

**LONG ISLAND POWER AUTHORITY  
MINUTES OF THE 162nd MEETING  
HELD ON JUNE 23, 2004**

**Pursuant to notice dated May 24, 2004, the Long Island Power Authority (the "Authority") was convened for the one hundred and sixty second time at 11:10 AM at the Southampton Town Hall in Southampton, NY.**

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

**Richard M. Kessel, Chairman  
Patrick Foye, Deputy Chairman  
Michael Affrunti  
Harvey Auerbach  
John Fabio  
James Hermann  
Robert Maimoni  
Nancy Nugent  
Vincent Polimeni  
Jonathan Sinnreich**

**Also representing the Authority were Stanley Klimberg, General Counsel, Edward Grilli, Chief of Staff, Seth Hulkower, Chief Operating Officer, Elizabeth McCarthy, Chief Financial Officer, Bruce Germano, Vice President – Retail Services, Richard Bolbrock, Vice President – Power Markets, Bert Cunningham,**

**Vice President – Communications, 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 stated that Sid Jacobs, the husband of Judy Jacobs, the presiding Officer of the Nassau County Legislature, recently passed away. He noted that Mr. Jacobs was a terrific person and a great Long Islander.**

**Chairman Kessel stated that former President Ronald Reagan also passed away. The Chairman noted that Ronald Reagan was a great man and a great President.**

**A moment of silence was observed in honor of former President Reagan.**

**Chairman Kessel indicated that the first item on the agenda is the adoption of the minutes of the May 26, 2004 Board meeting.**

**Upon motion duly made and seconded, the following resolution was approved, with Trustee Polimeni abstaining and Trustee Herrmann not present for the vote:**

**690. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MAY 26, 2004 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY**

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**RESOLVED, that the Minutes of the meeting of the Authority held on May 26, 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 LIPA has experienced the best five months of service on Long Island going back more than thirty-five years, despite a number of storms. The Chairman indicated that the success is due to LIPA's terrific workforce and LIPA's investment in the transmission and distribution system. He added that the consistent improvement in service is a tremendous benefit to the people of Long Island.**

**Chairman Kessel stated that LIPA submitted petitions to the Federal Energy Regulatory Commission (FERC) and the Department of Energy for permission to operate the Cross-Sound Cable. The Chairman continued that FERC gave the Long Island Power Authority, New York State and Connecticut one week to negotiate an agreement regarding the operation of the cable, or FERC would make its own decision. He added that Mr. Grilli has led LIPA's aggressive efforts to resolve this issue with the State of Connecticut.**

**Chairman Kessel stated that absent a stunning development, the issue may be decided by FERC, due to conditions that have arisen since the resignation of Governor Rowland and the continued refusal of the Attorney General in Connecticut to support a compromise plan. The Chairman continued that LIPA**

has made every effort to settle the matter. He noted that LIPA has introduced a compromise plan, which has come close to receiving approval.

Chairman Kessel stated that there is genuine interest in Connecticut to resolve this issue, but the Connecticut Attorney General has indicated that he is unwilling to support the compromise at this particular juncture. The Chairman indicated that the Cross-Sound Cable is an essential component to reliability on Long Island, but it is unlikely that an approved plan will be reached before FERC makes a decision.

Chairman Kessel stated that on June 8, LIPA's bills increased by five percent due to higher oil and natural gas prices and higher purchased power costs. The Chairman continued that LIPA faces higher fuel costs that place tremendous pressure on LIPA's bottom line. He indicated that LIPA is on target to finish the year with a net income of \$20 million, but LIPA will pay close attention to the cost of fuel and purchased power, the Cross-Sound Cable situation and LIPA's sales this summer.

Chairman Kessel stated that the cost of fuel is LIPA's biggest vulnerability. The Chairman continued that LIPA has protected its customers as much as possible by not passing through all of the higher fuel costs, although the financial community has pressured LIPA to pass through more of the cost.

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

**Mr. Hulkower reported that the final connection for the Riverhead to Jamesport Transmission Project will be completed this week and the line is expected to be in service shortly. He indicated that it has been a long project for LIPA, and it will significantly improve reliability on the East End.**

**Mr. Hulkower reported that LIPA is projecting 37.8 MW of added load against a goal of 41 MW. He indicated that the projection reflects actual commitments, and LIPA is expected to reach its annual goal.**

**Mr. Hulkower reported that LIPA has added 75 units for the Solar Pioneer Program so far, against a goal of 110. Regarding NYISO Demand Response Goals, he indicated that LIPA has done terrifically well, with reductions to date of 421.7 MW against a goal of 382 MW. He further indicated that LIPA's total peak load reduction is 155 MW, against a goal of 134.**

**Deputy Chairman Foye asked whether it is possible in the future to include the cost of the annualized energy savings in the megawatt reductions. Mr. Hulkower answered affirmatively.**

**Mr. Hulkower reported that LIPA now offers a program called "e-LERT". He indicated that customers are sent e-mails which inform them that they can view their bills and LIPA's service offerings on-line. He added that LIPA also uses it to contact customers when voluntary load reductions are needed.**

Mr. Hulkower reported that LIPA has 5,600 customers in its Direct Pay Program. He indicated that 40,000 customers have subscribed to manage their accounts online.

Deputy Chairman Foye asked what plan exists to increase the number of customers in the Direct Pay program. Mr. Hulkower responded that a limited penetration can be expected. He indicated that many people are cautious about having a direct debit from their accounts, but LIPA is also working to establish a credit card payment program.

Trustee Polimeni asked whether there is a way to determine the internal savings achieved by on-line payments, and whether LIPA can offer a monetary incentive to promote the program. Mr. Hulkower indicated that it is possible to quantify the savings, and this area will be further discussed with the Board. Trustee Polimeni asked whether the savings from the program would be meaningful. Mr. Hulkower responded that there would be savings for postage and processing. Trustee Polimeni asked whether the majority of the savings would be for postage. Mr. Hulkower answered affirmatively.

Deputy Chairman Foye asked whether LIPA should appoint one credit card company and cut a favorable deal with them. Mr. Hulkower answered that there is an issue as to how to handle the fee, and typically customers are unwilling to pay a fee in addition to their bill.

Deputy Chairman Foye stated that this presents an opportunity worthy of exploration. Mr. Hulkower indicated that LIPA is exploring the issue and he expects to report to the Board on it in September.

Mr. Hulkower reported that LIPA's reliability has significantly improved in the last five months. He continued that on average there have been 13.6 months between interruptions, which is within LIPA's target range.

Mr. Hulkower stated that LIPA is in the midst of its Tree Trim Program. He indicated that the program is more heavily weighted toward Western Suffolk this year.

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

Ms. McCarthy reported that LIPA stands with an excess of expenses over revenues at the end of May of approximately \$97 million, which is \$25 million below budget. She further reported that LIPA has positive revenues versus budget of approximately \$23 million, driven primarily by residential sales. She indicated that the benefit of increased sales unfortunately has been offset by higher fuel and purchased power costs, which are \$41 million over budget.

Ms. McCarthy reported that O & M costs are approximately \$9 million less than budget, due in part to the timing of capital work on the T & D System versus

maintenance work. She indicated that approximately \$5 million of the O & M cost increase is a result of higher than budgeted property taxes.

Ms. McCarthy reported that the fuel and purchased power surcharge is expected to provide a \$20 million net income target by the end of the year, assuming that the Cross-Sound Cable is in operation and normal sales exist throughout the summer.

Chairman Kessel asked what is the latest assumption on the prices of oil and natural gas over the next couple of months. Ms. McCarthy answered that both oil and natural gas prices have been higher over the last few weeks, but there is a lot of potential volatility in the pricing, due to the risk of terrorism and short supplies. She indicated that the expectation is that it will trend down, but natural gas may continue high through 2005 due to supply issues.

Deputy Chairman Foye complimented the Finance team for its upgraded reporting, especially in the area of hedging. He thanked Ms. McCarthy and the Finance team for their terrific job.

Turning to the next agenda item, Chairman Kessel stated that the Trustees are being requested to approve and adopt LIPA's proposed Energy Plan for 2004-2013, which is a comprehensive strategy for addressing the future energy requirements of LIPA's electric customers for the ten-year planning period 2004 through 2013. The Chairman continued that approval of the specific tasks associated with implementing the plan will be requested from the Trustees in the

form of future resolutions, as required. He indicated that the plan provides a blueprint for LIPA's energy future by identifying several strategic objectives for the planning process, articulating a flexible planning process for developing a balanced and comprehensive energy policy, and discussing the methodologies employed and rigorous technical analyses undertaken in preparing the Plan.

Chairman Kessel stated that the Energy Plan considers both the short and long-term needs of the consumer, while seeking to reduce risks inherent in the energy market. The Chairman continued that the Plan also incorporates the valuable oral and written commentary received from concerned customers and other interested parties during public comment periods and at hearings held jointly with environmental, civic and other groups. He added that the Plan does not bind LIPA to specific projects; it lays out the course that LIPA is taking to emphasize energy conservation, efficiency, renewable technologies, new transmission lines and new generation on Long Island.

Chairman Kessel commended Mr. Bolbrock, Mr. Grilli and the LIPA staff who worked on this Plan. The Chairman also thanked the environmental and civic groups that participated in the development of this plan jointly with LIPA.

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

**691. RESOLUTION APPROVING AND ADOPTING LIPA's FINAL ENERGY PLAN  
2004-2013**

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**WHEREAS, the Long Island Power Authority (“LIPA”) has considered the proposed Final Draft Energy Plan dated March 9, 2004 (the “Energy Plan” or the “Plan”) prepared by LIPA’s staff; and**

**WHEREAS, the Plan is a comprehensive strategy for addressing the future energy requirements of LIPA’s electric customers on Long Island for the ten-year planning period 2004 through 2013; and**

**WHEREAS, the Plan was developed in response to dramatic changes in the electric industry, and is the result of a flexible and dynamic planning process that incorporates investment in customer programs, energy efficiency, conservation, and new technologies, while encouraging the development of merchant transmission and generation facilities; and**

**WHEREAS, on October 17, 2002, LIPA released its initial Draft Energy Plan that assessed the region’s electricity needs for the ten-year planning period; and**

**WHEREAS, in January and February 2003 a series of six public hearings was held jointly in cooperation with the Sustainable Energy Alliance to receive oral and written public input on the initial Draft Energy Plan, in locations in the Rockaways section of Queens, and in Nassau and Suffolk Counties; and**

**WHEREAS, the initial Draft Energy Plan was substantially modified to incorporate the valuable oral and written commentary received from concerned customers and other interested parties as provided during the open public comment periods; and**

**WHEREAS, on March 9, 2004, LIPA released its Final Draft Energy Plan as a five- volume set, containing the comments received on LIPA’s initial Draft Energy Plan and LIPA’s response to those comments; and**

**WHEREAS, LIPA held two additional public hearings on April 8, 2004 and accepted additional oral and written comments through April 15 in response to its Final Draft Energy Plan; and**

**WHEREAS, the Energy Plan sets forth the strategic objectives and overall planning process necessary for meeting the future electricity requirements of LIPA’s customers on Long Island; and**

**WHEREAS, the Trustees endorse and approve the strategic objectives that are contained in the Plan, which are as follows: 1) enhance reliability of the bulk power system; 2) enhance reliability of the distribution system; 3) minimize customer rates and increase customer satisfaction; 4) promote a healthy environment; and 5) position LIPA to respond rapidly to change; and**

**WHEREAS, the Trustees wish to retain oversight of individual actions and elements that are required for implementing the Plan; and**

**WHEREAS, LIPA's staff will periodically apprise the Trustees on the status and progress of the Plan, and identify any changes or deviations required from the Plan; and**

**WHEREAS, the Trustees and LIPA staff require a dynamic and flexible planning process that allows for modification and change in direction in response to significant changes or new opportunities available in the marketplace; and**

**WHEREAS, the Plan is consistent with and supports the objectives of the 2002 State Energy Plan and Final Environmental Impact Statement;**

**NOW, THEREFORE, BE IT RESOLVED, that the attached draft Final Energy Plan is hereby approved and adopted; and be it further**

**RESOLVED, that approval of the Final Energy Plan does not constitute approval for undertaking the specific tasks and actions that are associated with implementing the Energy Plan; and be it further**

**RESOLVED, that approval for the specific tasks and actions related to the Final Energy Plan's implementation will be requested from the Trustees under future and specific resolutions, as required; and be it further**

**RESOLVED, that periodic reports on the Plan's implementation and progress will be provided to the Trustees; and be it further**

**RESOLVED, that future updates of the Energy Plan will be accomplished using a similar open public comment process, where appropriate, with public hearings and an opportunity to provide oral and written comments on the Plan.**

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**Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution approving the selection of two proposed projects in response to LIPA's baseload RFP, negotiation of a firm transmission capacity purchase agreement with Neptune Regional Transmission System, LLC and the negotiation of a power purchase agreement with Caithness Bellport, LLC. The Chairman continued that upon completion of all the environmental reviews and the negotiation of the agreements, the projects would be presented to the Board for approval.**

Chairman Kessel stated that the Neptune Project is a 660 MW transmission cable that will link LIPA's system with low cost energy from areas such as Pennsylvania, New Jersey and Maryland. The Chairman continued that the cable will run from Sayreville in New Jersey under the Atlantic Ocean, and it will interconnect with the LIPA system at the Newbridge Road Substation. He indicated that the project has received all of its required environmental permits, except for the permit from the Army Corps of Engineers, which is pending.

Chairman Kessel stated that the Caithness Project is for a 326 MW combined cycle combustion turbine generator to be located in Bellport in the Town of Brookhaven. The Chairman continued that the Caithness Project is a state-of-the-art facility, and it will be Long Islands' first large baseload plant in some time.

Chairman Kessel stated that the selection process was probably the most competitive ever in the State of New York. He indicated that the Governor's office wants the selection process to be a model for other State agencies and authorities. He added that Mr. Grilli and his team did an extraordinary job in a very complex situation.

Chairman Kessel stated that the Neptune Project will benefit Long Island in two critical ways. The Chairman indicated that the project would enable LIPA to hook up Long Island to the regional and national electric grid, which in conjunction with the Cross-Sound Cable would afford Long Island access to

power from areas such as Canada, New England, upstate New York, New Jersey, Pennsylvania and Maryland. He added that LIPA would be able to purchase cheaper power from other areas, and there will be greater reliability. Regarding the Caithness Project, the Chairman indicated that the additional on-Island generation would provide for greater reliability.

Chairman Kessel indicated that he expects that the projects would go back to the Board in September for approval of the contracts. The Chairman stated that this two-step process would not delay the project.

Trustee Nugent asked whether the outstanding permit with the Army Corps of Engineers for the Neptune Cable Project is slowing things down. Chairman Kessel responded in the negative. Trustee Fabio asked whether LIPA will be able to avoid the same problems as occurred in connection with the Cross-Sound Cable. Chairman Kessel answered that LIPA has received assurances of support from all of the states involved. He continued that unlike the Cross-Sound Cable, the state permits for the Neptune project have already been obtained.

Deputy Chairman Foye asked whether LIPA would take development risk on the project. Chairman Kessel answered in the negative; and indicated the same applies to the wind and energy efficiency projects being presented to the Board today.

Trustee Maimoni asked whether there can be separate resolutions for the projects. Chairman Kessel stated that he does not see any objection to separate resolutions.

Trustee Sinnreich asked whether the RFP process could add as much as a twenty percent premium to the cost of the projects. Chairman Kessel responded that the additional cost cited by Trustee Sinnreich pertains to the 2005 projects (Calpine and Pinelawn), not this project. The Chairman indicated that the Neptune and Caithness projects provide savings of \$1.2 billion over twenty years, as compared to proposals by some other contractors.

Trustee Sinnreich stated that he supports the projects but he is concerned about the RFP process. Chairman Kessel stated that the concern is legitimate. The Chairman stated that in this particular instance, the RFP was a tremendous benefit but the RFP added costs to the 2005 projects. He added that the Comptroller should advise LIPA on this issue.

Trustee Sinnreich stated that in terms of its strategic future, the issue of whether or not LIPA must procure projects in a way that puts LIPA at a competitive disadvantage with private utilities has to be considered. He indicated that LIPA has enough competitive disadvantages on Long Island without adding substantial costs.

Deputy Chairman Foye stated that he proposes an amendment to the resolution to break it into separate resolutions, and that the resolutions be amended to clarify that LIPA will not take any development risk.

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

**692. RESOLUTION TO SEPARATE AND AMEND RESOLUTION APPROVING SELECTION OF NEPTUNE CABLE PROJECT AND CAITHNESS BELLPORT POWER PROJECT IN RESPONSE TO THE BASELOAD RFP AND AUTHORIZING NEGOTIATION OF FIRM TRANSMISSION CAPACITY PURCHASE AGREEMENT AND POWER PURCHASE AGREEMENT AND OTHER RELATED AGREEMENTS IN CONNECTION WITH THOSE TWO PROJECTS**

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**RESOLVED**, that the proposed Resolution approving selection of the Neptune Cable Project and the Caithness Bellport Power Project and authorizing negotiation of, respectively, a Firm Transmission Capacity Purchase Agreement (“FTCPA”) and Power Purchase Agreement (“PPA”), and other related agreements, in connection with those two projects be separated between the two projects and, further, that the Resolution be amended to provide that LIPA shall not assume any development risk in connection with the projects.

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Upon motion duly made and seconded, the following amended resolution was approved, with Trustee Maimoni opposing:

**693. APPROVAL OF SELECTION OF CAITHNESS BELLPORT POWER PROJECT IN RESPONSE TO THE BASELOAD RFP AND AUTHORIZATION OF NEGOTIATION OF POWER PURCHASE AGREEMENT AND OTHER RELATED AGREEMENTS IN CONNECTION WITH THAT PROJECT**

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**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 2007; 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 action at this time; and**

**WHEREAS, LIPA's selection committee has reviewed proposals in response to its May 30, 2003 Request For Proposals ("Baseload RFP") to supply LIPA with power from a new generating facility on Long Island, and/or a new transmission line to Long Island, and/or a new or existing generating facility located off-Island using a new or existing transmission line to Long Island, for early summer 2007, and has recommended the selection of the 326 MW Caithness Power Plant proposed for Bellport by Caithness Bellport, LLC (the "Caithness Bellport Power Project"); and**

**WHEREAS, it is in the best interest of LIPA to meet this need for electric power and energy by negotiating a Power Purchase Agreement ("PPA") and other related agreements regarding the Caithness Bellport Power Project; and**

**WHEREAS, the environmental review of the Caithness Bellport Power Project under the State Environmental Quality Review Act ("SEQRA"), if applicable, must be completed before LIPA makes any binding commitments to proceed with the project;**

**NOW, THEREFORE, BE IT RESOLVED, that in order to ensure the availability of sufficient additional power supply resources to serve LIPA's customers, the Trustees approve the selection of the proposed Caithness Bellport Power Project in response to the Baseload RFP, and authorize the Chairman or his designee to negotiate the terms of a proposed PPA and other related agreements for the Caithness Bellport Power Project; provided that LIPA not make any binding commitments to proceed with the Caithness Bellport Power Project prior to completion of the environmental review under SEQRA, if applicable, and the making of all required findings thereunder; and provided that LIPA shall not assume any development risk in connection with the project; and provided that if fair and reasonable agreements meeting LIPA's needs are negotiated for the project, including adequate assurance of firm, reliable and economic gas delivery arrangements, the Trustees would then be requested to authorize the Chairman or his designee to enter into and execute the agreements.**

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

**694. APPROVAL OF SELECTION OF NEPTUNE CABLE PROJECT IN RESPONSE TO THE BASELOAD RFP AND AUTHORIZATION OF NEGOTIATION OF FIRM TRANSMISSION CAPACITY PURCHASE AGREEMENT AND OTHER RELATED AGREEMENTS IN CONNECTION WITH THAT PROJECT**

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**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 2007; 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 action at this time; and**

**WHEREAS, LIPA’s selection committee has reviewed proposals in response to its May 30, 2003 Request For Proposals (“Baseload RFP”) to supply LIPA with power from a new generating facility on Long Island, and/or a new transmission line to Long Island, and/or a new or existing generating facility located off-Island using a new or existing transmission line to Long Island, for early summer 2007, and has recommended the selection of the 660 MW Transmission Cable Project proposed by Neptune Regional Transmission System, LLC to link LIPA to resources southwest of Long Island (the “Neptune Cable Project”); and**

**WHEREAS, it is in the best interest of LIPA to meet this need for electric power and energy by negotiating a Firm Transmission Capacity Purchase Agreement (“FTCPA”) and other related agreements regarding the Neptune Cable Project; and**

**WHEREAS, the Neptune Cable Project has received all of its required governmental permits (including from the New York State Department of Environmental Conservation and the New York State Department of Public Service), except for a permit from the United States Army Corps of Engineers, which is pending;**

**NOW, THEREFORE, BE IT RESOLVED, that in order to ensure the availability of sufficient additional power supply resources to serve LIPA's customers, the Trustees approve the selection of the proposed Neptune Cable Project in response to the Baseload RFP, and authorize the Chairman or his designee to negotiate the terms of a proposed FTCPA and other related agreements for the Neptune Cable Project; provided that LIPA shall not assume any development risk in connection with the project; and provided that if fair and reasonable agreements meeting LIPA's needs are negotiated for this project, the Trustees would then be requested to authorize the Chairman or his designee to enter into and execute the agreements.**

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**Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution approving the selection of FPL Energy's proposed project in response to the Offshore Wind RFP. The Chairman continued that the Trustees are also being asked to authorize the Chairman or his designee to negotiate a power purchase agreement. He added that upon completion of all necessary environmental reviews and satisfactory negotiations, the project would be presented to the Board for approval.**

**Chairman Kessel stated that LIPA received two qualified proposals from FPL Energy and Bluewater Wind. The Chairman continued that the proposals were evaluated carefully and FPL Energy was selected. He indicated that the environmental review of the Offshore Wind Park under the State Environmental**

**Quality Review Act, if applicable, must be completed before LIPA makes any binding commitment to proceed with the project.**

**Deputy Chairman Foye stated that he proposes that the resolution be amended to clarify that LIPA will not take development risk on the project.**

**Chairman Kessel stated that the project came about at the request of Governor Pataki to examine the possible development of an offshore wind project. The Chairman continued that the project offers Long Island the opportunity to have the first offshore wind project in North America which will provide clean, emission-free energy. He indicated that it will be looked at in the context of the Governor's proposed renewable portfolio standard, which LIPA will comply with.**

**Chairman Kessel stated that wind power is economical when compared to other renewable technologies. The Chairman indicated that LIPA will be required by the Governor's directive to follow the NYPSC's renewable portfolio standard, even though LIPA is not regulated by the NYPSC. He added that this is an important direction for LIPA to pursue in order to reduce the dependence on fossil fuels, and the Governor deserves credit for his leadership in pushing this forward.**

**Chairman Kessel stated that the investment in renewables makes sense. The Chairman continued that there are complex financial issues, but at a time when oil has hit \$42 a barrel, we need to consider renewables in order to be**

serious about gaining independence from OPEC and fossil fuels. He added that the project cannot go forward unless the economic terms make sense and fit within the context of the renewable portfolio standard.

Trustee Polimeni asked whether it is possible to poll LIPA's ratepayers on how they feel about the visual and economic impacts of the windmills. Chairman Kessel stated that LIPA will look into this, and LIPA should also do the same concerning the Caithness project.

Trustee Maimoni asked how far offshore the windmills will be. Chairman Kessel responded three to five miles.

Chairman Kessel stated that LIPA has formed the Long Island Offshore Wind Initiative, which is in the process of conducting an educational campaign on Long Island regarding wind power.

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

**695. RESOLUTION TO AMEND RESOLUTION APPROVING SELECTION OF FPL ENERGY, LLC'S PROPOSED PROJECT IN RESPONSE TO THE OFFSHORE WIND RFP AND AUTHORIZING THE NEGOTIATION OF A POWER PURCHASE AGREEMENT AND RELATED AGREEMENTS WITH FPL ENERGY, LLC**

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**RESOLVED**, that the proposed Resolution approving selection of FPL Energy, LLC's proposed project in response to the Offshore Wind RFP and authorizing negotiation of a Power Purchase Agreement ("PPA") and other related agreements in connection with that project be amended to provide that LIPA shall not assume any development risk in connection with the project.

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

**696. APPROVAL OF SELECTION OF FPL ENERGY, LLC'S PROPOSED PROJECT IN RESPONSE TO THE OFFSHORE WIND RFP AND AUTHORIZATION OF NEGOTIATION OF A POWER PURCHASE AGREEMENT AND RELATED AGREEMENTS WITH FPL ENERGY, LLC**

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

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

**WHEREAS, LIPA recognizes the need to meet that increasing demand for electricity through the use of alternative and renewable energy resources which not only provide for energy and fuel diversity but enhance LIPA's renewable energy resources to meet future renewable portfolio standards over the next several years; 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 action at this time; and**

**WHEREAS, LIPA's selection committee has reviewed qualified proposals in response to its January 22, 2003 Request For Proposals for Power Supply from an Offshore Wind Park to supply LIPA with power from a wind powered electric plant to be located within a specified target area off the south shore of Long Island ("Offshore Wind Park"), from FPL Energy, LLC ("FPLE") and from Bluewater Wind, LLC; and**

**WHEREAS, the selection committee has evaluated the proposals and has recommended the selection of FPLE's proposed project; and**

**WHEREAS, it is in the best interest of LIPA to negotiate a fair and reasonable power purchase agreement ("PPA") and other related agreements for an Offshore Wind Park with FPLE; and**

**WHEREAS, the environmental review of the Offshore Wind Park under the State Environmental Quality Review Act ("SEQRA"), if applicable, must be completed before LIPA makes any binding commitments to proceed with the project;**

**NOW, THEREFORE, BE IT RESOLVED, the Trustees approve the selection of FPLE's proposed project in response to the Offshore Wind RFP, and authorize the Chairman or his designee to negotiate the terms of a proposed PPA and other related agreements with FPLE for LIPA's purchase of power from the Wind Park; provided that LIPA not make any binding commitments to proceed with the Offshore Wind Park prior to completion of the environmental review under SEQRA, if applicable, and the making of all required findings thereunder; and provided that LIPA shall not assume any development risk in connection with the project; and provided that if fair and reasonable agreements meeting LIPA's needs are negotiated for the project, the Trustees would then be requested to authorize the Chairman or his designee to enter into and execute the agreements.**

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**Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution approving the selection of six contractors' proposals for energy efficiency programs to be developed over a period of up to ten years. The Chairman continued that the Trustees are requested to authorize the Chairman or his designee to negotiate Energy Efficiency Purchase Agreements and other related agreements.**

**Chairman Kessel stated that on October 7, 2003, LIPA issued the Energy Efficiency RFP to help LIPA achieve up to 75 MW of energy and capacity savings through long-term energy efficiency initiatives. He indicated that LIPA received twelve proposals, which were carefully evaluated.**

**Chairman Kessel stated that the evaluation committee recommended six proposals for selection. The Chairman continued that the proposals would**

collectively achieve approximately 73 MW of long-term savings, and would target small and large commercial and industrial customers, publicly-owned buildings and multi-family dwellings. He indicated that under the resolution, once negotiations are completed, the project would be brought back to the Board for approval, and there would be no up front risk taken by LIPA.

Chairman Kessel stated that this project actually reduces the use of energy, especially during peak periods. The Chairman continued that demand would be reduced, which is ultimately at least as important as adding capacity. He indicated that the approval of the generation, transmission and energy efficiency projects would provide Long Island with the ability to access approximately 1,000 MW of new resources.

Chairman Kessel stated that LIPA's comprehensive energy plan includes all of the technologies, goals and objectives that were sought since LIPA's creation, including increasing on-Island generation for reliability purposes, opening up Long Island to the national grid through new transmission lines, promoting renewable technologies and emphasizing energy efficiency. The Chairman indicated that LIPA has done all of that, which is extraordinary. He added that the energy efficiency project is a great initiative, and he heartily endorses it.

Deputy Chairman Foye asked how the cost of a one megawatt savings through energy efficiency compares to wind or other renewables. Mr. Grilli answered that the energy efficiency savings are far less expensive. Deputy

Chairman Foye stated that he assumes that LIPA will be open to additional energy efficiency projects. Mr. Grilli indicated that the additional megawatts saved would not produce as great a cost savings.

Chairman Kessel stated that when LIPA began looking at this project, it appeared to be too expensive, but the world has changed considerably. The Chairman continued that the Governor's Office has asked LIPA to examine the possibility of doing another RFP in this area. He added that by reducing demand, there is less need for future capital projects, and there is a cleaner environment with fewer emissions.

Deputy Chairman Foye asked how the cost of the energy efficiency program relates to the load reduction programs associated with the Clean Energy Program. Mr. Grilli stated that he believes the costs of obtaining energy efficiency savings are considerably less. Deputy Chairman Foye asked whether the difference in cost leads LIPA to re-evaluate some parts of the Clean Energy Program. Mr. Grilli answered yes. He indicated that the 73 MW savings would be gained at a relatively low cost, and it will become more expensive to pursue additional savings.

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

**697. APPROVAL OF SELECTION OF SIX CONTRACTORS' PROPOSALS IN RESPONSE TO THE ENERGY EFFICIENCY RFP AND AUTHORIZATION OF NEGOTIATION OF ENERGY EFFICIENCY PURCHASE AGREEMENTS AND**

## **RELATED AGREEMENTS IN CONNECTION WITH THOSE SELECTED PROPOSALS**

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

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

**WHEREAS, LIPA is committed to developing cost-effective conservation to minimize the need for construction of additional generation resources to ensure on-Island system reliability; and**

**WHEREAS, cost-effective conservation to help maintain a continuous and reliable supply of dependable electric power and energy to meet the needs of LIPA’s customers is an essential matter of urgent public concern and requires action at this time; and**

**WHEREAS, LIPA’s Selection Committee has reviewed proposals in response to its October 7, 2003 Request for Proposals to provide long-term energy efficiency resources to help LIPA achieve up to 75 MWs of energy and capacity savings (“Energy Efficiency RFP”), and has recommended the selection of six contractors’ proposals: Aspen Systems Corporation, Custom Energy, Ameresco, CSGServices, Inc., Honeywell and Johnson Controls; and**

**WHEREAS, it is in the best interest of LIPA to meet this need for cost-effective conservation of electric power and energy by negotiating energy efficiency purchase agreements (“EEPA”) and other related agreements regarding those recommended proposals; and**

**WHEREAS, LIPA’s staff has determined that EEPAs constitute Type 2 actions under SEQRA;**

**NOW, THEREFORE, BE IT RESOLVED, in order to implement cost-effective conservation to help ensure the availability of sufficient power supply resources to serve LIPA’s customers, the Trustees approve the selection of the aforementioned six contractors’ proposals in response to the Energy Efficiency RFP, and authorize the Chairman or his designee to negotiate the terms of proposed EEPAs and other related agreements for LIPA’s purchase of long-term energy efficiency resources from those contractors respecting those proposals; provided that LIPA shall not assume any development risk in connection with the project; and provided that if fair and reasonable EEPAs meeting LIPA’s needs are negotiated for those selected proposals, the Trustees would then be requested to authorize the Chairman or his designee to enter into and execute EEPAs and related agreements with the respective contractors selected.**

\* \* \*

Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution authorizing the Chairman or his designee to execute and effect a power purchase agreement and other related agreements with Pinelawn Power, LLC and to take such actions as are necessary to implement arrangements for LIPA to purchase power from the planned 79.9 MW Pinelawn Power Combined Cycle Project. The Chairman continued that the project would be available for the summer of 2005, and it is absolutely necessary to prevent Long Island generation capacity from slipping below prudent levels. He indicated that the anticipated capacity shortfall to be mitigated by this project assumes the operation of the Cross-Sound Cable.

Chairman Kessel stated that the Pinelawn Project was selected for consideration as one of two projects that best meets the terms of LIPA's RFP to ensure on-Island system reliability for next summer. The Chairman continued that it is necessary and appropriate for LIPA to enter into a long-term power purchase agreement with Pinelawn Power for all of the capacity, energy and auxiliary services generated from the Pinelawn Project. He added that the Pinelawn Project would involve the siting and installation of a 79.9 MW combined cycle General Electric LM 6000 combustion turbine with a once through steam generator.

Chairman Kessel indicated that Pinelawn Power is in the process of preparing applications with the New York State Department of Environmental

Conservation and the New York State Department of Public Service for approval to construct and operate the facility.

Trustee Fabio asked whether the project has received a Negative Declaration from the Planning Board for the Town of Babylon. Mr. Klimberg answered affirmatively.

Chairman Kessel stated that the resolution would include that LIPA takes no development risk.

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

**698. AUTHORIZATION TO ENTER INTO POWER PURCHASE AGREEMENT AND UNDERTAKE RELATED ACTIVITIES IN CONNECTION WITH THE PINELAWN POWER LLC COMBINED CYCLE PROJECT**

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**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 as well as 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, following completion of its extensive Request for Proposals and evaluation process, on May 26, 2004, LIPA selected the Pinelawn Power LLC Combined Cycle Project (the "Pinelawn Project") as one of two projects for consideration to provide on-Island combined cycle generation for early summer 2005; and**

**WHEREAS, on June 21, 2004, the Town of Babylon Planning Board, the lead agency for a coordinated review under the State Environmental Quality Review Act, determined that the Pinelawn Project will not have any significant adverse environmental impacts and, accordingly, adopted a Negative Declaration for such Project;**

**WHEREAS, LIPA was an involved agency in the coordinated review of the Pinelawn Project and is bound by the Town of Babylon Planning Board's Negative Declaration; and**

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

**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 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 Pinelawn Project in order to ensure the availability of sufficient additional power supply resources to serve LIPA's customers; provided that LIPA shall not assume any development risk in connection with the project; and be it further**

**RESOLVED, that all actions taken by the Chairman, the Chief of Staff and the Vice President – Power Markets with respect to the Pinelawn 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 to approve the Authority's involvement in the execution and delivery of one or more interest rate swap agreements authorized by the Board in its resolution dated May 26, 2004 in notional amounts greater than \$250 million, but not to exceed \$600 million for any one counterparty.**

**Ms. McCarthy stated that the Board adopted a resolution at its last meeting regarding a financing option with the potential of doing a series of interest rate swap agreements. She continued that LIPA needs Board approval for interest rate swaps greater than one year with a notional principal amount greater than \$250 million.**

**Ms. McCarthy stated that LIPA analyzed the risks involved, the counterparties and their current credit, and the nature of the underlying swap, and LIPA believes that the recommended action is appropriate. She indicated that there is precedent for raising the counterparty aggregate principal amount level.**

**Deputy Chairman Foye asked whether the aggregate dollar amount for a counterparty would include existing risks with that counterparty. Ms. McCarthy responded yes. She added that LIPA is evaluating this matter in relation to LIPA's total exposure.**

**Trustee Polimeni asked whether LIPA is looking at exposure other than that related to this transaction when evaluating a party. Ms. McCarthy responded that LIPA looks at their current credit ratings, and then at other exposures that LIPA has with them. She indicated that all of the parties are at least "A" rated or higher, and their own exposure is addressed by their capital rating.**

**Deputy Chairman Foye asked whether the number of potential counterparties shrinks if LIPA doubles the aggregate dollar amount. Ms.**

McCarthy responded in the affirmative. Deputy Chairman Foye asked whether it shrinks to the extent that there are not enough counterparties to work with. Ms. McCarthy responded that while it would be more expensive, LIPA could probably work within that range. She continued that LIPA could have protections in terms of collateral that has to be posted by the counterparty. Deputy Chairman Foye asked whether the matter was discussed with Morgan Stanley. Ms. McCarthy answered yes.

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

**699. AUTHORITY TO ENTER INTO INTEREST RATE SWAP AGREEMENTS IN NOTIONAL AMOUNTS NOT TO EXCEED \$600,000,000 FOR ANY ONE COUNTERPARTY**

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WHEREAS, the Electric System General Revenue Bond Resolution (the “General Bond Resolution”) adopted by the Long Island Power Authority (the “Authority”) on May 13, 1998 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, on May 26, 2004, the Board approved and adopted a resolution (the “Previous Resolution”) authorizing the Authority to execute and deliver one or more interest rate swap agreements in a notional amount of up to \$1,300,000,000; and

WHEREAS, with the assistance of its financial advisor, Morgan Stanley, the Authority approached a number of different Qualified Counterparties to enter into these swaps and has identified suitable counterparties with substantial and significant experience in the municipal bond swap market, all of which are within the three highest grade categories of at least two nationally recognized statistical rating agencies; and

WHEREAS, the Authority’s guidelines relating to interest rate swap agreements (the “Guidelines”) provide that the Trustees shall expressly approve

agreements having a term greater than one year with any single counterparty in an aggregate notional amount greater than \$250,000,000; and

WHEREAS, pursuant to the Previous Resolution the Authority plans to enter into one or more interest rate swap agreements with all or some of the counterparties selected by the Authority in a notional amount greater than \$250,000,000, but not to exceed \$600,000,000 for any one counterparty;

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

1. 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 in a notional amount greater than \$250,000,000, but not to exceed \$600,000,000 for any one counterparty pursuant to the authorization granted in the Previous Resolution provided that such counterparty is rated within the three highest grade categories by a least two nationally recognized statistical rating agencies.

2. This resolution shall take effect immediately.

\* \* \*

Chairman Kessel stated that the next three items on the agenda involve Board consideration of resolutions relating to LIPA's current review of its strategic organizational and governance options for the future. He continued that Governor Pataki has asked that LIPA review its options in light of the upcoming window for the right to purchase on-Island KeySpan generating plants. The Chairman added that the timetable is very tight, and LIPA needs to follow it.

Chairman Kessel stated that LIPA needs to engage a number of consultants to help do the work, since LIPA does not have the ability to do it all in-house. The Chairman continued that the first resolution is to authorize the Chairman to engage Bear, Stearns & Co., Inc. to provide strategic organizational and governance advisory and generation asset valuation services to the Authority

and LIPA, with the contract term to be two years. He added that Bear Stearns has done a great deal of work for LIPA, including work on the generation purchase right.

Chairman Kessel stated that these services would be particularly important to LIPA in determining what ownership and organizational structure is the best for its stakeholders and evaluating the range of alternatives available to LIPA. The Chairman continued that the services are also important to assisting LIPA in the evaluation of KeySpan's generation, in the due diligence review of such assets, and having an investment banker in place under the Generation Purchase Right Agreement process. He added that the services are also important in supporting LIPA in the preparation of a recommended ownership on organizational structure, and Bear Stearns, and particularly Mr. Robert Foran, have the resources and experience necessary to effectively and efficiently fulfill the critical needs.

Chairman Kessel indicated that the second resolution would authorize the Chairman, after consulting with a working group of four Trustees, to select and engage one or more individuals or firms to provide corporate strategic organizational and governance advisory services, with the contract terms not to exceed two years.

Chairman Kessel stated that LIPA needs to engage corporate strategic consultants to examine how the Authority should structure and govern itself to assure the lowest cost and reliable electric service in the long run. The Chairman

continued that the consultants retained by LIPA as a result of the RFP would work closely with Bear Stearns and the law firm of Thelen Reid & Priest to develop recommendations for presentation to the Board by December.

Chairman Kessel stated that the Board is also requested to approve a resolution authorizing the Chairman to engage Thelen Reid & Priest to provide Corporate Securities Counsel services on an as-needed basis to the Authority and LIPA, including in relation to this project. The Chairman continued that Thelen, Reid & Priest is being recommended as a result of a legal services RFP that LIPA issued in September 2003. He added that a selection in the Corporate and Securities area is of particular priority at this time, due to the need to move forward with work on this project, and in September other law firms for services in other areas would be recommended for selection by the Board.

Chairman Kessel stated that Thelen Reid has a large energy practice, they provide corporate and securities advice to a substantial number of domestic and foreign electric utilities, and they have significant experience with major asset acquisitions.

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

**700. ENGAGEMENT OF STRATEGIC ORGANIZATIONAL AND GOVERNANCE  
ADVISORY AND GENERATION ASSET VALUATION SERVICES**

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**RESOLVED**, that the Chairman be, and hereby is, authorized to engage Bear, Stearns & Co. Inc. to provide strategic organizational and governance

advisory and generation asset valuation services to the Authority and LIPA, with the contract term to be two years.

\* \* \*

Deputy Chairman Foye asked whether the four person trustee committee would be involved in the selection of the strategic advisor up front. Chairman Kessel answered that agreement from the committee would be sought in advance of hiring.

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

**701. AUTHORIZATION FOR SELECTION AND ENGAGEMENT OF CORPORATE STRATEGIC ORGANIZATIONAL AND GOVERNANCE CONSULTANT(S)**

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RESOLVED, that the Chairman be, and hereby is authorized, after consulting with a working group of four Trustees comprised of Michael Affrunti, NancyAnn Akeson, Jonathan Sinnreich and Harvey Auerbach, to select and engage one or more individuals or firms to provide corporate strategic organizational and governance advisory services, with the contract terms not to exceed 2 years.

\* \* \*

Trustee Sinnreich asked what LIPA's procedures are for reviewing the reasonableness of legal bills in term of charges for time. Mr. Klimberg answered that bills are initially reviewed by the attorneys involved in overseeing the work. He indicated that he also reviews the bills. Trustee Sinnreich asked whether LIPA has been proactive in this review. Mr. Klimberg answered that he carefully reviews each of the bills before he signs off on the payment for the services.

Trustee Fabio stated that LIPA has a momentous decision to make, and LIPA is engaging various consultants and advisory groups to help formulate a plan. He continued that he hopes there will be a synthesis of the different consultants with LIPA's staff, which would provide the Board with a road map to assist in the process, rather than a jumble of various proposals.

Chairman Kessel stated that he would like a status report to be given to the Board in September. The Chairman continued that this will be a very open and public process, and LIPA has already briefed the Governor and the entire Long Island legislative delegation. He added that it will be a momentous decision, even if LIPA does nothing other than decide whether or not to exercise the right to purchase the KeySpan generation.

Chairman Kessel stated that it is critically important for LIPA to look at the options of privatizing the electrical system on Long Island and the possibility of further municipalizing and purchasing the generation. The Chairman indicated that LIPA will have to look at all of the positives and negatives involved.

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

**702. ENGAGEMENT OF FIRM TO PROVIDE CORPORATE AND SECURITIES  
COUNSEL SERVICES**

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**RESOLVED, that the Chairman be, and hereby is, authorized to engage Thelen Reid & Priest LLP to provide Corporate and Securities Counsel services to the Authority and LIPA, with the contract term to be five years.**

**\* \* \***

**Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution authorizing the Chairman to engage Miller Environmental Group, Inc. (“MEG”) to provide fuel oil transfer assistance and oil spill remediation services on an as-needed basis to the Authority and LIPA. The Chairman continued that this relates to the FPLE Jamaica Bay Power Plant from which LIPA purchases power under a 15-year Power Purchase agreement. He indicated that a large unloading facility was constructed at the location. Chairman Kessel stated that LIPA schedules deliveries of fuel oil by marine vessels to the power plant and LIPA requires the services of a qualified environmental firm to facilitate the fuel oil transfers and remediate any oil spills.**

**Chairman Kessel stated that on April 19, 2003, LIPA issued an RFP seeking qualified firms to perform spill remediation services, and one firm responded. The Chairman continued that the selection committee assessed MEG’s written submission and determined that MEG is able to provide the requested services in a cost effective manner. He added that MEG has strong experience in providing fuel oil transfer services and a long history of oil spill remediation. He continued that they own the largest inventory of oil spill remediation equipment in the Long Island area and the rates proposed are consistent with or lower than those charged by other firms.**

Upon motion duly made and seconded, the following resolution was approved unanimously, with Deputy Chairman Foye not present for the vote:

**703. ENGAGEMENT OF FIRM TO PROVIDE FUEL OIL TRANSFER ASSISTANCE AND OIL SPILL REMEDIATION SERVICES**

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**RESOLVED**, that the Chairman be, and hereby is, authorized to engage Miller Environmental Group, Inc. to provide fuel oil transfer assistance and oil spill remediation services to the Authority and LIPA, with the contract term to be four years.

\* \* \*

Chairman Kessel entertained a motion to adjourn. Upon motion duly made and seconded the Board voted unanimously to adjourn the meeting at 1:05 PM.

Respectfully submitted,

Stanley B. Klimberg