

**LONG ISLAND POWER AUTHORITY  
MINUTES OF THE 182<sup>nd</sup> MEETING  
HELD ON JUNE 6, 2007**

Pursuant to notice dated June 6, 2007, the Long Island Power Authority (the "Authority") was convened for the one hundred and eighty-second time at 11:15 AM at the LIPA Board Room, in Uniondale, NY.

The following Trustees of the Authority were present:

**Kevin Law, Chairman  
Howard Steinberg, Deputy Chairman  
Michael Affrunti  
Lawrence Elovich  
John Fabio  
Michael Fragin  
James Herrmann  
Nancy Nugent  
Jonathan Sinnreich  
Suzette Smookler**

Also representing the Authority were Richard Kessel, Chief Executive Officer and President, Lynda Nicolino, Acting General Counsel, Seth Hulkower, Chief Operating Officer, Elizabeth McCarthy, Chief Financial Officer, Richard Bolbrock, Vice President – Power Markets, Bert Cunningham, Vice President – Communications, Michael Hervey, Vice President – Operations, Michael Standridge, Director of Corporate Contracts and Procurement, and Patricia Alberti, Acting Secretary to the Board of Trustees.

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

The Chairman stated that the first item on the agenda is approval of the minutes of the April 26, 2007 meeting of the Board of Trustees.

Chairman Law noted that there is a reference to the New York City Department of Health on page 27 of the minutes, which should be the New York State Department of Health.

Ms. Nicolino indicated that some errors were noticed which will be corrected in the final version of the minutes before they are posted on LIPA's website, and a corrected copy will be provided to all of the Trustees prior to that time. She further indicated that there are two changes that could be considered substantive. She stated that on the last paragraph of page 16, there is a reference to \$3,800, which should be \$38 million, and there is also a reference to ten percent, which should be two percent. She added that the errors were typographical in the transcript; however, they were not picked up in the transcription to the minutes.

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

816. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT

**THE APRIL 26, 2007 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 26, 2007 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.**

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**Chairman Law stated that he received a call from Trustee Maimoni, who informed him that he had recently been appointed as the CEO of the Suffolk County Federal Credit Union, and that he will be resigning from the Board. The Chairman continued that he thanks Trustee Maimoni for his years of service, and that he had invited Trustee Maimoni to come to this meeting, so that he could be recognized by all, but he was not able to attend. He noted that the minutes should reflect the Board's appreciation for Trustee Maimoni's service to the Authority and to the Long Island ratepayers, and he thanked Trustee Maimoni for his service.**

**Chairman Law stated that he is working with Governor Spitzer's staff to replace Trustee Akeson, who resigned approximately two months ago. The Chairman continued that he is also working with Assembly Speaker Silver's office to replace his dear friend, Richard Kessel, who is no longer a Board member. He indicated that he hopes to find a full compliment before the next meeting of the Board of Trustees.**

**Chairman Law stated that he previously discussed that he wants to revise and establish a new Personnel and Compensation Committee to examine salaries**

at LIPA. The Chairman continued that Trustee Elovich has agreed to chair the committee, and that Deputy Chairman Steinberg and Trustee Sinnreich have agreed to serve, but he is looking for another member.

Trustee Herrmann stated that he is also willing to serve on this committee. Chairman Law thanked Trustee Herrmann for volunteering to serve. The Chairman indicated that he expects that the committee will meet over the summer, and that Ms. McCarthy will have some information to share concerning how other public utilities throughout the country compensate their management.

Chairman Law stated that Trustee Fragin has volunteered and has been nominated to serve on the Finance and Audit Committee. The Chairman continued that he hopes that one of the new Trustees that will be appointed by Governor Spitzer will also be appointed to the new committee.

Chairman Law stated that the Authority's search for a General Counsel has continued, and that there have been several very solid candidates who have applied. The Chairman continued that the search is going well, and that he hopes to have someone in place shortly. He added that he will discuss the details further in Executive Session.

Chairman Law stated that some may have read a recent Newsday article concerning LIPA projects with Plug Power. The Chairman continued that he has asked CEO Kessel and Ms. McCarthy for a review of this, and that they assured him that everything is fine, but he is asking for a review of the process. He added

that when people raise issues, LIPA should look at them and defend what LIPA did, if it was done right, but LIPA should also not be afraid to make changes going forward.

Chairman Law stated that, as he previously mentioned, LIPA has established a good working relationship with Attorney General Cuomo, and he is happy to report that the Attorney General's office has agreed to accept the first assignment as counsel on LIPA's behalf, which is an opportunity to ease the burden on LIPA's small General Counsel staff and to save money by not using outside counsel. The Chairman continued that the Attorney General's Office has reviewed LIPA's draft ethics code, and they have made some suggestions that LIPA has incorporated into its draft. He added that the relationship is off to a great start, and LIPA is looking to accomplish more with Attorney General Cuomo and his office in the near future.

Chairman Law stated that he is continuing to work with Ms. McCarthy, LIPA's bond counsel and the rating agencies to work out a voluntary arrangement regarding the role for the PSC in terms of LIPA's rates. The Chairman continued that he hopes to have this finished this month, and he is continuing to work on the matter with Ms. McCarthy.

Chairman Law stated that Governor Spitzer announced his fifteen by fifteen program, which pertains to a reduction of fifteen percent in demand by 2015. The Chairman further stated that LIPA is striving to be a significant partner with the Governor on that, and LIPA is moving forward and putting the finishing touches

on its Efficiency Long Island Campaign, which he hopes to have finished before the end of the month. He indicated that he wishes to keep everyone informed so there are no surprises.

Chairman Law stated that recently New York State Comptroller DiNapoli, met with Suffolk County Executive Levy and Suffolk County Comptroller Sawicki after finding almost \$200,000 in unclaimed funds that Suffolk never knew existed. The Chairman has asked Ms. McCarthy to look into whether LIPA is owed money as well.

Chairman Law stated that he recently met with Congressman Steve Israel who is a member of the House of Representatives Subcommittee on Energy and Water Development, and Congressman Israel is very excited about working with LIPA on some initiatives that he wants to introduce, in terms of legislation, where LIPA can be a leader in the country. The Chairman indicated that LIPA is excited about the opportunity.

Chairman Law stated that he previously asked for a detailed economic analysis of the Wind Project, and he has raised some concerns about it. The Chairman continued that LIPA has commissioned a study on that. He asked that CEO Kessel update the Board on this matter.

Chairman Law stated that with respect to the proposed KeySpan and National Grid merger, he raised concerns regarding the Manufactured Gas Plant “MGP” study, and the Board had postponed their vote because he wanted to better understand the situation first. The Chairman continued that there seemed

to be either a lack of knowledge or certain misunderstandings as to how many sites exist, and as to what was going on at the sites with respect to investigation and remediation. He noted that LIPA demanded that KeySpan put together a report that identifies the sites, any concerns with those sites, the investigations that are underway, the remediation plans that are proposed for the sites, as well as the progress and involvement with the New York State Department of Environmental Conservation and the New York State Department of Health.

Chairman Law stated that he is happy to report that KeySpan did a great job in assembling a succinct package that has been shared with the Board. The Chairman continued that for the first time, LIPA has a handle on this matter. He thanked KeySpan for providing the information, and he indicated that it should be shared with the Nassau and Suffolk County Health Departments.

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

CEO Kessel reported that LIPA will conduct an Island-wide emergency drill, which LIPA has held for the last three or four years, and where LIPA has asked its customers to cooperate by reducing their electric consumption to the greatest extent possible between the hours of noon to 3:00 p.m. He indicated that LIPA will also discuss its preparations for the storm season at a news conference, and LIPA will show some of the results of its Storm Hardening Program, which has made LIPA's facilities more resilient to major storms. He added that the storm

season has already begun, and that Long Island must be prepared for the possibility of a major strike this year.

CEO Kessel stated that it is important that everyone check their own emergency plans to make sure that they know where they would go in the event of an emergency, and that they have the appropriate equipment. He indicated that these are important things that we may take lightly because Long Island has not really been hit with a major storm since Hurricane Gloria, which was 22 years ago. He thanked KeySpan for their cooperation and effort, and he further thanked Newsday for publicizing the drill and urging its readers to participate.

CEO Kessel stated that Long Island experienced the remnants of a tropical storm over the weekend, and LIPA's personnel did an extraordinary job. He indicated that Long Island had 1.5 to 2 inches of rain and wind gusts of up to 30 miles per hour. He added that there were approximately 10,000 to 11,000 outages, but LIPA was able to restore power to all by the following day, which is extraordinary. He noted that the people who are out in the pouring rain and wind and those in the Call Center do an amazing job.

CEO Kessel stated LIPA had had extra crews working, and that LIPA was able to restore power quickly. He indicated that Newsday reported that an incident occurred with regard to a downed wire, but nothing was said about the recovery efforts. He further indicated that a wire went down and it was not attended to for hours, and it seems to him that there was a mistake made. He

added that it is easy to single out one incident, but the restoration effort was extraordinary.

CEO Kessel stated that he has asked Mr. Hulkower and Mr. Hervey to examine the issue of downed wires. He noted that LIPA has met with local fire departments, and LIPA has put in new procedures that should work a lot better. He indicated that he wants to take a further look at the problem.

CEO Kessel stated that there was an incident that occurred at the Roosevelt Field Mall over the Memorial Day weekend, during which LIPA lost three out of four feeder lines into the mall. He continued that LIPA was able to restore one of the lines relatively quickly, but since Memorial Day, the mall has operated on two lines. He indicated that he was not happy with some of the response from KeySpan in terms of manpower and priority, but all of the feeders are now restored.

CEO Kessel thanked Mr. Germano for his extraordinary work with respect to the matter. He continued that Mr. Germano was at the mall for two straight days, and he did a great job.

CEO Kessel stated that LIPA is looking at this matter with respect to what caused the problem, the response and whether that response was as much a priority as it should have been, and with regard to malls that are fed by underground lines where it is difficult to find the fault in comparison to overhead lines, and may take days to restore. He noted that had LIPA not been able to

provide service, the mall would have had to shut down during one of the busiest weekends of the year. He indicated that this incident and the incident in Queens last year are examples as to why it may be a bad idea to bury lines.

CEO Kessel stated that he looked at some of the wiring in the vault at the Roosevelt Field Mall, which is forty to fifty years old. He continued that LIPA has to take a hard look at what is needed to continue to improve the infrastructure going into some of the major shopping areas on Long Island.

CEO Kessel reported that he is happy to dedicate the bike path on the east side of the Wantagh Parkway that LIPA rebuilt with Neptune. He indicated that in building the Neptune Cable, LIPA had to take out the bike path, but it has now been permanently restored, and it is beautiful. He added that this is the kind of thing that LIPA does all of the time, but which no one talks about.

CEO Kessel reported that the Neptune Cable is being tested, and there were a couple of small issues regarding the cable, which are being repaired. He continued that LIPA moved 600 MW to and from Long Island over the cable, which is more than LIPA has been able to previously import. He added that the testing is going well, and he hopes that the cable will be operational within thirty days. He added that this is the most important energy project from a positive standpoint in Long Island's history, and it is exactly what LIPA needs to enhance reliability. He thanked LIPA's staff and Neptune for working well together on this project.

CEO Kessel stated that with respect to the wind study, the Authority has issued a Request for Proposal ("RFP") to purchase 25 MW of wind power to be imported over the Neptune Cable, and once operational, it will provide LIPA with access to additional resources, including wind. He continued that there is a significant amount of wind power available from the Midwest and the South for LIPA to access. He indicated that the Authority has dedicated itself to include renewable resources as part of its energy supply mix in order to reduce dependence on fossil fuels. He added that windpower may not be as economically competitive as fossil fuels, but it will not be far off, and it will allow LIPA to displace the consumption of a small amount of fossil fuel.

CEO Kessel stated that LIPA's staff will bring that matter to the Board in September. He continued that LIPA has retained Pace Global, an independent and world renowned firm, to take a look at the Offshore Wind Project. He continued that Pace will take a global look not just at this project, but also at wind energy in general. He indicated that much has been said about the project and about offshore wind that is not factual, and LIPA wants to take a look at the current state of offshore wind, how much is being used and how successful it has been. He added that LIPA also wants to look at the economics of the project.

CEO Kessel stated that Florida Power and Light ("FP&L") has provided LIPA with a number of costs, and that he had also asked FP&L to provide LIPA with a range of what they think the cost of the project will be, which will be made public. He continued that the number is meaningless because this is only what FP&L believes that the project will cost. He added that LIPA wants to look at the

real costs of the project, and at how that stacks up over a 20 or 25-year period when considering the carbon tax on fossil fuels and the cost of fuel itself, which is volatile and high.

CEO Kessel stated that LIPA hopes to have the report by the middle of July, and LIPA will provide it to the Board. He continued that LIPA will also release it to the general public, so that all of the numbers and comparisons will be made public, and so that people can make their own judgements.

Chairman Law stated that he has received several requests for the information that FP&L has recently provided to LIPA. The Chairman asked whether LIPA has numbers to provide, and if so, why they have not yet been provided. CEO Kessel stated that LIPA could release them, but it is very difficult to negotiate a power purchase agreement when the numbers are released that may undercut LIPA's negotiating position. Ms. McCarthy stated that LIPA staff is in the process of evaluating the information, and LIPA will have to determine what is confidential and proprietary information, as it always does with this type of situation, so LIPA will work on this to get the best possible information out.

Chairman Law stated that if LIPA has numbers to give that are not regarded as commercially sensitive or propriety information, and if LIPA will not be violating any trade secrets, he wants to disclose them. CEO Kessel stated that LIPA will do that, but what is really going to be important is the analysis of the comparisons of the full cost of the wind project, including a comparison on a per capita basis to what LIPA pays for similar power from a power plant, and

considering the costs of fuel and the carbon tax, which will be a huge impact on utility bills. He added that the report will enable the Board and the public to have a reasonable debate about it. Chairman Law stated that he supports the concept of a study, and that he has a lot of concerns with the project, but he is prepared to wait so that all can make an informed decision based upon the numbers that come in.

CEO Kessel stated that Nancy Akeson, who recently resigned as a LIPA Trustee, had a baby girl. He continued that she did a great job as a LIPA Trustee, and he wanted to report the terrific news to the Board.

CEO Kessel stated that he wanted to report that former LIPA Trustee Thomas Doherty passed away approximately one month ago. He continued that Mr. Doherty was one of the original appointees of former Governor Pataki, and that Mr. Doherty headed the Finance Committee and served with distinction. He added that Mr. Doherty was a terrific person, a great Long Islander, one of the leaders in the banking industry and a really terrific trustee.

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

Mr. Hulkower reported that LIPA staff projects by the end of the year that LIPA will add 42 MW of load, against a goal of approximately 45 MW. He continued that the projection for economic development is up approximately 2.5 MW to a projection of 7.15 MW, and Major Accounts now projects to add 34 MW of

load. He added that for Major Accounts, one hundred different projects have been identified that will lead to that goal, and twenty-seven projects have been identified that are related to the economic development targets.

Mr. Hulkower reported that with respect to LIPA's Clean Energy Initiatives, the actual completed lighting and appliances have gone up 110,000 units since the last report, due largely to a big promotion held recently by LIPA. He continued that with respect to the LIPA Edge program, more than 1,500 participants were added since the last report, and LIPA is approaching its year-end goal of approximately 35,000 participants.

Mr. Hulkower reported that with respect to Customer Care programs, in general, LIPA is tracking with its goals. He indicated that the online energy analysis, which is a web-based tool that is available through the LIPA website, gives customers tips on how to manage their energy use and reduce energy use in their home and businesses. He added that LIPA encourages customers to use this.

Mr. Hulkower reported that with respect to reliability programs, LIPA has stabilized the reliability statistic, and Mr. Hervey will give a detailed presentation at the next Board meeting concerning all of LIPA's reliability programs. He indicated that with respect to LIPA's CAIDI, which measures the average duration of outages, LIPA is still at 81 minutes on a 12-month rolling average. He added that year-to-date, LIPA's CAIDI is at 69 minutes of outage duration, so LIPA will soon start to see some of the poor months rolling off the 12-month average.

Deputy Chairman Steinberg asked what is being measured in terms of units with respect to the residential lighting and appliances statistic. Mr. Hulkower responded that it is primarily light bulbs.

Deputy Chairman Steinberg asked how LIPA calculates that residential customers purchased 170,000 light bulbs. Mr. Hulkower responded that it is related to the rebates that are recorded. CEO Kessel stated that LIPA tracks them through some of the major appliance stores. He continued that since LIPA started its Lighting Compact Fluorescent Rebate program, approximately four million compact fluorescent bulbs were sold on Long Island to LIPA's customers, which is one of the leading numbers in the country. He added that if every homeowner on Long Island added one compact fluorescent bulb, it would save \$100 million in electric costs.

Deputy Chairman Steinberg stated that he suspects that LIPA is significantly underreporting the success of this program. CEO Kessel agreed, and he indicated that the number is huge. He added that four million is the number of light bulbs that LIPA has rebated, not the number sold, and that LIPA is now also providing rebates for holiday lighting and decorative home lighting.

Trustee Smookler asked whether LIPA can assist large organizations with respect to their environmental concerns related to the disposal of these bulbs, in order to encourage greater use. CEO Kessel answered that LIPA has not yet looked at this, and the average life of these bulbs is between three to four years,

or longer. He indicated that LIPA can look at this, and that some local towns have programs with respect to the disposal of light bulbs.

Trustee Smookler stated that there is a high degree of sensitivity regarding the costly fines that may be incurred if the bulbs are not disposed of correctly, so she senses resistance in connection with the environmental impact from the disposal of the bulbs. She indicated that the only positive piece is that it takes longer for these bulbs to die, and that the degree to which the large institutions may know about this is uncertain.

CEO Kessel stated that LIPA will take a look at it. He noted Long Island's own King Kullen Supermarket has converted to new lighting in all of their stores, and they are saving a large amount of money.

Trustee Fragin asked whether LIPA is working with the major landlords on Long Island. CEO Kessel answered that LIPA is working with a number of them, and LIPA is also working with developers, municipalities and school districts. He added that LIPA has launched a program where LIPA gives incentives for them to utilize this lighting.

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

Ms. McCarthy reported that as of the four months ended April 30, 2007, LIPA had an excess of expenses over revenues of \$41 million, which was better

than expected by approximately \$27 million or 39 percent. She continued that revenues for the period were \$28 million or 3 percent below budget, due primarily to the reduction in the power supply charge that was implemented in February 2007. She added that the remainder is a result of a .6 percent lower than expected sales in the four-month period.

Ms. McCarthy reported that Fuel and Purchased Power expenses are six percent or \$35 million below budget, due to lower-than-expected natural gas prices, which have allowed LIPA to switch the plants over to natural gas earlier than normal and take advantage of the lower price. She continued that other income and deductions are approximately \$5 million ahead of budget from an income perspective, due to higher earnings on LIPA's investment balances. She indicated that interest expense is \$9 million or eight percent below budget for the four month period, due to lower than expected variable interest rates on the variable rate debt.

Ms. McCarthy reported that LIPA ended the four months with cash and investments of \$657 million, \$250 million of which is kept in LIPA's Rate Stabilization Fund, and the remainder in LIPA's operating funds. She indicated that it is invested in a variety of instruments with 96 percent having a maturity of three months or less. She added that LIPA expects to end the year with a liquidity of cash and investment balance of approximately \$400 million.

Ms. McCarthy reported that LIPA is continuing its aggressive fuel hedging program and at May 31, 2007, LIPA had a positive mark to market from its fuel

derivatives of \$97 million. She continued that LIPA's fuel hedge ratios for the remainder of 2007 are that 79 percent of LIPA's anticipated fuel oil and natural gas needs are hedged; for 2008, 70 percent of LIPA's oil, natural gas and purchased power needs are hedged; and for 2009, LIPA is 35 percent hedged. She noted that LIPA is starting to build a small position in 2010.

Chairman Law asked whether LIPA's hedges would be off the table if LIPA were hit with a Katrina type storm, or if the situation worsened in the Middle East. Ms. McCarthy answered that they would not be off the table. She indicated that oil prices have been trending up, and they are currently in the middle \$60's. She continued that natural gas prices are high, particularly on a forward basis. She added that there is a lot of the uncertainty related to the oil markets and geopolitical events that is built into the crude oil prices, as well as some refinery issues, which impacts the gas price.

Ms. McCarthy reported that the storage numbers are extremely strong, but the market is skittish because of where oil is at, and because of the fast activity in terms of the hurricane season. She indicated that this could drive a lot of volatility this year, depending on how the storm season goes.

Chairman Law stated that the new ethics code, which was reviewed by the Attorney General's Office, has been submitted to all Trustees, and he asks that the Trustees review them. The Chairman continued that the Board will take action on this at the next meeting, but he would like LIPA to abide by them in the interim period.

Chairman Law stated that the next item on the agenda is Board approval of a resolution authorizing the engagement of Granicus, Inc. to provide webcasting services.

Ms. Nicolino stated that the Trustees are being requested to approve a resolution authorizing the Chief Executive Officer or his designee, to engage Granicus, Inc. to provide webcasting services to LIPA for a term of two years. She continued that recently, Governor Spitzer issued Executive Order No. 3, which requires state agencies and public authorities to broadcast all meetings subject to the Open Meetings Law, on the Internet, through the use of webcasting. She added that the Order requires those provisions to be in place by July 1, 2007, and it also provides for an exemption to this broadcast requirement under circumstances where the webcasting of meetings subject to the Open Meetings Law would be impractical or inappropriate.

Ms. Nicolino stated that webcasting involves the real time capture and broadcast of video and audio over the Internet, and in order to comply with Executive Order No. 3, the Authority issued an RFP seeking experienced firms to provide such services. She continued that it was advertised in the New York State Contract Reporter, posted on the Authority's website and distributed to a vendor list of twelve firms. She indicated that on April 26, 2007, five firms responded to the RFP. She added that a Selection Committee reviewed the proposals and after determining that they were compliant with the RFP criteria, the Committee determined that Granicus, Inc. was the best suited to fulfill the Authority's needs related to the Executive Order. She noted that they have

**extensive experience in webcasting public meetings for other government agencies, and the depth and availability of resources.**

**Ms. Nicolino stated that Granicus, Inc. provided the best value to LIPA with respect to price, and based on the foregoing, LIPA staff recommends that Granicus, Inc. be selected to provide webcasting services to the Authority.**

**Deputy Chairman Steinberg asked whether Granicus has provided webcasting services for other public authorities. Mr. Standridge answered that Granicus does provide webcasting services to the Village of Hastings-on-the-Hudson, and other government agencies throughout the country.**

**Deputy Chairman Steinberg asked whether the Order requires the Authority to do this RFP, as opposed to getting together with other state agencies to attempt to obtain a more favorable rate. Ms. Nicolino answered that the Executive Order is silent on that issue, and the Office of General Services (“OGS”) may be procuring for similar services for other state agencies, but LIPA needed to comply with the timelines required under the Executive Order. She indicated that LIPA made the term for two years with the idea that, if it is more reasonably priced for LIPA to use another provider in the event that OGS does procure another company, LIPA would exercise its option to terminate and avail itself of a contract through OGS.**

**Deputy Chairman Steinberg asked whether they will be prepared to webcast LIPA’s next Board meeting. Ms. Nicolino answered that she believes**

that they would, as the next full meeting of the Board is anticipated in September, and LIPA staff is not sure when a qualifying committee meeting might be held and/or whether or not the Authority would exercise any possible exemption.

Deputy Chairman Steinberg asked whether LIPA's regular notices of meetings will contain a notation as to how to access the webcast. Ms. Nicolino answered that it is not required under the Executive Order, but LIPA would certainly do that as a practical matter.

Trustee Fragin asked whether the webcasting would be done through LIPA's website. Ms. Nicolino responded that it would.

Trustee Fragin asked whether LIPA will be providing for the bandwidth, or whether Granicus will. Mr. Standridge answered that LIPA is responsible for providing the bandwidth.

Trustee Fragin asked whether the Authority needs to take additional acts to provide the bandwidth. Mr. Standridge answered that at this time the provision of the bandwidth is the Authority's responsibility, and it has been addressed.

Trustee Fragin stated that he points this out because the New York State Senate and Assembly began webcasting last year, but the website crashed whenever something of interest came on.

Chairman Law stated that it is something that the Authority is obligated to do and something that Governor Spitzer wants to do. The Chairman continued that he suggested it when he was first appointed. He added that if there are opportunities to have some synergy savings by coordinating with other state agencies and authorities, the Authority will explore that.

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

#### **817. ENGAGEMENT OF FIRM TO PROVIDE WEBCASTING SERVICES**

**RESOLVED**, that the Chief Executive Officer or his designee be, and hereby is, authorized to engage Granicus to provide Webcasting services to the Long Island Power Authority, with the contract term to be two years, unless earlier terminated by the Authority.

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Chairman Law stated that the next item on the agenda is Board consideration of approval of the selection of a firm to provide risk Management Services.

Ms. McCarthy stated that the Trustees are being requested to approve a resolution authorizing the Chief Executive Officer to engage Meyers-Reynolds and Associates, Inc. to provide risk management advisory services to LIPA for a term of four years. She continued that on January 15, 2007, the Authority issued an RFP seeking experienced firms to provide risk management services to LIPA,

including a review and comment on the Authority's existing risk management program, recommendation on insurance coverage, and assistance in placing the Authority's D & O policy, among other broad advisory works with respect to LIPA's insurance programs.

Ms. McCarthy stated that the RFP was advertised in the New York State Contract Reporter and posted on the Authority's website. She continued that the RFP's were sent to fourteen firms, and three firms responded. She indicated that based upon an evaluation performed by an internal selection team, it is recommended that LIPA select Meyers-Reynolds to continue to provide these services. She added that the recommendation is based on the strengths of Meyers-Reynolds, including their familiarity with the Authority's present and future risk-management needs, its extensive knowledge and experience in the energy utility field, its record in developing creative risk management solutions for LIPA and the reasonableness of their fees and expenses, and based upon this, she recommends the selection of Meyers-Reynolds to provide risk management services to the Authority.

Trustee Affrunti asked what "reasonable fees and expenses" means. Ms. McCarthy answered that their fees are in the range of approximately \$160,000 per year, with no brokerage fee.

Trustee Fragin asked how that fee compares to the other two. Ms. McCarthy answered that they were the lowest bidder.

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

**818. ENGAGEMENT OF FIRM TO PROVIDE RISK MANAGEMENT ADVISORY SERVICES**

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**RESOLVED**, that the Chief Executive Officer or his designee be, and hereby is, authorized to engage Meyers-Reynolds & Associates, Inc. to provide risk management and other related advisory services to the Authority and LIPA, with the contract term to be four years, unless earlier terminated by the Authority.

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Ms. Nicolino stated that the Trustees are being requested to approve a resolution authorizing the CEO to engage Standish Mellon Asset Management Co., LLC, to provide nuclear decommissioning trust fund asset management and investment advisory services to LIPA for a term of five years. She continued that the Authority issued an RFP to provide such asset management investment advisory services related to its nuclear decommissioning trust fund related to the Nine Mile 2 Nuclear Power Station, and the RFP was advertised in the New York State Contract Reporter, was posted on the Authority's website and was directly sent to a vendor list of twenty-three firms. She added that six firms responded, including Bear Sterns Asset Management, Inc., Bank of New York Asset Management, Duff & Phelps Investment Management Co., JP Morgan Asset Management Co., Northern Trust Global Investment and Standish Mellon Asset Management Co, LLC.

Ms. Nicolino stated that the Selection Committee, comprised of Authority staff members, reviewed the proposals for compliance with the terms of the RFP

and against the evaluation criteria, and there were interviews conducted of select firms. She continued that based on the written submissions, the interviews and an assessment of the Authority's needs, it was determined that Standish Mellon is best suited to fulfill the Authority's needs with respect to the nuclear decommissioning trust fund.

She added that some of their strengths include extensive experience managing long-term fixed income and equity assets, including nuclear decommissioning trust funds, good working knowledge and understanding of the Authority and its operation, solid investment management compliance controls and reporting capabilities, and their reasonable fees. Ms. McCarthy stated that Standish Mellon's partner entity, Mellon Financial Corporation, currently provides custody services for the Authority's nuclear decommissioning trust funds, which will result in the elimination of certain custodial transaction fees, and which will facilitate reporting. She noted that Standish Mellon is a new provider of service to LIPA for this fund. She indicated that she recommends that Standish Mellon be selected to provide these services.

Trustee Elovich asked what fee they charge. Ms. McCarthy answered that it is a fee based upon asset balance, and that the fund is comprised of a fixed income component and an equity component. She added that there is no fee on the equity side, and that the fee is only on the fixed income piece. She noted that Standish Mellon's fees were at the low end of the scale.

Trustee Elovich asked how much money the Authority has in this fund. Ms. McCarthy answered that it is currently at \$66 million, and it is scheduled to grow to an amount that would be sufficient in 2046, when the plant is scheduled to be decommissioned.

Trustee Elovich asked if Standish Mellon gets a percentage for managing this fund. Ms. McCarthy answered that they get a basis point fee for managing the fund.

Trustee Elovich asked what the basis point fee is. Ms. McCarthy responded that it is staggered, and it depends on the level of the fund.

Trustee Elovich asked what it would be at the current level. Ms. McCarthy responded that at the current level, the all-in fee would be in the range of approximately \$100,000 per year.

CEO Kessel stated that LIPA has been asked by a number of environmental advocate citizens groups about the possibility that LIPA will play any role in the construction of another unit in the same area that Nine Mile 2 is in, and he wants to make it clear that LIPA is not playing any role in that. He continued that it is an independent process that LIPA has nothing to do with, and that LIPA is not encouraging participation in that process.

Trustee Nugent asked whether LIPA is drawn into the mix because those discussions are going on in the proximity of a facility that LIPA has an 18 percent share in. CEO Kessel answered that he does not think so, and this is completely

independent. He indicated that LIPA has tried to sell its share in Nine Mile 2, but the issue is getting the value for LIPA's 18 percent share, while making sure that LIPA gets that power that it still needs from Unit 2.

Chairman Law stated that the issue before the Board is the retention of a firm to manage the funds that the Authority is obligated to have for the decommissioning, and it is not so much a policy decision.

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

**819. ENGAGEMENT OF FIRM TO PROVIDE NUCLEAR DECOMMISSIONING TRUST FUNDS ASSET MANAGEMENT AND INVESTMENT ADVISORY SERVICES**

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**RESOLVED**, that the Chief Executive Officer or his designee be, and hereby is, authorized to engage Standish Mellon to provide nuclear decommissioning trust funds asset management and investment advisory services to the Long Island Power Authority, with the contract term to be five years, unless earlier terminated by the Authority.

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Chairman Law stated that the next item on the agenda is consideration of approval for the Revised Guidelines regarding the use, awarding, monitoring and reporting of procurement contracts.

Ms. Nicolino stated that section 2879 of the Public Authorities Law requires the Authority to periodically review and update its procurement guidelines, and the last time the Authority's guidelines were amended was December of 2005.

She indicated that since that time, certain changes in the law regarding procurement procedures and requirements of a state entity, such as the Authority, have gone into effect. She further indicated that the Authority has amended the guidelines to reflect those changes, which pertain to three principal areas.

Ms. Nicolino stated that the first is with respect to the implementation of State Finance Law, Section 139, requiring a single point of contact for communicating with the Authority during a procurement, with respect to procurement lobbying. She continued that with respect to Section 139, the Authority must set forth a general requirement of that provision, in order to instruct vendors as to what their contact restrictions are. She indicated that the second concerns an increase in the discretionary purchasing threshold levels triggering Comptroller review from \$50,000 to \$100,000 with respect to the purchase of commodities or services from New York State small businesses and/or minority and women owned businesses, and also commodities or technologies that are recycled or remanufactured. She added that the last one concerns adding language to the Authority's guidelines, specifically recognizing the Authority's ability to purchase goods and services using centralized contracts placed through the New York State Office of General Services.

Ms. Nicolino stated that all of these provisions have been in place and have been practiced by the Authority for some time; however, the Authority has modified its guidelines to reflect them accordingly. She indicated that based

upon that, LIPA staff recommends that those changes be approved by the Trustees at this time.

Chairman Law stated that in Suffolk County there is a local preference law concerning capital projects, where preference is given to Nassau and Suffolk companies in order to keep the work, employees and tax dollars here. The Chairman asked whether LIPA can also give preference to Nassau and Suffolk County based companies. He indicated that it has been well received by labor on Long Island.

Ms. Nicolino stated that there is no local preference law currently, but the issue has met with some caution by the New York State Comptroller's Office whenever it has come up in the past. She continued that there are certain New York State preference laws on the books. She indicated that she would be happy to look into that further and report back to the Board at the next meeting.

Trustee Fragin asked who makes the determination with regard to a single-source contract that the provision exists. Ms. Nicolino answered that they are statutory and they are in LIPA's guidelines.

Trustee Fragin asked who within the Authority makes that determination that the conditions exist for a single-source contract. Ms. Nicolino answered that they are determined by a combination of internal staff, generally including a procurement officer, LIPA's Director of Corporate Contracts and someone from LIPA's legal department. Ms. McCarthy added that this is reviewed by the Office

of the New York State Comptroller whenever the procurement is submitted to the OSC.

Trustee Fragin asked whether it is a committee determination, or whether it is done by a single person at each level. Ms. Nicolino answered that it is usually done on a supervisory level, and the procurement officer is responsible for everything that flows from the procurement. She continued that they would not do something that anybody had a problem with. She indicated that it is distinguishable from the evaluation committee that reviews RFP proposals, but it is made on a management level as a combined effort of at least those three individuals.

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

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

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

**WHEREAS, the Authority wishes to revise its existing Procurement Guidelines to reflect certain changes in the law regarding procurement procedures and requirements for state entities such as the Authority, which the Authority currently implements in connection with its procurements;**

**NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves and adopts the "Long Island Power Authority Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Procurement Contracts (June 6, 2007)" in the form presented at this meeting; and be it further**

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

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**Chairman Law stated that the next item on the agenda is Board consideration of approval and authorization to enter into an agreement and waiver, and other related agreements concerning management services and generation purchase options with National Grid and KeySpan. The Chairman continued that he had briefly discussed this item at the Board's last meeting with regard to the presentation of the MGP report, and he thanks KeySpan for that report. He indicated that after the Board postponed the vote, LIPA staff appeared before the Nassau and Suffolk County Legislatures to brief their respective Environmental, Energy and Economic Development committees.**

**Chairman Law stated that LIPA responded in great detail to the letter that the Board received at the last meeting from the Long Island delegation of the New York State Assembly and Senate, led by Assemblyman Alessi, to whom he spoke personally. The Chairman continued that Assemblyman Alessi was pleased with the detailed response to that letter. He added that LIPA posted the agreements on the website several weeks ago, and briefings have been held on the elements of the transaction.**

**Chairman Law stated that Suffolk County Legislator Wayne Horsley wishes to speak with respect to this particular item.**

**Legislator Horsley stated that he stands here for the many elected officials, environmental activists and energy watchdogs who cannot be present, but that have contacted him to express their opposition to the deal. He continued that as a ratepayer and on behalf of the Suffolk County ratepayers he requests that LIPA postpone its ratification of an agreement in principal with National Grid. He indicated that the environmental, health and economic consequences of today's vote are astounding, and LIPA's vote today will serve to irrevocably alter the energy landscape on Long Island for better or for worse.**

**Legislator Horsley stated that LIPA's vote is inarguably a premature decision given that there are as many as 83 toxic plants and historic gas sites known to exist in New York City and Nassau and Suffolk Counties, with the possibility of ratepayers footing a billion dollar remediation bill, and with schedules for cleanup not set, negotiations ongoing and litigation certain to occur. He continued that KeySpan has the ability to act aggressively to remediate MGP sites, and the work performed at the Bay Shore MGP site has been nothing short of astounding. He added that KeySpan should continue to remediate with the same vigor that they tackled the Bay Shore site.**

**Legislator Horsley indicated that CEO Kessel stated that with respect to KeySpan's tentative approach to remediating nearly 70 sites, that LIPA has the capability of holding their collective feet to the fire, and if LIPA is not satisfied, it**

will not go forward with the deal. He further indicated that if they are decidedly unresponsive now with all of their chips on the table, what hope is there once the iron is cast, which is why he urges that LIPA delay ratification of an agreement in principal with National Grid until the Public Service Commission has determined if this acquisition is in the best interest of the taxpayers.

Legislator Horsley stated that on April 26, 2007, LIPA requested that KeySpan provide a detailed plan for the investigation and clean-up of old toxic gas plant sites, before LIPA votes on the lucrative services agreement with KeySpan, and LIPA requested that the report present a detailed plan that would include a schedule and deadlines for remediation. He continued that Chairman Law indicated that KeySpan has responded, but he has not seen the report nor a remediation time table. He added that despite repeated requests, the report has not been made available for public review.

Legislator Horsley stated that in light of these circumstances, if LIPA's agreement in principal is ratified today, he will request the State Comptroller and Attorney General to investigate why this contract was not put out to bid, as required by New York State procurement law. He indicated that Suffolk County will continue to advocate aggressively for the ratepayers in the ongoing PSC proceedings.

Chairman Law stated that he had previously called for the postponement of the vote, largely due to the MGP issue, which he takes seriously. The Chairman continued that he demanded that KeySpan submit in writing a detailed report

identifying all of the sites, because there was confusion, and also that KeySpan submit a listing of the problems associated with those sites and the action plan for remediation. He indicated that to KeySpan's credit, they prepared a very detailed report that was reviewed by LIPA's in-house environmental experts.

Chairman Law stated that KeySpan has lived up to the demands that he placed on them. He further stated that LIPA is not a regulator, rather it is the New York State Department of Environmental Conservation and New York State Department of Health, and to some extent the Suffolk and Nassau County Health Departments that are involved in regulating the investigation and remediation. He added that the PSC will dictate who pays for it, either shareholders or customers, and that this is not a role for LIPA.

Chairman Law stated that because LIPA takes these concerns very seriously, once LIPA received the approval of its environmental staff that this met the requirements, LIPA negotiated an agreement with KeySpan that will hold their feet to the fire in terms of their reporting obligations to LIPA. The Chairman further stated that to the extent that KeySpan either misses their reporting obligations to LIPA and/or are cited by the DEC for failure to comply with consent orders, significant penalties will kick in. He noted that in addition to having a report for the first time that details all of the sites LIPA now has in writing their commitment to go forward with the investigation and the remediation, with possible penalties for failure to live up to this. He added that LIPA has gone above and beyond what it can do, and people must understand what LIPA cannot do. He thanked Legislator Horsley for his comments.

Legislator Horsley asked whether there is a schedule for the remediations that have been set up by KeySpan in the report, since he has had only a short time to look it over. Chairman Law stated that each site has a different timetable, which are outlined in the report.

Trustee Fragin stated that as Chairman Law has stated, LIPA is not a regulator in this regard, and LIPA has extracted a very good deal on behalf of ratepayers, and with regard to the current and future rates on Long Island. He continued that rates were raised by 25 percent in Orange and Rockland Counties today; however, LIPA has done a pretty good job as far as keeping rates lower in the future on Long Island. He asked Legislator Horsley where on balance he sees the deal that LIPA extracted, versus the environmental issues, because he does not feel that there has been enough comment as to the good job that LIPA has done to protect the ratepayers on Long Island.

Legislator Horsley stated that the deal is a better deal since LIPA has become activated and involved in the process of putting it together, and that is leading to the Board's vote today. He continued that he is concerned that the MGP's have been continually underestimated by not only KeySpan, but by just about everybody. He indicated that the elected officials recognize that if they are to spread the cost over the ratepayers bills, over the length of time that it may take, it will dramatically escalate the cost of electricity on Long Island. He added that they appreciate the fact that LIPA is their partner in representing the public,

and what they are trying to do as elected officials, is look for a better deal, so that the ratepayers do not get stuck holding the \$1 billion plus tab.

Legislator Horsley stated that he agrees that this is a negotiated issue and that at the end of the day the PSC will come up with some sort of figure. He indicated that they should make sure that they get the best deal possible, and that it was a concern for them that the Authority would approve this deal today. He added that he applauds the fact that they are moving in the right direction together with LIPA.

Chairman Law stated that it should be understood that the Authority is not approving anything with respect to the MGP's, but rather the proposed merger. Legislator Horsley stated that he is aware of that, but he would argue that the matters are intertwined and to exclude it would be impossible.

CEO Kessel stated that LIPA and KeySpan are completely separate entities, and when LIPA negotiated the agreement to take over LILCO in 1998, LIPA specifically wrote into the agreement with respect to MGP liability, that there would be absolutely no liability on the part of the LIPA customers on the electric side. He continued that regardless of what the PSC may do on the gas side of the business or what KeySpan and/or Grid may propose, this will have no impact on the electric ratepayer now, or in the future. He indicated that this is important because people get confused, and that LIPA foresaw this issue and dealt with it. He added that what Chairman Law has done on the MGP issue is extraordinary, in that LIPA has stood up for all of Long Island and the public interest.

CEO Kessel stated that the real issue for LIPA is what it is doing for its electric customers. He continued that the MGP issue would be an important one, if there were any possibility from a legal perspective that LIPA's customers would be exposed to these costs, but there is none.

Legislator Horsley stated that he appreciates CEO Kessel's comments and he understands to some degree how the corporate structure basically works at LIPA; however, he has to maintain his position that at the end of the day, if KeySpan or National Grid's costs start to escalate because of the MGP cleanups, that through power purchase agreements, or other means, those costs will have to be shared by everybody.

CEO Kessel stated that the costs cannot flow to LIPA in any way. He continued that the new MSA has been improved in terms of LIPA's ability to track costs, and he assures that neither KeySpan nor National Grid can pass through any of these costs through any of their contracts with LIPA.

Legislator Horsley stated that he appreciates this discourse, and frankly they are moving this deal toward a better deal because of the exchanges that they have had over the last several months, and he could not be more proud that this is how the system works. He added that LIPA is doing fine but it could do better.

Chairman Law thanked Legislator Horsley for his time.

Trustee Sinnreich stated that he has been one of the harshest critics on the Board of KeySpan over the years, but notwithstanding that, he supports the agreements that are on the table today. He continued that LIPA is not the Board of Directors of KeySpan, and it is not LIPA's job to make decisions as to who are the appropriate partners for KeySpan. He noted that LIPA had the opportunity under the original LIPA deal to take over the entire electric energy system on Long Island, in which case it would have been LIPA's function to select who ought to be managing that system, and LIPA elected not to undertake that role, but rather to continue with the public/private arrangement. He added that given that decision, he does not think that it is LIPA's business to decide who is an appropriate merger partner for KeySpan, but rather it is LIPA's role to make the best deal possible for the ratepayer given KeySpan's corporate decision, and he believes that the LIPA staff, CEO Kessel and Chairman Law have done a fabulous job.

Trustee Sinnreich stated that this is an excellent deal for the ratepayer, and that it would be an abuse of power to hold up KeySpan not because of direct concerns about what is within LIPA's prerogatives as an electric company, but rather to use its leverage to obtain concessions in other areas that are not within LIPA's purview. He added that the deal that is on the table is a good deal in the context of what is LIPA's appropriate function, and he strongly supports it.

Suffolk Chairman Law stated that Suffolk County Legislator John Kennedy also wishes to address the Board.

Legislator Kennedy stated that he represents the 12<sup>th</sup> Legislative District in Suffolk County, and he wants to commend Chairman Law and the Board of Trustees for their work on the MGP issue, and that the question of cost is something that everyone is concerned about, particularly how it will impact the constituents. He indicated that he is pleased to hear that the cost to remediate will not devolve to the electric ratepayers, but he wonders what the impact will be to gas ratepayers.

Legislator Kennedy stated that he wishes to speak on behalf of his brethren from the IBEW, as he was formerly a member of Local 25. He further stated that the importance of the skill, training and dedicated service that the members provide for service here is such that not enough can be said about the dedication of the workforce. He indicated that the level of training that the local electric service people have is also important. He noted that they are renown throughout the whole county.

Legislator Kennedy stated that he knows that there has been an assurance of no layoffs, which is critical, but that belies a hard look at the status of the aging workforce. He continued that as critical as the maintenance of the workforce is, a commitment to a robust apprenticeship program going forward must be something that is part of the written agreements. He indicated that the language that talks about an unrestricted commitment hopefully is in the agreement, but he urges the Trustees to go ahead and make sure from their fiduciary capacity that they are confident that the black letter language is there, not only to maintain the existing workforce, but to give an unrestricted commitment to that apprenticeship program.

Legislator Kennedy stated that he also asks the Trustees to be certain that the ownership and status of the power plants is maintained going forward. He continued that everyone is concerned about whether an asset is off-loaded, and it becomes a merchant plant. He indicated that Long Island's well being from an energy perspective is in the maintenance of the capital assets. He added that he applauds the repowering language in the agreement, and he knows that there is a commitment to study and an agreement on the part of KeySpan to participate in cost sharing there, which are ambitious tasks.

Legislator Kennedy stated at the end of the day the language is what binds and what will keep folk's feet to the fire. He thanked Chairman Law and the Trustees for all the good work that they have done so far.

CEO Kessel stated that in addition to the agreements, which includes a lot of the issues that he raised, he had mediated a contract extension for both of the involved unions, and the labor issue was critical because of the great work that the employees have done for LIPA, and the need to make sure that LIPA has a highly skilled and well trained workforce. He continued that at the same time that LIPA negotiated with National Grid and KeySpan, LIPA also helped to negotiate a contract extension which gives the union very significant protections that are separate and apart from these agreements. He added that LIPA has the ultimate policy say in terms of who is put in different positions, or with respect to the relocation of employees or facilities

**CEO Kessel noted that LIPA's role is critical. He further noted that LIPA will work closely with the unions, and that he, Chairman Law and the Board are committed to work with the employees to ensure that they have the same protections and the appropriate training.**

**Trustee Fabio stated that LIPA has conducted countless briefings over the past year-and-a-half, and LIPA has looked at the substance and implications of the deal. He continued that this is an amazing deal that has been cut on behalf of the LIPA ratepayers, and he feels that either CEO Kessel or Ms. McCarthy should comment as to why the timing is important with respect to this particular vote.**

**CEO Kessel stated that it is important to move forward since the hope is that the PSC will make a decision on this agreement in the late fall, depending upon whether it is litigated, and LIPA wants to be able to tap into the benefits for its customers as quickly as possible after the Public Service Commission ("PSC") acts. He continued that if LIPA waits for the PSC to decide this, LIPA could be waiting for a year for its benefits. He added that he also thinks that the PSC has a different role than LIPA has, as the PSC has to look at the acquisition itself and whether or not it is in the public interest, but LIPA's role is to enter into contracts to protect its ratepayers.**

**CEO Kessel stated that LIPA should be a leader, and not a follower. He added that if LIPA believes that the benefits will inure to LIPA's customers, then that will be part of the record. Ms. McCarthy added that by acting now and sending a message to the stakeholders, including the workforce, that LIPA is**

committed to continuing this contractual relationship, that will keep them focused on the really important job of keeping the lights on.

Deputy Chairman Steinberg stated that this has been a very thoughtful, deliberative and careful process that LIPA has done at the staff and the Board levels, and the fundamental issue that people have to keep in mind is that this is a decision to stay with KeySpan. He continued that it is not so much about National Grid, nor has the issue emerged within the last four or five months. He indicated that LIPA's relationship with KeySpan has been rocky at times, and the LIPA staff and the Board have periodically looked at alternatives to KeySpan, but nobody has presented LIPA with any alternative that is measurably better, in fact every alternative seems to be significantly worse for the ratepayers.

Deputy Chairman Steinberg stated that this is fundamentally a decision to stick with KeySpan and an established workforce that is getting the job done, and that is keeping the lights on and keeping rates down. He continued that the decision to stay with KeySpan under the circumstances is in the best interest of the ratepayers of Long Island. He indicated that LIPA staff negotiated an excellent deal, which is the best alternative. He added that if the deal died, LIPA may be forced to deal with a debilitated KeySpan, which would be vulnerable to a takeover from other entities, and LIPA would have no control over that. He noted that LIPA has been with KeySpan, and that has worked for LIPA, and on that basis he will vote in favor.

**Mr. Robert Shand stated that he is the Business Manager of IBEW Local 1049, and he represents more that 2,600 members who work for KeySpan and are contractor employees on the LIPA system and KeySpan properties. He further stated that he thanks the Board for all of their compliments about the employees. He indicated that he supports the vote going ahead in a positive manner.**

**Mr. Shand stated that he has attended many hearings on the matter, and that there is tremendous scrutiny being applied to this merger acquisition. He indicated that there is concern among the members that it may not go through, and that they are not going to be the people doing the work. He noted that the work has been done well, and that LIPA has led the state for the past five to seven years in terms of reliability statistics, due to the public/private relationship, and he urges that it be continued.**

**Mr. Don Daley stated that he represents the clerical and technical workers of KeySpan, and he appreciates that CEO Kessel includes them in the fine comments he makes about the workforce. He continued that the Management Services Agreement does give a comfort level with regard to the workforce staying on Long Island, and LIPA has made a commitment to having the workforce consist of local people. He indicated that the clerical and technical workers also support this deal.**

**Chairman Law thanked Mr. Daley and the members for the fine job that they do for Long Islanders.**

Trustee Smookler stated that she has spent a great deal of time bringing herself up to speed on this, and that the cost and concerns involved will exist regardless of who the players are. She continued that the confidence has to be whether or not there is a belief that the LIPA Staff have negotiated the best possible deal that is available, given the information that they have. She added that she does not think that anything more could have been done, and it would be delinquent to delay the vote.

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

**821. AUTHORIZATION OF CHAIRMAN TO ENTER INTO AGREEMENT AND WAIVER, AMENDMENT TO AMENDED AND RESTATED MANAGEMENT SERVICES AGREEMENT, FOURTH AMENDMENT TO THE POWER SUPPLY AGREEMENT, FIRST AMENDMENT TO OPTION AND PURCHASE AND SALE AGREEMENT, SECOND OPTION AND PURCHASE AND SALE AGREEMENT, RIGHT OF FIRST REFUSAL AGREEMENT, AND OMNIBUS GAS TRANSPORTATION AND BALANCING AGREEMENT WITH KEYSpan AND NATIONAL GRID**

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WHEREAS, LIPA's officers have negotiated the terms of the following agreements with KeySpan and National Grid: an Agreement and Waiver waiving the events of default which would result from a change of control of KeySpan Corporation ("KeySpan") upon the proposed acquisition of KeySpan by National Grid plc under the Management Services Agreement ("MSA"), the Power Supply Agreement ("PSA") and the Energy Management Agreement ("EMA") and setting forth the terms of the overall benefits package to LIPA; a related amendment to the Amended and Restated MSA setting forth various obligations of KeySpan with respect to its workforce and provision of services related to LIPA's transmission and distribution system, ("Amendment to the Amended and Restated MSA"); a Fourth Amendment to the Power Supply Agreement setting forth KeySpan Generation Corp.'s ("Genco") agreement to implement certain efficiency and pollution control investments at the Northport and Port Jefferson generating facilities and the cost recovery thereof; an amendment to the Option and Purchase and Sale Agreement ("Amendment to Option Agreement") granting LIPA the additional right, if it exercises its option to purchase the E.F. Barrett steam generation plant, to purchase at book value, the combustion turbines at the E.F. Barrett station; a Second Option Purchase and Sale Agreement ("Second

Option Agreement”) granting LIPA the right, in effect for six months after the closing date of the National Grid/KeySpan merger, to purchase at 1.25 times book value, the combustion turbines at the Shoreham Plant and/or the Wading River Plant; and related amendments to both the Power Supply Agreement and Energy Management Agreement to remove the KeySpan services and payments under those agreements for the plant(s) that would now be the subject of a new O&M agreement; a Right of First Refusal Agreement granting LIPA, in addition to its existing rights, a right of first refusal to purchase any Genco electric generating facilities under the PSA which Genco proposes to sell or otherwise dispose of to a foreign controlled entity; and an Omnibus Gas Transportation and Balancing Agreement extending and expanding LIPA’s rights under the 2000 Gas Transportation Rate Letter Agreement; and

WHEREAS, for the reasons discussed in the related Memorandum of the Chief Executive Officer presented to the Trustees, the proposed Agreement and Waiver, Amendment to Amended and Restated MSA, Fourth Amendment to the Power Supply Agreement, Amendment to Option Agreement, Second Option Agreement, Right of First Refusal Agreement and Omnibus Gas Transportation and Balancing Agreement are in the best interest of LIPA and its customers;

NOW, THEREFORE, BE IT RESOLVED, that the Chairman or his designee be and each of them hereby is authorized to execute and deliver the Agreement and Waiver, Amendment to the Amended and Restated MSA, Fourth Amendment to the Power Supply Agreement, Amendment to Option Agreement, Second Option Agreement, Right of First Refusal Agreement and Omnibus Gas Transportation and Balancing Agreement with KeySpan and National Grid substantially in the forms presented at this meeting and attached hereto, with such changes as the Chairman upon the advice of counsel, shall deem necessary, appropriate or advisable, and other related agreements and arrangements, 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 carry out the aforesaid agreements, subject in each case to the receipt of all required governmental and regulatory approvals.

Chairman Law 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:

822. 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 1:45 p.m. the open session of the Board of Trustees was temporarily adjourned and an executive session of the Board of Trustees was convened.**

**At 2:00 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 Law entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 2:01 PM.**

**Respectfully submitted,**

**Lynda Nicolino**