entering into a power purchase agreement ("PPA") and other related agreements regarding the Bethpage 3 Project; and

WHEREAS, by separate Resolution, the Trustees have determined that the Bethpage 3 Project will not have any significant adverse environmental impacts and, accordingly, have adopted a Negative Declaration for such Project pursuant to the State Environmental Quality Review Act;

NOW, THEREFORE, BE IT RESOLVED, that the Chairman or his designee be and hereby are authorized to execute and effect a PPA and other related agreements and arrangements, including the acquisition and leasing of property for the project site, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chairman or his designee, to implement LIPA's purchase of power from the new Bethpage 3 Project in order to ensure the availability of sufficient additional power supply resources to serve LIPA's customers; and be it further

RESOLVED, that all action taken by the Chairman, the Chief of Staff and the Vice President – Power Markets with respect to the Project referred to in the preceding resolutions are in all respects hereby ratified, confirmed and approved.

Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution concerning a determination of emergency need for Summer 2004 temporary generation, determining that LIPA's lease and operation of temporary generation is exempt from SEQRA, and authorizing LIPA's entry into an agreement to obtain equipment and services from General Electric needed for temporary generation. The Chairman continued that the Trustees are also requested to authorize the relocation of a few Cummins Mobile Generating Units to LIPA substations to address emergency needs at those substations. He indicated that LIPA faces an emergency this summer due to the unavailability of

the Cross-Sound Cable, and the Board is asked to approve a resolution allowing for the addition of about 80 MW of temporary generation.

Chairman Kessel stated that LIPA is authorizing the temporary generation this summer when electric supplies are not sufficient to meet demand, when NYISO declares a state or regional power emergency, or when LIPA declares a localized distribution emergency. The Chairman continued that the temporary generation units will be leased for three months, with an option to extend the term. He indicated that emergency actions such as this are exempt from environmental review because they are immediately necessary on a limited and temporary basis for the protection and preservation of life, health, property or natural resources, and are directly related to the emergency and performed to cause the least change or disturbance practical under the circumstances.

Chairman Kessel stated that LIPA's temporary use of the General Electric mobile units during the summer is absolutely necessary to ensure against electric service interruptions, which present a significant danger to public health and safety. The Chairman continued that LIPA staff recommends that the Trustees find that LIPA's limited and temporary use of the GE mobile units at the Wading River site in Suffolk County, Long Island qualifies as a Type II emergency action under 6 NYCRR Section 617.5(c) (33) and is, therefore, exempt from environmental review under SEQRA. He added that the proposed resolution would also permit LIPA to enter into agreements with GE for the equipment and services.

Chairman Kessel stated that the Board is requested to take action slightly modifying a prior resolution that approved the siting and operation of Cummins Metropower, Inc. mobile generating units, so as to allow for the relocation of a few of the Cummins units from either Holtsville or Shoreham to address emergency needs at a particular substation. The Chairman continued that LIPA would first seek air registrations from the New York State Department of Environmental Conservation to permit the operation of such units for emergency purposes for a period of up to 90 days. He indicated that LIPA staff recommends that the Board authorize the Chief of Staff to relocate such units as necessary this summer for the limited purpose of addressing emergency needs at LIPA substations.

Chairman Kessel stated that LIPA is not ordering any additional Cummins units. The Chairman continued that LIPA is trying to gain flexibility to move some of the units to substations in areas where there has been opposition to substation work and where there is a need or a danger that the lights will go out.

Mr. Grilli stated that LIPA spoke with GE extensively about their ability to get this done and LIPA looked at the results of the RFP for temporary generation to see if there was anyone who could meet the commercial operation date on such a short notice. He indicated that GE is the only firm that can mobilize that fast with large blocks of megawatts, and it offers the same technology that LIPA previously employed.

Trustee Maimoni asked whether LIPA would proceed with the GE temporary generation if the Cross-Sound Cable was ordered to be energized. Mr. Grilli responded that once a contract is entered into with GE, LIPA will be locked in.

Chairman Kessel stated that LIPA cannot wait, because the temporary generation will then not be available, and LIPA has no choice due to Connecticut's opposition to the operation of the Cross-Sound Cable. The Chairman stated that LIPA intends to file litigation to seek from the State of Connecticut the costs to LIPA due to the loss of the cable, and these units are a part of that cost. He indicated that LIPA would not need these temporary generators if the cable were operational and LIPA has no choice but to move on this now.

Deputy Chairman Steinberg asked whether there are adequate grounds for LIPA to declare an emergency. Mr. Klimberg answered affirmatively. He indicated that it is the basis for LIPA's request to the DOE for an emergency order for the operation of the Cross-Sound Cable, and it is also the basis for LIPA's conclusion that under SEQRA the GE emergency generation would not need to be reviewed. Deputy Chairman Steinberg asked whether there are adequate grounds for the Trustees to declare a current emergency. Mr. Klimberg answered yes. Deputy Chairman Steinberg asked whether there are any other

consequences that flow from the declaration of an emergency. Mr. Klimberg responded that the determination is in regard to SEQRA's environmental review requirements, and the action that LIPA is taking does not have any broader implication.

Deputy Chairman Foye asked whether it will be limited to the summer months. Mr. Klimberg responded affirmatively.

Chairman Kessel stated that the Comptroller has agreed to expedite their approval process, which is appreciated. The Chairman continued that every day of delay is a day that the facilities are not available to LIPA, and the greatest peak and heat this year may come as early as June.

Trustee Nugent asked whether the cost of the temporary generation would be incurred if the Cross-Sound Cable is subsequently activated. Chairman Kessel responded that it will, but LIPA is not in a position where it can wait another week. Trustee Nugent asked whether LIPA will aggressively pursue Connecticut on this matter. Chairman Kessel answered affirmatively.

Trustee Gerrard asked whether the units that were in place last year ever went on-line. Mr. Grilli answered that they did operate during the August 15th blackout for 45 hours, and they were instrumental in getting LIPA back on-line.

Chairman Kessel indicated that it is the smaller units that ultimately get the larger units to operate. The Chairman indicated that the fast-track units are not limited to peak use and actually are used for the economic dispatch of power throughout the year. He added that one of the units in Freeport is already up and running, and a second is expected to be operational in June.

Trustee Fabio asked if the amount of additional temporary generation could be clarified. Mr. Grilli responded that the amount will be about 80 MW, with an all-in cost of approximately \$15 million.

Chairman Kessel stated that it is a horrendous situation for LIPA to be in, and the Attorney General in Connecticut acted completely irresponsibly to the detriment of the people of both Long Island and Connecticut, which is frustrating.

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

684. AUTHORIZATION FOR SUMMER 2004 TEMPORARY EMERGENCY GENERATION

WHEREAS, on May 7, 2004, the U.S. Secretary of Energy rescinded the emergency order that allowed the operation of the Cross Sound Cable to transmit approximately 330 megawatts (“MW”) of power between Connecticut and Long Island; and

WHEREAS, because LIPA can no longer rely on that source of 330 MW of transfer capability to serve LIPA’s customers, LIPA Staff projects a critical operational shortfall of 168 MW during this summer’s peak demand period; and

WHEREAS, in view of the foregoing, emergency conditions have arisen requiring immediate action by LIPA to protect the public health and safety during the coming summer months; and

WHEREAS, to meet the emergency needs for this summer, it is in the best interest of LIPA to enter into agreements with General Electric to obtain two truck-mounted General Electric TM 2500 combustion turbine generators and 27 diesel reciprocating internal combustion engines and related equipment (“Temporary Generators”) for operation this summer on property owned by KeySpan at a site in Wading River; and

WHEREAS, LIPA’s temporary use of the Temporary Generators during Summer 2004 is in LIPA’s Staff’s judgment absolutely necessary to avoid electric service interruptions, which would unquestionably present a significant danger to public health and safety; and

WHEREAS, in view of these circumstances, LIPA’s limited and temporary use of the Temporary Generators qualifies as a Type II emergency action under the State Environmental Quality Review Act (“SEQRA”) and 6 NYCRR § 617.5(c) (33) and therefore is exempt from environmental review under SEQRA; and

WHEREAS; it may also be prudent under these conditions to relocate several mobile generating units currently leased from Cummins Metropower, Inc. (the “Cummins MGUs”) from their Holtsville and Shoreham sites to other LIPA substations to address emergency needs at such substations this summer, which action would also constitute a Type II emergency action under SEQRA;

NOW, THEREFORE, BE IT RESOLVED, that the inability to operate the 330 MW Cross Sound Cable this summer constitutes an emergency condition for purposes of the State Environmental Quality Review Act and other relevant statutes that requires immediate action by LIPA to protect public health and safety during the coming summer months; and be it further

RESOLVED, that LIPA hereby finds and determines that the temporary use of the Temporary Generators during Summer 2004 constitutes an emergency action exempt from SEQRA; and be it further

RESOLVED, that the Chairman or his designee is hereby authorized to execute and effect agreements to obtain equipment and services from General Electric for such temporary generation; and be it further

RESOLVED, that the Chief of Staff is hereby authorized to relocate several Cummins Mobile Generating Units from their Holtsville or Shoreham sites to LIPA substations, for a period of 90 days, if necessary to meet emergency needs at a substation this summer, and such relocation for emergency purposes constitutes a Type II action under SEQRA; and be it further

RESOLVED, that the Chairman and his designees are authorized to take all necessary actions, and to execute or cause the execution of all other related agreements and arrangements, including but not limited to entering into any required lease or license agreement for the property used for this project, and to perform such further acts and deeds which may be deemed necessary, convenient or appropriate, in the judgment of the Chairman or his designees, to ensure that LIPA's temporary emergency generation for Summer 2004 as referenced above is carried out; and be it further

RESOLVED, that all actions taken by the Chairman and his designees with respect to LIPA's temporary emergency generation for Summer 2004 as referenced above are hereby in all respects ratified and approved.

Chairman Kessel stated that the next item on the agenda is Board consideration of resolution to adopt a Negative Declaration under SEQRA for the Canal Substation Project. The Chairman continued that based upon the information contained in the Environmental Assessment Form (EAF), the Trustees are requested to approve a resolution approving and adopting, among other things, a determination that the Canal Substation Project will not have a significant impact on the environment and does not require the preparation of an environmental impact statement; and the issuance of a Negative Declaration. He indicated that in order to meet the needs of LIPA's customers on the East end of Long Island, it is necessary to construct a new electric system substation in the area, and LIPA will be able to reduce the need to dispatch local generation, reduce system losses and provide new transformer capabilities on the East End.

Chairman Kessel stated that the proposed Canal Substation is to be sited on an approximately 8.87-acre parcel within the New York State Department of Transportation's (DOT) Hampton Bays maintenance facility. The Chairman continued that the project consists of two phases, with the first phase to commence next month and to be completed in May 2005, and the second phase to occur in 2006. He indicated that the project is fully discussed and analyzed in the EAF that LIPA has prepared as lead agency under SEQRA.

Chairman Kessel indicated that the full EAF demonstrates that the proposed project will not have a significant adverse impact on the environment and thus does not require the preparation of an environmental impact statement under SEQRA. The Chairman further indicated that to ensure timely, adequate and reliable electric service to LIPA's customers and meet reliability criteria, it is necessary that the first phase of the Canal Substation Project be completed by May 2005. He stated that he recommends that the Trustees approve the resolution.

Chairman Kessel thanked the DOT, the Mayor of the Village of Southampton and the Supervisor of the Town of Southampton for their work with LIPA for an alternative site for the substation. The Chairman also thanked the people of the Village and Town of Southampton for working and cooperating with LIPA.

Chairman Kessel requested that Mr. Hulkower offer a presentation concerning the Canal Substation Project.

Mr. Hulkower stated that he will ask Mr. Frank Murphy and Mr. Adam Yablonsky to discuss the SEQRA issues concerning the project.

Mr. Murphy stated that he works for KeySpan's legal department, representing LIPA for this project. He indicated that LIPA has prepared a Full Environmental Assessment Form under SEQRA to review the potential environmental impacts of the proposed Canal Substation Project, and the EAF is in full compliance with the SEQRA regulatory requirements. He added that it is appropriate for the Board to issue a Negative Declaration.

Mr. Yablonsky stated that he works for KeySpan's Environmental Engineering Department, and assisted LIPA in the preparation of a full SEQRA Environmental Assessment of the Canal Substation Project. He indicated that the assessment was conducted in accordance with SEQRA regulations. He further indicated that the project will be constructed on an existing DOT maintenance facility located along Sunrise Highway and the Shinnecock Canal, and there will be no significant environmental impacts.

Mr. Yablonsky stated that the project will produce only temporary and minor impacts, which can be minimized by appropriate project design and implementation of construction. He indicated that a Negative Declaration is supported by the EAF.

Mr. Hulkower stated that in the spring of 2000, LIPA built a 138 kV transmission project from Riverhead to Southampton. He continued that it has been operated at 69 kV. He indicated that LIPA planned to upgrade the Southampton substation to receive 138 kV transformers, which would have entailed a large expansion.

Mr. Hulkower stated that at the request of the Village of Southampton, LIPA took a longer term look at the projects, and it made sense to find a place where LIPA could build both a transmission and distribution substation. He continued that the DOT parcel between the Southampton substation and the Shinnecock Canal is an ideal location, and LIPA will be able to tap into the transmission lines that extend to Southampton.

Mr. Hulkower stated that LIPA has engaged in public outreach. He continued that there was strong support for the project from local officials and from community activists, and he is pleased with the result.

Trustee Auerbach stated that it is a wonderful location, and there will be no impact to any houses in the area. He added that he is happy to see the substation go in that location.

Trustee Sinnreich asked whether there is any way to schedule construction in order to minimize traffic congestion during the summer months. Mr. Hulkower responded that LIPA will minimize the impact upon traffic patterns.

Upon motion duly made and seconded the following resolution was approved, with Trustee Sinnreich abstaining:

685. APPROVAL AND ADOPTION OF THE FULL ENVIRONMENTAL ASSESSMENT FORM FOR THE CANAL SUBSTATION PROJECT, AND OF ISSUANCE OF A NEGATIVE DECLARATION UNDER SEQRA

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

WHEREAS, LIPA's staff has concluded that in order to meet the electricity needs of LIPA's customers on the East End of Long and meet reliability criteria, it is necessary to undertake and complete the Canal Substation Project (the "Project"), the first phase of which needs to be completed by May 2005; and

WHEREAS, LIPA's staff has prepared, with the assistance of environmental engineers, consultants and counsel, a Full EAF for the Project in order to determine under SEQRA, whether the Project would or might have any significant adverse environmental impacts; and

WHEREAS, the Full EAF for the Project (a) identified the relevant areas of environmental concern; (b) thoroughly analyzed them; and (c) contains a reasoned analysis of the basis of LIPA's staff's determination; and

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

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

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

Chairman Kessel stated that the next item on the agenda is a resolution authorizing LIPA to effectuate the Canal Substation Project.

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

686. AUTHORITY TO PROCEED WITH AND EFFECTUATE THE CANAL SUBSTATION PROJECT

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

WHEREAS, the 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 to promptly undertake and complete the Canal Substation Project (the "Project"), the first phase of which needs to be completed by May 2005; and

WHEREAS, by separate Resolution, the Trustees have determined that the Project will not have any significant adverse environmental impacts and, accordingly, have approved issuance of a Negative Declaration for such Project pursuant to the State Environmental Quality Review Act;

NOW, THEREFORE, BE IT RESOLVED, that LIPA's Canal Substation Project is approved and the Chairman or his designee are authorized to proceed with effectuating the Project and to perform any and all acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chairman or his designee, to finalize and implement the Project.

Chairman Kessel stated that the next item on the Agenda is Board consideration of a resolution to authorize the Chairman and Chief Financial Officer to proceed with a program designed to lower the effective debt service

obligations of the Authority relating to its outstanding bonds through either a refunding of certain bonds, or through the execution and delivery of certain interest rate swap agreements relating to such outstanding bonds, or both. The Chairman continued that the Trustees are also being requested to authorize the issuance of up to \$200 million of new bonds for the purpose of funding the cost of system improvements, and the Trustees will be asked to adopt a supplemental bond resolution providing for the issuance of up to \$1.3 billion aggregate principal amount of Electric System General Revenue Bonds for the purpose of refunding all or a portion of certain of the Authority's outstanding bonds and for the purpose of funding the cost of system improvements and/or the execution and delivery of one or more interest rate swap agreements relating to all or a portion of the refunding bonds.

Chairman Kessel stated that a decision as to the specific approach would be made by the Chairman or Chief Financial Officer. The Chairman indicated that, based on the advice of the Authority's financial advisor, Morgan Stanley and Company, a decision would be made as to which method will most likely achieve the lowest effective debt service cost over the term of the bonds and the related interest rate swap agreements.

Ms. McCarthy stated that this recommendation is the second phase in LIPA's 2004 plan of finance designed to lower overall interest rates or debt costs going forward. She indicated that it contains two components: first, the potential refinancing or refunding and/or use of interest rate swaps to lower the Authority's existing debt rates; and second, the potential new money to hedge future interest

rate costs for new money needs going forward. She added that the target is a gross savings of as much as 5 percent of the principal amount of related bonds, but the actual savings will depend on market conditions when the recommended action is implemented.

Ms. McCarthy stated that the use of interest rate swaps results in certain risks being borne by the Authority, but the risks are manageable. She indicated that the swap should be undertaken by the Authority due to the achievable benefits.

Deputy Chairman Foye asked what the effect on the Authority's rating would be. Mr. McCarthy answered that she does not believe the transaction would impact the Authority's rating, and the Authority would be increasing its floating rate exposure within the norms of the industry. Deputy Chairman Foye asked whether an increase in the percentage of the Authority's debt from approximately 13 to 20 percent would provide a comfortable ratio. Ms. McCarthy answered yes. Deputy Chairman Foye asked whether there would be an increase in the aggregate debt of the Authority. Ms. McCarthy answered that there would not, and this would be just a refunding for interest rate swaps. Deputy Chairman Foye asked what the use of the proceeds from the transaction would be. Ms. McCarthy answered that to the extent that there are cash payments from the transaction, those proceeds would be used to pay down commercial paper or to address the current cash situation.

Deputy Chairman Steinberg asked why there is no net increase in outstanding debt, if the resolution contemplates \$200 million in new money. Ms. McCarthy responded that the new money was planned. She continued that this would be interest rate hedge new money, and the Authority would advance issue that and escrow it or the Authority would do an interest rate hedge. Deputy Chairman Steinberg asked if the Trustees previously authorized the \$200 million. Ms. McCarthy responded that it was not previously authorized but relates to planned new money issues for 2005 relating to the capital budget. Deputy Chairman Steinberg asked if there would be an increase in outstanding debt. Ms. McCarthy stated there is the potential for an increase, but the Authority may do an interest rate hedge.

Deputy Chairman Steinberg asked what is the Authority's downside exposure from the swap. Ms. McCarthy answered that in terms of new money issuance, the Authority's current evaluation indicates that if the Authority anticipates that interest rates will go up 40 basis points by June 2005, it makes sense to do a hedge or advance funding of that new money issuance. She continued that all expectations are that interest rates will rise 100 basis points by then, and LIPA staff seeks authorization to mitigate the increase for that anticipated new money issuance next year.

Deputy Chairman Steinberg asked whether the transaction has been approved by the Finance Committee. Ms. McCarthy answered that the Finance Committee has been briefed, and there is no formal approval process.

Trustee Maimoni stated that he believes the Board would be increasing the Authority's debt by \$200 million, and the debt would be set up this year while the interest rates are lower, which would save money. Ms. McCarthy stated that this is one potential approach. She indicated that the other approach would be to enter into a swap so that no new debt will be issued. She added that it is uncertain whether for the hedge approach the Authority would issue new money this year.

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

687. ADOPTING RESOLUTIONS RELATING TO THE ISSUANCE OF ELECTRIC SYSTEM GENERAL REVENUE BONDS FOR THE PURPOSE OF REFUNDING ALL OR A PORTION OF CERTAIN OUTSTANDING AUTHORITY BONDS AND FOR THE PURPOSE OF FUNDING THE COST OF SYSTEM IMPROVEMENTS, AND THE EXECUTION OF ONE OR MORE INTEREST RATE SWAP AGREEMENTS

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

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

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

WHEREAS, the Authority's outstanding obligations include, among others, the Electric System General Revenue Bonds, Series 1998A, 2000A, 2001A, Series 2001B-K, Series 2001 L-P and Series 2003C and the Electric System Subordinated Revenue Bonds, Series 7A and 7B (together these eight series are referred to herein as the "Specified Bonds"); and

WHEREAS, the Authority wishes to authorize the issuance of Senior Lien Bonds (the "Refunding Bonds") for the purpose of refunding all or a portion of the Specified Bonds and Senior Lien Bonds (the "New Money Bonds" and collectively with the Refunding Bonds, the "Authorized Bonds") for the purpose of funding the Cost of System Improvements and for various related purposes, which Authorized Bonds shall be in an aggregate principal amount not to exceed \$1,300,000,000, of which no more than \$200 million shall be New Money Bonds; and

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

WHEREAS, the General Resolution permits the Authority to enter into Financial Contracts (as defined therein), which include interest rate caps or collars and forward rate, future rate and certain swap agreements with Qualified Counterparties (as defined therein); and

WHEREAS, the Authority has determined that the use of such agreements is appropriate in certain circumstances but recognizes that certain risks can arise in connection with their use; and

WHEREAS, on September 10, 1998, the Authority adopted guidelines (the "Guidelines") for the use of such agreements in order to assure that such agreements are used for appropriate purposes and to assure that the risks potentially associated with such agreements are effectively managed and minimized; and

WHEREAS, as part of its plan of finance the Authority wishes to enter into one or more interest rate swap agreements relating to all or a portion of the Refunding Bonds, the Specified Bonds, and the New Money Bonds pursuant to which the Authority and the counterparties thereto would agree to make payments to one another based principally upon certain indices, formulae or methods to be specified therein; and

WHEREAS, under current market conditions the Authority has been advised that it may achieve significant debt service savings by entering into one or more such interest rate swap agreements; and

WHEREAS, the decision as to which specific strategy or strategies to be employed and the indices or methods to be used in calculating payments to be made to the Authority or the counterparties will be made by the Chairman or Chief Financial Officer, based upon market conditions and the advice of the Authority's Financial Advisor as to which approach will be most likely to achieve

the greatest expected debt service savings, or in the case of the New Money Bonds result in the lowest expected debt service cost;

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

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

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

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

4. The Chairman and the Chief Financial Officer of the Authority are, and each of them hereby is, authorized to enter into interest rate swap agreements relating to the Specified Bonds, the Refunding Bonds and the New Money Bonds with such Qualified Counterparties (as defined in the General Bond Resolution) as may be selected by the Authority in accordance with the Guidelines, which agreements shall (i) relate to a notional amount of not more than \$1,300,000,000 in the aggregate, (ii) commence on such date or dates as the Chairman or Chief Financial Officer specifies, (iii) have a term ending on or prior to the final maturity of the bonds to which they relate, as the Chairman or Chief Financial Officer specifies, (iv) provide for payments to the Authority determined based upon such index, formula or method as may be approved by the Chairman or Chief Financial Officer, and (v) otherwise be in accordance with the Guidelines and substantially in the form of interest rate swap agreements entered into by the

Authority in relation to other interest rate swap transactions, with such changes and additions to and omissions from such form as such authorized executing officer deems in his discretion to be necessary or appropriate, such execution to be conclusive evidence of such approval. In connection with the authorizations herein set forth, the Authority has determined, after consideration of the risks inherent in the use of interest rate swap agreements, including those outlined in the Chairman's memo submitted to the Trustees relating thereto and the recommendation of the Authority's financial advisor relating to the use of the proposed interest rate swap agreements, that (a) the use of such interest rate swap agreements will, in the judgment of the Authority, result in lowering the effective rate of interest payable in connection with the Authority's indebtedness, (b) the risks of the proposed interest rate swap agreements are both manageable and reasonable in relation to the potential benefits; and (c) the proposed interest rate swap agreements are necessary or convenient in the exercise of the power and functions of the Authority under the Long Island Power Authority Act.

5. Each Authorized Representative (as defined in the General Bond Resolution) is hereby authorized and directed to execute and deliver any and all documents and instruments and to do any and all acts necessary or proper for carrying out and implementing the terms of, and the transactions contemplated by the proposed interest rate swap agreements and this resolution and each of the documents authorized thereby and hereby.

6. This resolution shall take effect immediately.

Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution authorizing the Chairman to engage Pace Global Energy Risk Management to provide energy risk management and advisory services on an as-needed basis to Authority and its subsidiary, LIPA, for a contract term of four years. The Chairman continued that in March 2004 the Authority issued an RFP seeking qualified firms to perform risk management advisory services in support of the Authority's ongoing risk management program, and in April 2004 six firms responded. He indicated that based on the written submissions and an assessment of the Authority's and LIPA's needs, it was determined that Pace Global is best suited to fulfill those needs.

Chairman Kessel stated that some of the strengths of Pace Global include familiarity with the Authority's present and future risk management needs, extensive knowledge and experience in the energy/utility field and an impressive record in providing risk management systems. The Chairman continued that Pace Global had the most reasonable cost proposal, which is approximately one-half million dollars per year. He stated that he recommends adoption of the resolution.

Deputy Chairman Foye asked whether LIPA has a 30 or 60 day option to terminate the four year contract. Ms. McCarthy answered affirmatively.

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

688. ENGAGEMENT OF FIRM TO PROVIDE ENERGY RISK MANAGEMENT AND ADVISORY SERVICES

RESOLVED, that the Chairman be, and hereby is, authorized to engage Pace Global Energy Risk Management LLC to provide energy risk management and advisory services to the Authority and LIPA, with the contract term to be four years.

Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution to authorize the Chairman to engage four firms to provide fuel advisory and market analysis consulting services to the Authority

and LIPA, with the contract terms not to exceed thirteen months. The Chairman continued that in March 2004 the Authority issued an RFP for fuel advisory and market analysis consulting services, and in April 2004 twelve firms submitted written responses. He added the selection committee evaluated the proposals and it was determined that the following firms are best suited to fulfill the Authority's needs: Levitan & Associates, Inc.; Stone & Webster Management Consultants, Inc.; Pace Global Energy Services and Virchow Krause & Company.

Chairman Kessel indicated that Levitan and Stone & Webster would be selected to provide both fuel advisory and market analysis consulting services, Pace Global would be selected to provide fuel advisory consulting services and Virchow Krause would be selected to provide market analysis consulting services. The Chairman further indicated that all of the firms are highly experienced in the areas for which they would be selected, and he recommends adoption of the resolution.

Deputy Chairman Foye asked what the estimated fee would be under these contracts. Mr. Bolbrock responded that it will depend on the particular subject at hand. As an example, he indicated that in the fall LIPA will be issuing an RFP for potential sources of fuel in New Jersey, so a combination of expertise is needed in evaluating the market. He added that each firm has unique areas of expertise, and the fee will depend on the particular. Deputy Chairman Foye asked what is an estimated amount payable under these contracts. Mr. Bolbrock responded that it could be several hundreds of thousands of dollars in the aggregate and would be subject to budget limits.

Deputy Chairman Foye asked whether LIPA would spend less, if less is budgeted. Mr. Bolbrock answered affirmatively, but he indicated that LIPA would get less work product.

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

689. ENGAGEMENT OF FIRMS TO PROVIDE FUEL ADVISORY AND MARKET ANALYSIS CONSULTING SERVICES

RESOLVED, that the Chairman be, and hereby is, authorized to engage the following firms to provide Fuel Advisory and Market Analysis Consulting Services as needed by the Authority and LIPA, with the contract terms not to exceed thirteen months:

**Levitan & Associates, Inc.
Stone & Webster Management Consultants, Inc.
Pace Global Energy Services
Virchow Krause & Company**

Chairman Kessel entertained a motion to adjourn. Upon motion duly made and seconded the Board voted unanimously to adjourn the meeting at 9:45 PM.

Respectfully submitted,

Stanley B. Klimberg