

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 200th MEETING

HELD ON JUNE 25, 2009

Pursuant to notice dated June 22, 2009, the Long Island Power Authority (the "Authority") was convened for the two hundredth time at 11:15 AM at the Omni Teleconference Center, in Uniondale, NY.

The following Trustees of the Authority were present:

**Howard Steinberg, Acting Chairman
Laurence Belinsky
David Calone
Cristofer Damianos
Lawrence Elovich
John Fabio
Michael Fragin
Christopher Hahn
Susan Gordon Ryan
Suzette Smookler
Diana Weir**

The following Trustees of the Authority were absent:

**James Herrmann
Lawrence Waldman**

Representing the Authority were Kevin S. Law, President and Chief Executive Officer; Lynda Nicolino, General Counsel and Secretary; and Herb Hogue, CFO. Also present were Michael Deering, Vice President-Environmental Affairs; Edward Dumas, Vice President-Communications; Michael Hervey, Vice President-Operations; Bruce Germano, Vice President-Retail Services; and Sam Lee, Assistant Vice President-Power Markets.

Acting Chairman Steinberg welcomed everyone to the 200th meeting of the Long Island Power Authority Board of Trustees. He stated that 200 is an auspicious number, and it comes at an auspicious time for LIPA. He continued that there is a lot going on, which will be discussed as the meeting progresses.

The Acting Chairman stated that the first order of business is to welcome a new member to the Board of Trustees, David Calone, who comes to the Board with a distinguished background. He continued that Mr. Calone will bring a lot of good ideas and energy to the Board. He added that Mr. Calone has served as a prosecutor, is currently a businessman, and heads up the Suffolk County Planning Commission. He noted that Mr. Calone is an active participant in the affairs of Long Island.

Trustee Calone thanked the Acting Chairman. He stated that he looks forward to working with the Board on behalf of Long Island residents.

The Acting Chairman led the Board in a moment of silence to honor the men and woman serving our country, followed by the Pledge of Allegiance.

Acting Chairman Steinberg made a motion to accept the corrected minutes of the May 28, 2009 meeting of the Board of Trustees. He asked if there were any additional changes or deletions. The motion was passed with Trustee Calone abstaining.

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

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

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Acting Chairman Steinberg stated that the Board has a lengthy agenda, so he will not take up time with very much commentary, but he wanted to point out that LIPA is in active discussions with National Grid over a number of issues. He continued that those discussions have been progressing over the last week or so, and that they have not been finalized. He added that he wanted to say a special thanks to the staff who have been working so hard on those issues, particularly, Lynda Nicolino, Bruce Germano, Michael Hervey, and President Law.

Acting Chairman Steinberg stated that he hopes there will be an acceptable resolution on all of these issues in the near term. He stated that LIPA has been acting and negotiating in good faith and National Grid's continued good faith in the negotiations is also appreciated. He added that LIPA believes that an acceptable agreement should be able to be reached relatively soon.

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

President Law stated that he has a number of things on which to report. He continued that specifics will be discussed in Executive Session, but from what can be publicly disclosed, there are a couple of outstanding issues with National Grid that LIPA is proceeding in good faith in trying to resolve. President Law reported that one issue is related to the customer satisfaction dispute, which is contractual in nature. He added that LIPA has a power supply agreement rate reset that is pending before the Federal Energy Regulatory Commission ("FERC"), that LIPA is also trying to settle, which will be discussed more in Executive Session.

President Law reported that on the generation issues, including LIPA's option on the E.F. Barrett facility, LIPA received an extension this morning. He explained that LIPA will not be taking any action on the Barrett facility today, but will address that issue further in the Fall. He noted that there are a lot of issues

ongoing with National Grid, and that LIPA staff is doing a great job and working very hard in addressing them. He reported that LIPA staff has been working late many nights trying to resolve these issues. He added that staff does a terrific job looking after the interests of all of LIPA's customers.

President Law stated that he will address some of the specific questions that any Board members may have on these issues during Executive Session since they are all potential or existing litigation matters.

President Law then reported on LIPA's effort to obtain stimulus monies. He stated that while there is a lot of talk, nothing is trickling down to LIPA yet. He explained that the Department of Energy ("DOE") is still promulgating applications. He noted that LIPA is ready, having seen draft applications, but that the DOE has not yet promulgated the final funding applications.

President Law reported that as he had mentioned last time, LIPA is prepared to fill out stimulus applications for some of its Smart Grid efforts, including the Smart Grid Corridor project along the Route 110 corridor. He noted that LIPA is excited about these opportunities, but has not filed anything yet. He added that LIPA is still working with the Governor's Office and NYSERDA on stimulus funds that will flow through NYSERDA, for some of its renewable efforts.

President Law reported that LIPA has hired a consultant to assess and audit its power supply charge (or “FPPCA”). He continued that LIPA expects the results of that in the month of July. He explained that the purpose of this audit is to assess the items that LIPA includes in the power supply charge. President Law further reported that there have been allegations over the years that LIPA has been putting certain charges in the FPPCA that really belong in the delivery charge. He continued that the allegations involve LIPA misallocating the charges to avoid increasing the delivery charge, which might trigger PSC review. He added that he has been assured that this is not the case, but there is still an independent analysis being done, which he will share with the Board.

President Law reported on the latest PSC legislation. He continued that the Assembly voted to approve a bill similar to the bill that they passed last year, with some minor tweaks that create some additional challenges for LIPA. He stated that Assemblyman Michael Fitzpatrick, the only member who voted no, listened to LIPA’s positions, understood them, and agreed not to vote for the bill. He added that Assemblyman Fitzpatrick told him that he was not going to vote in favor of it because he heard the arguments that LIPA made and had the same concerns that LIPA had with the bill. President Law noted that he is unsure what is happening in the New York State Senate, but that there is a companion bill there, which LIPA is closely monitoring as well.

President Law reported that staff is continuing to look at its space needs and is working with its current landlord and its commercial real estate brokers in this regard. He continued that LIPA will probably defer these decisions until it knows what will be happening with the LIPA business model, which could trigger the need for additional space. He noted that he will report back to the Board in the Fall on the issue, and thanked Trustee Chris Damianos for his help on the matter.

President Law reported that he, Mr. Hervey, and Mr. Cohen will be meeting with Hydro Quebec next week on some exciting possibilities, which include trying to figure out ways to get Canadian hydropower down to Long Island. He added that he had reported on that a while ago, and that the meeting had been confirmed. He stated that he would report back to the Board after the meeting.

President Law reported on LIPA's offshore wind initiative with Con Edison, which is continuing to move forward. He stated that LIPA is partnering with other state agencies and the City of New York. He continued that they will be releasing a Request for Expressions of Interest ("RFEI") in the next week, which could be a precursor to a Request for Proposals ("RFP") by the end of the year. He noted that he will keep the Board informed as to the information solicited pursuant to the RFEI.

President Law reported that LIPA's Efficiency Long Island program is really getting into high gear. He continued that over the last two weeks LIPA has made a

number of announcements with some school districts on Long Island, including Seaford, Lindenhurst, and Hampton Bays. He noted that all of these have been good opportunities for LIPA.

President Law stated that as many know, he does not hold many press conferences. He continued that if his name and picture were never in the paper again, he would be okay with that. He added that despite his feelings, he has been using the opportunities with the local school districts to educate the community about the benefits of LIPA programs.

President Law reported that while the mainstream media does not really pick up on some of LIPA's more positive announcements, the local newspapers are helping to educate LIPA's customers about the benefits of efficiency. He continued that LIPA needs to do more of that, and will be doing so over the summer.

President Law stated that he would like to introduce some new staff members. He continued that as he had previously announced after approval by the Board, LIPA's new CFO, Herb Hogue, has joined LIPA staff and is sitting at the table today.

President Law stated that starting July 1, Paul DeCotis, who is currently Deputy Secretary to Governor Paterson, and was previously with the New York

State Energy Research and Development Authority and the New York State Energy Office, will be joining LIPA as its Vice President of Power Markets. He noted that the Board will get to meet him in Executive Session.

President Law thanked Ken Kane, who acted as the head of the Finance Department until Mr. Hogue arrived. He continued that Mr. Kane is LIPA's Controller and is another tireless worker whom you will find in the office early in the morning and late at night, making sure that LIPA's finances are in order and people are complying with the required processes and procedures. He thanked Mr. Kane for everything that he had done and stated that he continues to be a valuable member of the LIPA team.

President Law also thanked Sam Lee, who served as the acting department head for Power Markets. He continued that Mr. Lee has been a terrific asset to LIPA and will continue to be in the future. He thanked Mr. Lee for the administrative headaches that he has taken on over the last couple of months as well.

President Law also introduced Rick Shansky, whom he had hired late last year.

President Law continued that in the last twelve months, he has brought in over 110 years of good energy policy and utility experience to the Authority,

which is consistent with his efforts to bring in more professionals to help LIPA meet the energy challenges that it faces. He thanked all of the new members of the staff for joining the already great LIPA team.

President Law reported that LIPA has a management consultant helping with his efforts to take LIPA in a new direction and to become one of the best run utilities and public authorities in the State. He continued that the consultants have been meeting with LIPA and helping to develop its mission statement, vision statement, and some goals, which he will be sharing with the Board over the summer.

President Law reported that staff has also participated in some mandatory and voluntary training including mandatory New York state sexual harassment training and workplace violence training. He continued that regardless of whether LIPA is mandated to hold this training, it is good for LIPA's professional, cultural, and workplace environment. He noted that LIPA has been holding the necessary training sessions that he requires of all managers and staff.

President Law reported that hurricane season has started, and that LIPA will be holding its hurricane drill in July, with its partner National Grid. He continued that LIPA will be well prepared. He noted that one of these years, Long Island is going to get hit, and that it is just a matter of time. President Law reported that what matters at the end of the day, despite all of the great things

that LIPA is doing, including renewables and efficiency, is that LIPA is keeping the lights on consistent with its core mission. He noted that accordingly, LIPA staff is prepared for a hurricane and that training has begun.

President Law requested that when Mr. Hervey presents his operating report, that he include both the ISO estimated capacity for the region as well as LIPA's own specific information as to how LIPA is prepared to handle the peak energy season, which comes in the months of July and August.

President Law then reported on some potentially good news. He continued that the cost of fuel continues to stay below where LIPA had budgeted, particularly with respect to gas, which is primarily the only fuel that LIPA has been burning these days. He added that LIPA may be in a position to reduce its power supply charge again, as it had just done on May 1. He stated that staff is looking at that possibility and will continue to monitor it. He noted that LIPA expects to be in a position to have a further reduction in the power supply charge shortly.

President Law confirmed that since LIPA is a non-for-profit entity, it only needs to recover its costs. He explained that LIPA forecasts its budgets based on all of the best available information, and now is in a position where costs are falling below what LIPA had budgeted late last year when oil was shooting up and gas was following close behind. President Law reported that LIPA had previously

said that when it was in a position to give back collected monies, it would do so, like it did in May. He continued that LIPA may be in that position again next month. He stated that in the next week or two he would share what LIPA will be doing.

President Law then concluded his report.

Acting Chairman Steinberg thanked President Law for his report and added that the Board is delighted with the great job that President Law has done in attracting and retaining high quality members of his team. He continued that he is very pleased to have Mr. DeCotis joining LIPA, as well as Mr. Hogue and the other significant senior hires that President Law has brought to the organization. He added that it is a great compliment to President Law and to the organization that it is able to attract such high levels of talent, and it certainly is a comfort to the Trustees to know that the organization is in such good hands.

Acting Chairman Steinberg stated that he would also like to compliment President Law on his leadership, for really being in the forefront of the Governor's initiatives on clean and renewable energy. He continued that he thinks that President Law, more than anyone else around the State, is the point person on this. He added that with President Law's leadership, Long Island is becoming the focal point for clean and renewable energy. He noted that he thinks LIPA has demonstrated leadership in the State, if not the country.

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

Mr. Hogue first addressed the Board and noted that he is very pleased and honored to be before them for the first time as Chief Financial Officer. He then reported that for the five months ended May 31, 2009, LIPA generated expenses in excess of revenue of \$94 million compared to a budgeted loss of \$47 million.

Mr. Hogue reported that for the period to May 31, 2009, the total revenue was \$1.357 billion, which is approximately \$18 million or one percent below budget, primarily the result of lower than budgeted sales in the commercial and industrial sector due to the economic downturn.

Mr. Hogue reported that fuel and power for the period was \$753 million, which is slightly below budget. He noted that this amount includes a noncash regulatory charge of \$115 million, representing amounts to be returned to the customer as required by the mechanics of the Fuel and Purchase Power Cost Adjustment Tariff.

Mr. Hogue reported that operations and maintenance costs for the period were \$353 million, which is \$25 million higher than budget. He explained that this variance was primarily the result of the FERC power supply agreement reset

proceeding, representing \$23 million of the \$25 million variance. He stated that LIPA is currently required to pay the rates as filed by National Grid and these rates are subject to refund upon the settlement of the case, which LIPA is currently pursuing.

Mr. Hogue reported that also included in the Operations and Maintenance cost is a \$6 million un-budgeted charge related to the recently enacted Temporary State Energy and Utility Conservation Assessment. He noted that it is one percent of revenues for which LIPA made an accrual. He stated that these increases were partially offset by lower efficiency program costs of \$5 million, but that this variance is believed to be timing related. He noted that he expects this variance to narrow and close by year end.

Mr. Hogue reported that Other Income and Deductions were \$16 million, which is \$7 million below budget. He stated that this variance is primarily the result of lower return on investments due to the reduction in short-term interest rates.

Mr. Hogue reported that Interest Expenses for the period was \$141 million, or \$3.5 million below budget due to lower than anticipated rates on the variable portion of LIPA's debt. He stated that the bottom line that is expected by year end is a surplus within the band of between \$25 million and \$125 million, according to LIPA's forecast.

Mr. Hogue referred to the Consolidated Balance Sheet. He stated that there are no significant changes in patterns on the balance sheet that need to be discussed at this time because the amounts follow the patterns that have been exhibited in previous months.

Mr. Hogue reported on LIPA's cash position. He stated that at May 31, 2009, LIPA had cash and investments of \$411 million, of which \$151 million is in the Construction Fund for projects that are slated to be executed and \$157 million is in the Rate Stabilization Fund, which is required by LIPA's bond covenants. He continued that the remaining amount, which is \$103 million, is the Operating Fund and used for working capital or operating purposes. He added that the Operating Fund had approximately \$80 million as of April, indicating that it is increasing, which is normal for this time of the year. He stated that this fund as well as the construction fund run down in the winter months, so that by year end LIPA can expect to have \$275 million total cash. He noted that this is the normal pattern, a little higher than last year, and will be adequate for LIPA's operating needs.

Mr. Hogue reported that LIPA also has available \$100 million of untapped commercial paper capacity at its disposal.

Mr. Hogue reported on the investment of the \$411 million of cash. He stated that about half, or 51 percent is invested in short term liquid securities. He added that 48 percent is invested over a little longer time of zero to three month maturities, and that only one percent goes out beyond that.

Mr. Hogue reported that also of note is a slight deterioration in LIPA's uncollected amounts for residential customers which could be expected with the financial downturn. He noted that as a result, LIPA will increase the reserve from its current level of \$19.4 million to approximately \$23 million.

Mr. Hogue concluded his report.

Trustee Calone asked a question regarding the balance sheet. He inquired as to the year-over-year plan by the end of 2009 on the long-term debt.

Mr. Hogue explained that while LIPA has some refunding authority, which the Board granted earlier in the year, and which LIPA is pursuing, it will not add to the long-term debt. He continued that LIPA has no new plans for new money, so that the amount that is shown as the current amount at May 31 will run down according to the scheduled pay down of debt. He offered to get Trustee Calone the expected number by year end.

Trustee Calone said that would be fine and that Mr. Hogue could provide it off-line. He stated that he had another question regarding the current status of LIPA's hedging program.

Mr. Hogue stated that the Risk Committee, of which he is the Chairman, met in June. He continued that the Committee enacted several proposals to ramp up LIPA's hedging activity for 2010. He explained that LIPA had a pretty low hedge to total exposure position going into that meeting, and that prices had been falling on commodity prices, indicating it may be time to lock in low fuel and purchased power prices. He said that LIPA has enacted the required procedures and protocol to increase the hedged position from 30 percent into the 40 percent area.

Trustee Calone asked for clarification whether that was for 2010.

Mr. Hogue stated that it is primarily concentrated in the next year – 2010 – or the prompt year.

President Law stated that he had a comment to make regarding the new tax that the State approved in their budget this year, or the one percent tax known as the Temporary Conservation Assessment. He explained that LIPA is continuing to look at that, and it is likely going to be passed onto LIPA's customers. He explained that LIPA is not going to be absorbing it, and that LIPA will not be

cutting its environmental, efficiency, or renewable programs to try and absorb the one percent assessment. He added that LIPA staff will be working over the summer to figure out how it is going to do that. He noted that the PSC is in the process of allowing the regulated utilities to recover those costs from their customers as well.

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

Mr. Hervey reported that in response to President Law's request regarding power supply adequacies, both the New York ISO and LIPA have reported adequate power supplies for the summer operating period. He noted that this should not be a surprise. He explained that LIPA goes through a very elaborate planning process that is multiyear in which LIPA plans for the load growth that is seen over time. He added that on top of that, LIPA – along with many of the other utilities – are now predicting zero load growth for the present year because of the economic downturn.

Mr. Hervey reported that each year LIPA performs a six-month long study of the intricacies of the transmission and substation facilities on Long Island. He stated that the summer operating study concluded on June 9, and it was then presented to LIPA's system operators. He explained that this essentially gives the system operators a detailed report of how they need to operate the system

through the summer period, including any of the risks in any of the special operating procedures they have to put in place.

Mr. Hervey reported that another item that was completed, which is an annual event for LIPA, is hosting a roundtable with Long Island's various departments of public works. He explained that all of the municipalities on Long Island, including the Long Island Railroad, the Department of Transportation, and Verizon were present. He added that this is a forum that LIPA hosts on an annual basis that allows it to communicate directly to all those departments to make sure that everyone is coordinating on capital plans.

Mr. Hervey reported on system reliability. He stated that LIPA is at approximately .65 average interruptions per year for the average customers. He continued that as he has previously reported, that is a positive record for LIPA. He noted that LIPA is now operating at the highest level of reliability in history and has sustained that level over the past several months.

Mr. Hervey reported that Long Island has experienced an extraordinary period of weather. He continued that notwithstanding the rain, of which there have been many days over the past few months and which has not affected the operation of the system, there have not been any real storms. He noted that at this point, Long Island has only had two storms since the third week of December.

Mr. Hervey stated that he wanted to take a moment to congratulate and thank the men and women of IBEW, who are out and working in the rain each and every day, month upon month. He noted that it has rained 38 days out of the last 60, and that it tends to wear on those men and women who are working in those conditions.

Mr. Hervey reported on the Customer Average Interruption Duration Index (CAIDI), which is the average duration of outages for LIPA customers. He continued that as previously reported, LIPA is monitoring this very carefully because it is one of the areas that based on National Grid's performance metrics was beyond the penalty metric last year, above 80 minutes on average. He stated that it has been trending down since August of last year, and that it is heading in the right direction. He added that LIPA expects over the next few weeks that it will be inside the performance band for National Grid.

Mr. Hervey reported on the momentary interruptions. He continued that the momentaries have been decreasing consistently since last September. He explained that this number is the number of interruptions of less than five minutes that a customer sees. He noted that it continues to decrease and improve.

Mr. Hervey reported on a chart that he produced in response to a request by the Trustees regarding generation by fuel type. He stated that in May, 35 percent of the output was from gas sources, 25 percent from PJM and 16 percent nuclear. He continued that at this point in time, he understands that the Board has asked for the prices of these various fuel sources to be included. He noted that that report is not yet complete and ready for production, but will be included in the future months.

Mr. Hervey concluded his report.

The Acting Chair thanked Mr. Hervey. He stated that the next item on the agenda is the consideration of the approval of amendments to a utility consultant services contract. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Mr. Hervey.

Mr. Hervey stated that the Trustees are being requested to approve and adopt a resolution authorizing the President and Chief Operating Officer, or his designee, to execute contract amendments extending the terms of the contracts of Navigant Consulting, Black & Veatch Corp., Applied Energy Group, Inc., and Stone & Webster Management Consultants, from July 1, 2009 to January 31, 2010, in order to allow for the continued provision of utility consulting services to LIPA pending the completion of a new procurement process for these services.

Mr. Hervey stated that in June 2005, pursuant to a competitive solicitation process, the Trustees authorized the selection of twelve firms to provide as-needed utility consulting services to LIPA for a four-year period in some or all of the following scopes: Power Markets; Transmission Planning; System Modeling; Generation and Resource Development; Distributed Generation; Retail Markets; Transmission and Distribution; Financial Support; Contractual Support; Clean Energy Initiative; and Transmission and Distribution Management Information. He added that these contracts are due to expire on June 30, 2009.

Mr. Hervey stated that in anticipation of this expiration date, in March 2009, LIPA issued a Request for Proposals soliciting firms to provide such utility consulting services for a five-year period. He continued that in April 2009, thirty-eight firms responded to the RFP, and since that time, LIPA's Selection Committee has been evaluating the submitted proposals. He added that it is currently expected that the Selection Committee will be making its recommendation for contract awards at the September 2009 meeting of the Trustees.

Mr. Hervey stated that the previously mentioned firms are actively engaged in a number of projects that support some of LIPA's most important initiatives and programs, many of which will require continued attention and resources beyond the June 30th expiration. He continued that without the ability for these firms to continue providing services past that date, many of LIPA's projects

would be stalled, seriously jeopardizing important completion dates, and likely resulting in increased costs to LIPA's customers.

Mr. Hervey stated that as such, it is recommended that the contracts with these four firms be extended for a period of seven months, with limited scopes of work while LIPA completes its procurement process for the provision of utility consulting services for the next five years. He noted that each of the four firms has agreed to provide services to LIPA during this interim period under a current or improved rate structure, which LIPA believes to be of value to its customers.

Mr. Hervey stated that based on the foregoing, he recommends approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

The Acting Chairman called for any questions or comments from the Trustees.

Trustee Fragin questioned the need for the lag on implementation to January 31, 2009, if LIPA is going to have the new proposal before the Board in September.

President Law stated that the contracts need to be approved by the Attorney General's Office as well as the New York State Comptroller, which could take several months.

The Acting Chairman noted that because LIPA operates with a lean staff, it has to rely on outside consultant support. He continued that he believes that an effort is made to judiciously use outside consultants and to exercise great care in the selection process and in the cost process.

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

931. EXTENSION OF ENGAGEMENT OF UTILITY CONSULTING SERVICES CONTRACTS

RESOLVED, that the President and Chief Executive Officer, or his designee be, and hereby is, authorized to execute contract amendments extending the engagement of utility consulting services contracts with Navigant Consulting, Inc.; Black & Veatch Corp.; Applied Energy Group, Inc. and Stone & Webster Management Consultants, Inc., each for a period of seven months, from July 1, 2009 to January 31, 2010.

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The Acting Chair thanked Mr. Hervey. He stated that the next item on the agenda is the consideration of the approval of the engagement of a vendor to provide internet network telecommunication services. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Mr. Hervey.

Mr. Hervey stated that the Trustees are being requested to adopt a resolution authorizing the President and Chief Executive Officer, or his designee, to engage AT&T to provide MultiProtocol Label Switching (“MPLS”) Telecommunication services to LIPA in support of the provision of the power supply management services. He continued that LIPA will be implementing an Enterprise Data Management system (“EDM”) infrastructure designed to achieve effective data and application integration among service providers as part of its new Power Supply Management agreements (“PSM”).

Mr. Hervey stated that the proposed EDM platform will enable the exchange and sharing of information between PSM providers, which include National Grid, Consolidated Energy, Inc., (“Con Ed”) and Pace Global Energy Risk Management (“Pace Global”). He continued that in order to accomplish this, LIPA requires an MPLS network, which is a private internet data-carrying mechanism designed to provide communications between participating parties in a secure platform for exchanging data between different locations. He added that based on this need, LIPA reviewed, among other things, a list of state contracts procured by the New York State Office of General Services (“OGS”) for the same and comparable services. He noted that LIPA’s review determined that OGS has contracts with several different telecom carriers for the provision of “Comprehensive Telecommunication Services” that could serve LIPA’s purpose.

Mr. Hervey stated that as a result, LIPA selected proposals from those different providers, including Verizon, AT&T, and Sprint, and concluded that AT&T offered the most comprehensive service at the lowest price available under the OGS contract. He continued that although the OGS contract provides for services on a month-to-month basis, not for a fixed term, it is LIPA's intent to use the MPLS services for a period of five years to be concurrent with the terms of LIPA's PSM agreements with Con Ed and Pace Global. He noted that in the interest of increased transparency, LIPA is seeking Trustee approval of this agreement with AT&T at this time.

Mr. Hervey stated that based on the foregoing, he recommends approval of this action by adoption of a resolution in the form of the attached draft resolution.

The Acting Chairman called for any questions or comments from the Trustees.

Trustee Fragin asked Mr. Hervey to apprise the Board of the value of this contract for the five year term.

Mr. Hervey stated that the contract is valued at approximately \$450,000.

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

932. ENGAGEMENT OF VENDOR TO PROVIDE PRIVATE INTERNET NETWORK TELECOMMUNICATION SERVICES

RESOLVED, that the President and Chief Executive Officer, or his designee be, and hereby is, authorized to engage AT&T to provide MultiProtocol Label Switching Telecommunication services to LIPA through an existing New York State Office of General Services (NYSOGS) contract for Comprehensive Telecommunication Services, for up to a five-year period.

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The Acting Chairman stated that he abstained because his firm represents some of the participants. He continued that while he does not personally do any work for them, nor was he involved in the selection, he thinks that to avoid any doubt he should abstain.

The Acting Chair stated that the next item on the agenda is the consideration of the approval of modifications to the Freedom of Information Law Rules and Regulations. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Ms. Nicolino.

Ms. Nicolino stated that the Trustees are being requested to adopt the Long Island Power Authority Freedom of Information Law Rules and Regulations, as modified in the form presented at this meeting. She continued that LIPA is required under Public Officers Law to promulgate rules and regulations in

conformity with the Freedom of Information Law (“FOIL”) and applicable rules and regulation promulgated by the Committee on Open Government.

Ms. Nicolino stated that LIPA adopted such regulation in 1992, but has not updated them since 1995. She continued that since that time, there have been several statutory amendments to the FOIL, most recently in 2003, 2005, and 2008. She added that although LIPA has been following these requirements over the years in practice, its regulations have not been modified to reflect this change. She noted that the changes are in the Board books, and that she will waive the public reading at this time.

Ms. Nicolino stated that in order to effectuate the proposed modified rules, LIPA has followed the procedure required under the State Administrative Procedure Act for changes. She continued that as such, the Authority issued a Notice of Proposed Rulemaking inviting public comment on the proposal, which was stated in the Public State Register on April 15, 2009. She added that no comments were received by the Authority and that the period for the submission of such comments has now expired.

Ms. Nicolino stated that based on the foregoing, staff is recommending approval of the modified regulation at this time.

Acting Chairman Steinberg asked the Trustees for any comments or questions. He then asked for public comment. After hearing none, the Acting Chairman called for a vote on the motion which was approved unanimously:

933. APPROVAL OF MODIFICATIONS TO THE LONG ISLAND POWER AUTHORITY FREEDOM OF INFORMATION LAW RULES AND REGULATIONS

WHEREAS, in accordance with Section 87 of Article 6 of the Public Officers Law, the Long Island Power Authority (the "Authority") adopted Part 10050 of Title 21 of the New York Compilation of Codes, Rules and Regulations related to the Freedom of Information Law ("FOIL") in 1992, as modified in 1995; and

WHEREAS, since that time there have been several statutory revisions to the FOIL; and

WHEREAS, to be consistent with current FOIL provisions, as well as to correct outdated information in the Authority's rules and regulations, the Authority has proposed this rule change in accordance with section 1020-f(z) of the Public Authorities Law in the form attached hereto as Exhibit B; and

WHEREAS, the proposed revisions conform NYCRR Part 10050 to the non-discretionary statutory provisions contained in the FOIL; and

WHEREAS, the other proposed changes are minor and administrative in nature, and no person is likely to object to the adoption of the rule as written; and

WHEREAS, under Chapter 210 of the Laws of 1998, the proposed rule is advanced as a consensus rule pursuant to section 202(1)(b)(i) of the State Administrative Procedure Act ("SAPA"); and

WHEREAS, the proposed rule would have no impact on jobs or employment possibilities which would require a Job Impact Statement under Section 201-a of SAPA; and

WHEREAS, notice was issued in the State Register on April 15, 2009 soliciting comments from the public; and

WHEREAS, no comments have been received from the public and the public comment period has expired:

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves and adopts the modifications to the Authority's FOIL rules and regulations in the form attached hereto and presented at this meeting.

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The Acting Chair stated that the next item on the agenda is the consideration of the approval of modifications to the Long Island Power Authority Tariff for Electric Service, Service Classification No. 13 ("SC-13"). After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Mr. Germano.

Mr. Germano stated that the Trustees are being requested to approve the adoption of the modifications to SC-13, which provides electric service to large commercial customers at negotiated rates under an energy supply agreement in connection with: (1) the provision of the power supply agreement by LIPA to the Long Island Railroad ("LIRR"); (2) LIPA's resale of power purchased from the New York Power Authority ("NYPA") and supplied to Brookhaven National Laboratories ("BNL"); and (3) an administrative change to the name of classification SC-13 to "Negotiated Rate Service for Large Commercial Customers."

Mr. Germano stated that on April 23, 2009, the Board authorized the execution of a settlement agreement between LIPA and the LIRR, resolving a long-term dispute between the parties in connection with the provision of power

supply by LIPA to LIRR and the grant of easement rights to LIPA by LIRR. He continued that a portion of that settlement involved the negotiation of a rate pursuant to which LIPA would charge the LIRR to supply power going forward. He added that previously, LIPA supplied power to the LIRR pursuant to a negotiated contract approved by the PSC but not included in its tariff. He noted that since the LIPA tariff was modeled after the LILCO tariff in 1998, no specific tariff provision existed reflecting the LIRR contract in the LIPA Tariff.

Mr. Germano stated that in an effort to provide increased accuracy and transparency with respect to its SC-13 contracts, LIPA staff believes it is appropriate to codify the negotiated rate structure authorized by the Board in connection with the LIRR settlement. He continued that as such, the proposed revised Tariff provision would more clearly reflect LIPA's ability to contract for the provision of power to the LIRR at rates set forth not only in the current, approved contract, but future contracts.

Mr. Germano stated that in terms of BNL, NYPA, with the approval of its Board of Trustees, offers lower cost power to certain entities within the LIPA service territory for economic development purposes. He continued that much of that power is sold directly by NYPA to end users, with LIPA providing wholesale transmission and distribution service to NYPA under a Tariff on file with the Federal Energy Regulatory Commission. He added that NYPA also has access to several other sources of low cost power and transmission resources, enabling it

to deliver low cost power for economic development purposes under a “Sale for Resale” agreement to “Instrumentalities of the State,” such as LIPA.

Mr. Germano stated that LIPA, NYPA and the Empire State Development Corporation have been working with BNL for a number of years to develop a permanent solution for low cost energy supply to the lab to enable it to compete against other US Department of Energy labs for science projects and technology investments and prevent the layoffs of hundreds of employees, including scientists, technical staff and other supporting personnel working there. He continued that LIPA/NYPA have jointly developed a long term solution where NYPA would provide 15 MWs of lower-cost hydroelectric power to BNL under a “Sale for Resale” arrangement, whereby LIPA would purchase power from NYPA and resell it to BNL as LIPA’s retail customer.

Mr. Germano stated that since the provision of NYPA power to BNL would benefit the LIPA service territory, LIPA staff recommends that the Tariff be modified to specifically provide LIPA with the capability to provide such power to BNL pursuant to an energy supply agreement at negotiated rates. He continued that the negotiated rates contemplated under the agreement would be subject to future Board approval, and would consist of the contract price found in the “Sale for Resale” agreement with NYPA, plus a charge equivalent to the wholesale transmission rate for the delivery of power. He added that such a structure would be designed to have no financial impact to LIPA.

Mr. Germano noted that LIPA staff is also recommending that the name of this Tariff classification be changed from SC-13 to “Negotiated Rate Service for Large Commercial Customers” to more clearly reflect the nature of the service classification.

Mr. Germano stated that consistent with the requirements of the State Administrative Procedures Act, a notice of the proposed Tariff changes appeared in the State Register on April 15, 2009. He continued that two public hearings were held on June 9th, one in Nassau County and one in Suffolk County, with no participation from the public. He added that no written comments have been received by LIPA, and the period for public comments is now expired.

Mr. Germano stated that based on the foregoing, he recommends the approval of the above-requested action by adoption of a resolution in the form of the draft resolution.

Acting Chairman Steinberg asked if it was fair to say that the first part of the resolution – the LIRR – is just a technical implementation of an agreement that has been reached. He further asked if the second part of the resolution – BNL – has a component that is consistent with LIPA’s mission to promote economic development and employment on Long Island.

Mr. Germano answered yes. He stated that in terms of the LIRR, it is simply an administrative change. He continued that the BNL proposal is also an administrative change. He explained that it allows LIPA to move forward with the next step in finalizing an agreement with BNL and NYPA that would require coming back to the Board to seek approval independent from this. He noted that both of these are basically administrative changes.

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

**934. APPROVAL OF MODIFICATIONS TO LONG ISLAND POWER AUTHORITY
TARIFF FOR ELECTRIC SERVICE – SERVICE CLASSIFICATION NO. 13**

WHEREAS, the Long Island Power Authority’s (“LIPA”) Tariff for Electric Service (“Tariff”), Service Classification No. 13 (“SC-13”), provides for electric service to large commercial customers at negotiated rates; and

WHEREAS, on April 23, 2009, the Board of Trustees (the “Board”) authorized the execution of a settlement agreement, and other related agreements, between the Long Island Power Authority, and its wholly-owned subsidiary, the Long Island Lighting Company, d/b/a LIPA, (together “LIPA”), and the Long Island Railroad (“LIRR”), in connection with, among other things, the provision of power supply by LIPA to LIRR under an energy supply agreement at a negotiated rate; and

WHEREAS, the New York Power Authority (“NYPA”), offers lower cost power to certain entities within the LIPA service territory, including Brookhaven National Laboratories (“BNL”), whereby LIPA provides wholesale transmission and distribution service to NYPA; and

WHEREAS, NYPA would also like to provide other lower cost electric power to BNL under a “Sale for Resale” agreement whereby LIPA would purchase power from NYPA and resell it to BNL as LIPA’s retail customer; and

WHEREAS, the provision of NYPA power by LIPA to BNL under such negotiated rates would benefit the LIPA service territory and should be specifically reflected in LIPA's Tariff; and

WHEREAS, LIPA staff believes that changing the name of SC-13 to "Negotiated Rate Service for Large Commercial Customers" would more clearly reflect the nature of the Tariff classification; and

WHEREAS, following the issuance of public notice in the State Register on April 15, 2009, two public hearings on the proposed Tariff modifications were held in Nassau and Suffolk counties on June 9, 2009, no verbal or written comments having been received from the public, and the public comment period under SAPA having now expired:

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the preceding Memorandum, modifications to LIPA's SC-13 Tariff which provide for 1) the provision of power supply by LIPA to the LIRR at negotiated rates; 2) LIPA's resale of power purchased from NYPA and supplied to BNL at negotiated rates; and 3) renaming SC-13 to "Negotiated Rate Service for Large Commercial Customers," are hereby adopted and approved; and be it further

RESOLVED, that the attached Tariff Leaves reflecting our action herein are approved.

*** * ***

The Acting Chair thanked Mr. Germano. He stated that the next item on the agenda is the consideration of the approval of negotiated agreements for the electric service pursuant to the LIPA Tariff Electric Service Classification No. 13. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Mr. Germano.

Mr. Germano stated that the Trustees are being requested to approve the terms of three negotiated electric supply agreements, as provided for in the Long Island Power Authority's ("LIPA") Tariff for Electric Service (the "Tariff"),

Service Classification No. 13 (“SC-13”), for economic development purposes. He continued that specifically, the Trustees are being asked to approve agreements with 1) Cox & Company, as a new customer; 2) Old Castle Glass, Inc. and 3) Positive Promotions, as existing customers.

Mr. Germano stated that under LIPA’s SC-13 Tariff, LIPA has the ability to provide electric service pursuant to the terms of a negotiated electric service agreement, for the purpose of attracting qualified large commercial customers with 1,000 kW or more of electric load, and to support the retention of existing commercial customers with 500 kW or more of load. He continued that SC-13 provides that the negotiated rates offered to a customer under an electric service agreement must allow LIPA to, at a minimum, recover its marginal costs to serve the customer, plus a contribution of at least one cent per kW hour to LIPA’s fixed costs. He added that currently, the three above-referenced large commercial customers have submitted requests to LIPA to receive negotiated rates under SC-13, which have been reviewed by LIPA Staff and determined to be qualified and in the economic interest of Long Island.

Mr. Germano stated that Cox & Company has been in business for over 50 years. He continued that the company designs, tests, manufactures, and supports high quality customized temperature control and ice protection systems for the aerospace industry. He added that Cox & Company is a 100% employee-owned company, consisting mostly of engineers that are experts in the thermal,

mechanical and electrical technology fields. He noted that previously located in New York City, Cox & Company employed 200 people.

Mr. Germano stated that in 2007, the company explored viable relocation options in order to reduce costs. He continued that they investigated sites in Long Island, New Jersey and Pennsylvania as possible areas for relocation in order to reduce costs. He added that remaining in the tri-state area is important to Cox & Company, in order to retain their specialized staff, and also to be close to some of their core clients.

Mr. Germano stated that LIPA staff performed a financial and competitive analysis of their relocation study, and determined it was viable for Cox & Company to relocate to Long Island. He continued that an offer letter was sent to the company on October 30, 2007, offering to place the company on a modified time of use rate (M284) that is otherwise currently available to smaller commercial customers.

Mr. Germano stated that Cox & Company chose to relocate to Long Island and moved into Plainview in December of 2008 and that the company's decision was based on a joint community effort to attract this business to the region. He continued that along with LIPA's proposal, New York State provided a \$500,000 grant for lease-hold improvements and equipment, and the Nassau County Industrial Development Agency provided sales and property tax benefits

estimated at \$700,000 over the next 10 years. He added that staff has proposed that Cox & Company would be eligible for LIPA's existing modified Rate 284, currently available to smaller commercial customers under the SC-13 tariff. He noted that Cox & Co understood that the LIPA offer required Board approval for the use of this rate.

Mr. Germano stated that Cox & Company was able to retain 135 employees by moving to Plainview and plans on adding another 35 to 50 jobs within the next 3 to 5 years. He continued that the approval of a negotiated rate equivalent to the modified time of use rate code (M284) would require no change to the character of service, and allows LIPA to continue to recover all of its costs from serving this customer. He noted that the agreement will be for a period of 5 years.

Mr. Germano stated that Old Castle Glass, Inc. ("Old Castle") is a manufacturer of architectural glass systems for commercial and residential construction. He continued that the company cuts large panes of glass and tempers then utilizing electric ovens, making Old Castle a significant consumer of electricity. He added that the company supplies much of the glass for buildings in NYC, and glass for doors sold at Lowe's Home Improvement Stores.

Mr. Germano stated that the Long Island operation for Old Castle was founded in 1951. He continued that annual sales were \$24 million in 2008 and the company employs 116 people. He added that this facility, along with similar

operations in Rutherford and Morristown, New Jersey; Cheshire, Connecticut; and Perrysburg, Ohio make up the U.S. operation for its parent, CRH Company (“CRH”), based in Dublin, Ireland.

Mr. Germano stated that Old Castle is shutting down its operations in Telford, Pennsylvania, and its Hauppauge location is facing serious competition from Old Castle’s other out-of-state facilities to make up the production from the shuttered facility. He continued that the prospect of consolidation to New Jersey represents a serious threat to the Long Island operation, as it is the least cost competitive operation for CRH. He added that if the Long Island facility cannot become cost competitive with the other locations, there is a substantial risk that the Hauppauge facility could become the next operation to be shut down.

Mr. Germano stated that the immediate concern of Old Castle is the energy costs associated with the peak months of June to September. He continued that the company has indicated that without relief from LIPA and others, they will not be competitive with the other locations. He added that Old Castle has a NYPA “Power for Jobs” contract for 250 kW, which is expected to expire on June 30, 2009. He noted that this NYPA contract only represents a small portion of their electric needs, which currently total approximately 1,500 kW.

Mr. Germano stated that LIPA recognizes that energy costs alone are not the only reason for the relatively high cost structure for the Long Island

operations. He added that to this end, the Town of Islip is currently working with Old Castle to provide property tax relief and Suffolk County has offered to provide employee training programs through its Department of Labor.

Mr. Germano stated that staff proposes that Old Castle would be eligible for LIPA's modified rate 285, currently available to smaller commercial customers under the SC-13 tariff. He continued that the approval of the negotiated rate equivalent to the modified rate code M285 would require no change to the character of service and will allow LIPA to continue to recover all of its costs to serve this customer. He noted that the agreement will be for a period of five (5) years.

Mr. Germano stated that Positive Promotions is a manufacturer and national marketer of printed gifts, awards, novelties, and promotional items. He continued that the company was founded in 1947 in New York City and has enjoyed steady growth through market expansion and new product development. He added that in 2002, Positive Promotions relocated to Hauppauge, and since that time has seen sales increase from \$58 million to \$87 million and employment grow from 348 employees to the current peak level of 618 employees.

Mr. Germano stated that Positive Promotions has made over 90% of its company sales outside New York State, with those sales fairly equally distributed geographically throughout the United States. He continued that Positive

Promotions has recently explored viable options to reduce its costs through relocation in light of a combination of rising NYS-based costs and significant increases in U.S. mail postage that has had a multimillion dollar impact on its operations. He added that following a national relocation study, which LIPA has reviewed and verified, Positive Promotions determined that El Paso, Texas might be the most viable relocation destination to help offset its rising costs.

Mr. Germano stated that in an effort to thwart this relocation plan, the New York Empire State Development classified Positive Promotions as a “Regionally Significant Project” (RSP) enabling the company to receive more than \$3 million over five years in projected wage and tax benefits. He added that the Islip Industrial Development Agency has agreed to provide the company tax benefits estimated at \$200,000, with Suffolk County committing to provide funding for employee training. He continued that NYPA, working in partnership with LIPA, has also agreed to provide an incentive award through their Industrial Incentive Awards program. He noted that while specific details are not yet available, it is estimated that NYPA will provide a discount to Positive Promotions of approximately \$75,000 annually for a minimum of three years.

Mr. Germano stated that LIPA staff proposes to provide Positive Promotions with a negotiated electric service agreement that would reduce their overall rates by 14%, in compliance with the requirements of the SC-13 tariff. He continued that all other terms and conditions for LIPA’s Tariff would apply.

Mr. Germano stated that the agreement would be for a period of 3 years, with two subsequent, one-year renewal options. He continued that the three-year term of LIPA's negotiated rate agreement mirrors the current terms of the NYPA Industrial Incentive Award. He added that it is anticipated that NYPA will introduce a new business incentive program within the three-year time frame. He noted that the one-year renewal options are offered to provide flexibility to Positive Promotions and LIPA based on the details and timing of the new NYPA offering.

Mr. Germano stated that based upon the foregoing, it is recommended that the Trustees adopt three resolutions in the form of the attached resolutions.

The Acting Chairman called for questions from the Trustees.

Trustee Fragin stated that he had two questions. He continued that first, with regard to Cox, the rate is indicated as being rate 284 and that with regard to Old Castle, it is indicated as being rate 285. He asked about the difference. He added that he would also like Mr. Germano to attach an annual dollar value to each of the packages.

Mr. Germano stated that with regard to the first question, rate 284 and rate 285 are two different rate structures. He continued that rate 284 is designed to really encourage a lot more off-peak manufacturing and production primarily

during the 11 P.M. to 7 A.M. time period. He added that rate 285 is more analogous to LIPA's current rate structures in terms of on-peak and off-peak.

Mr. Germano stated that with respect to the second question regarding the financial impact of the resolution, there is no financial impact to LIPA in the case of Cox or Old Castle because LIPA will be offering these companies existing rates that are available to other similar customers. He continued that this is more of an administrative change, and that LIPA will be coming to the Board so that it can open up these existing rates to other customers. He indicated that it was an old tariff that had the rate built into the SC-13 tariff, but that LIPA needs to pull it out of there and make it available to more customers. He noted that really, these two situations are more of an administrative process now because LIPA needs to make these rates available today to these companies.

Mr. Germano stated that in the case of Positive Promotions, the annual dollar impact would be about \$75,000 a year in lost revenue.

Trustee Fragin stated that he understands that it is an administrative approval and that the Board has to vote to allow the companies to enter a program, but his question is whether there would be a potential revenue loss if the Board did not vote for this. He questioned the potential loss in revenue to LIPA if these companies are currently paying a set amount, and LIPA is going to be offering a discount off of that amount.

Trustee Hahn said that these companies will be paying a lot less if they leave the State and/or Long Island, so it is good for LIPA to keep them.

Trustee Fragin stated that LIPA should not be advertising that.

Mr. Germano stated that in terms of Cox, since it is a new company to the region, LIPA will be gaining about \$500,000 a year in revenue from that company, and that there would not be any loss because LIPA would only be giving them access to a specific rate. He continued that in the case of Old Castle, which is a very large customer to LIPA, it runs about \$1.5 million a year in revenue to LIPA. He added that it is important for LIPA to really try and keep this company on Long Island because they are facing some tough competitive situations.

Trustee Fragin stated that he agrees with the entire premise of the program. He continued that he wanted to have a better handle on the value of what LIPA is giving to these companies. He added that he understands that the cost of doing business on Long Island in particular is very high, and that LIPA wants to encourage as much as possible. He clarified that what he wants to know is whether there is a dollar value that can be assigned to the package.

Mr. Germano stated that in terms of Old Castle and Cox, all LIPA is doing is giving these two companies access to a rate that has a shorter on-peak window, so that they have an ability now to shift their usage from that on-peak window to

that off-peak window. He continued that all it does is to simply allow these companies access to a rate. He noted that there is no discount in any way, shape or form.

Mr. Germano stated that in the case of Positive Promotions, it is a reduction in the current revenues received from them of about \$75,000 a year for each of the three years.

Trustee Fragin stated that everyone hopes that these incentive initiatives achieve their objectives in retaining these companies. He questioned if any of them, for whatever reason, are no longer viable and close up shop, whether there is any guarantee or any protection to LIPA.

Mr. Germano stated that in the case of the negotiated rate with Positive Promotions, LIPA put a floor on its consumption, so that LIPA is not in a situation where it is funding an exit strategy. He continued that LIPA added a minimum usage requirement that is roughly about 80 percent of the current load. He added that it is intended to try and take care of some of its normal business variations as well as temperature variation. He explained that if Positive Promotions was ever to drop below the 80 percent consumption level, it would no longer be eligible for this rate.

Acting Chairman Steinberg thanked Mr. Germano and stated that it is important to keep in mind that the public purpose for this is to carry out LIPA's statutory mission of promoting economic development on Long Island when possible. He added that LIPA looks at all of these situations very carefully on an individual basis, and that they are all evaluated for appropriateness and the Board can take some comfort in that.

Trustee Calone stated that from a business perspective, he thinks that this is a valuable program. He continued that the questions are well intended because all LIPA customers share the burden when rates are reduced for a particular company. He explained that LIPA needs to know if there is a band or an expectation of what staff thinks, in terms of the impact from shifting a particular company to a lower rate. He noted that this is because the existing customers are paying a little bit more in the grand scheme of things in order to incentivize these companies to stay.

Trustee Calone stated that this does not mean that LIPA should not be offering lower rates in particular circumstances. He continued that as President Law has said, it is an important mission, and that he fully supports that. He added that he would like to encourage LIPA, going forward, to make sure that future proposals include an estimated dollar amount of the impact so that the Board can weigh it appropriately when it votes.

Acting Chairman Steinberg asked for public comment. After taking comments, the Acting Chairman called for a vote on the motion which was approved unanimously:

935. APPROVAL OF ELECTRIC SERVICE AGREEMENT WITH COX & COMPANY UNDER SERVICE CLASSIFICATION NO. 13

WHEREAS, the Long Island Power Authority (“LIPA”)Tariff for Electric Service, Service Classification No. 13 Service Classification No. 13 (SC-13) authorizes LIPA to enter into negotiated electric service agreements with qualifying customers to attract new load and customers to Long Island; and

WHEREAS, in accordance with SC-13, Cox & Company has relocated its facilities from New York City to Long Island, increased LIPA’s load by more than 1,000 kW and provided employment to at least 135 workers within LIPA’s service territory; and

WHEREAS, in accordance with SC-13, Cox & Company has a viable option to relocate its facilities to another State, which would result in the opportunity of more than 500 kW of load and more than 100 workers within LIPA’s service territory; and

WHEREAS, other State and County economic development partners have also offered benefits to Cox & Company to support their attraction to Long Island; and

WHEREAS, Cox & Company has rejected alternative offers to relocate into other States on the basis of the collective offers by the Long Island economic development community; and

WHEREAS, the extension of modified rating periods to and retention of Cox & Company as a LIPA customer will benefit LIPA and its ratepayers, as well as the Long Island economy:

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and consistent with the preceding Memorandum, the President and CEO, or his designee be, and hereby is, authorized to enter into an electric service agreement for a period not to exceed 5 years with Cox & Company utilizing the modified rating periods for Service Classification No. 2-MRP- Rate M284.

* * *

936. APPROVAL OF ELECTRIC SERVICE AGREEMENT WITH OLD CASTLE GLASS UNDER SERVICE CLASSIFICATION NO. 13

WHEREAS, the Long Island Power Authority (“LIPA”)Tariff for Electric Service, Service Classification No. 13 Service Classification No. 13 (SC-13) authorizes LIPA to enter into negotiated electric service agreements with qualifying customers to attract new load and customers to Long Island; and

WHEREAS, in accordance with SC-13, Old Castle Glass, Inc. is facing serious competition from production facilities in other States that threaten to result in a loss of production and employment on Long Island; and

WHEREAS, other County and local economic development partners have also offered benefits to Old Castle Glass, Inc. to support their retention on Long Island; and

WHEREAS, the extension of modified rating periods to and retention of Old Castle Glass as a LIPA customer will benefit LIPA and its ratepayers, as well as the Long Island economy:

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and consistent with the preceding Memorandum, the President and CEO, or his designee be, and hereby is, authorized to enter into an electric service agreement for a period not to exceed 5 years with Old Castle Glass, Inc. utilizing the modified rating periods for Service Classification No. 2-MRP Rate 285.

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937. APPROVAL OF ELECTRIC SERVICE AGREEMENT WITH POSITIVE PROMOTIONS UNDER SERVICE CLASSIFICATION NO. 13

WHEREAS, the Long Island Power Authority (“LIPA”)Tariff for Electric Service, Service Classification No. 13 Service Classification No. 13 (SC-13) authorizes LIPA to enter into negotiated electric service agreements with qualifying customers to attract new load and customers to Long Island; and

WHEREAS, in accordance with SC-13, Positive Promotions has a viable option to relocate its facilities to another State, which would result in the loss of more than 500 kW of load and more than 600 jobs within LIPA’s service territory; and

WHEREAS, other State, County and local economic development partners have also offered benefits to Positive Promotions to support their retention on Long Island; and

WHEREAS, Positive Promotions has rejected alternative offers to relocate into other States on the basis of the collective offers by the Long Island economic development community; and

WHEREAS, the extension of negotiated rates to and retention of Positive Promotions as a LIPA customer will benefit LIPA and its ratepayers, as well as the Long Island economy:

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and consistent with the preceding Memorandum, the President and CEO, or his designee be, and hereby is, authorized to enter into an electric service agreement for a period not to exceed 3 years, with two one year extension options, with Positive Promotions that would reduce their overall rates by 14%, in compliance with the requirements of the SC-13.

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The Acting Chair stated that the next item on the agenda is the consideration of the approval of the modifications to LIPA's tariff for electric service providing for Advanced Metering Initiative Pilot Service Classification No. 16. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Mr. Germano.

Mr. Germano stated that the Trustees are being requested to approve a resolution adopting modifications to the LIPA Tariff for Electric Service to add a new "Service Classification No. 16 Advanced Metering Initiative (AMI) Pilot Service," in connection with LIPA's Smart Grid Initiative.

Mr. Germano stated that the Advanced Metering Initiative involves installing “smart meters” that have two way communication capability, giving LIPA the ability to provide customers with real time energy usage information and time of use pricing signals. He stated that the Advanced Metering Initiative is initially planned for two test locations; one in Bethpage and the other in the Hauppauge Industrial Park. He added that a third location is planned under the recently announced Smart Grid Corridor project along Route 110 involving 500 meters, and is conditional on LIPA receiving funding under the Federal Stimulus Program.

Mr. Germano stated that LIPA Staff proposes that the LIPA Tariff be revised to add this advanced metering service. He continued that the requested Tariff change would include: (1) Modified rating periods for residential and small commercial customers; (2) Tariff language to allow residential and small commercial customers to transfer between their current classification and the new AMI Pilot Service Classification No. 16; (3) A new “Statement of Advanced Metering Initiative Pilot” to describe the parameters and characteristics of the AMI Pilot Initiative; and (4) The extension of eligibility for commercial modified rating periods to participants in the AMI Pilot Service Classification No. 16.

Mr. Germano stated that the proposed on-peak hours for the Residential and Small Commercial Modified Time-Differentiated Pricing component of the experimental Pilot Service are weekdays for five hours between 2 PM to 7 PM. He

continued that for large demand-metered commercial customers, modified time of use rating periods already exist but eligibility is currently limited to customers that qualify for business development incentives or negotiated rates.

Mr. Germano stated that staff has enrolled approximately 200 participants in the Hauppauge and Bethpage pilot areas: 100 residential participants and 100 commercial participants, split approximately equally among the Small Commercial, Large Commercial and Mandatory Time of Use rate classes. He continued that the annual bill savings that might be experienced by these initial 200 participants, based on current usage patterns, has been estimated to be approximately \$110,000 in the aggregate, which represents lost revenue to LIPA. He added that the lost revenue is offset, however, by expected savings in LIPA's fuel and purchased power expense as a result of reduced usage. He noted that staff's proposal is intended to mitigate the financial impacts of the time differentiated rates by limiting participation to 2000 customers.

Mr. Germano stated that in connection with this request, LIPA issued a Notice of Proposed Rulemaking inviting public comment on the Proposal, which was published in the State Register on April 15, 2009. He continued that two public hearings in Nassau and Suffolk counties were held on June 9, 2009, and there were no comments received by LIPA by the June 15, 2009 closing date. He added that additional notice of the hearings was published in Newsday on May 30, 2009.

Mr. Germano stated that for the reasons stated, he recommends approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

Acting Chairman Steinberg stated that Trustee Fabio has several questions on this matter.

Trustee Fabio stated that in an effort to better understand the entire initiative, he has a few questions. He continued that he understands AMI is a multiyear project, and that LIPA is starting with this pilot project, and hopefully if there is success, LIPA is going to keep expanding it beyond the current deployment areas of Bethpage and Hauppauge.

Mr. Germano confirmed that was accurate.

Trustee Fabio stated that as with any new initiative, communication is vitally important to the success of anything that LIPA does. He continued that he would like Mr. Germano to explain some of the mechanics of the initiative. He stated that he understands that it would be voluntary participation, but he questioned how LIPA will reach out to people.

Trustee Fabio also asked if it is possible for customers to see potential savings by entering the AMI program. He explained that it would give customers

an incentive to look at when deciding whether they want to participate. He asked Mr. Germano to explain the whole mechanics of the program and how it will play itself out with customers.

Mr. Germano stated that Trustee Fabio posed a very important question. He continued that it is an activity that LIPA already undertook to get the 200 customers on-board. He added that in New York, time-of-use customers do not have a mandated time-of-use rate, which is something that only commercial customers have.

Mr. Germano stated that the importance of this program involves understanding the value of it. He continued that LIPA needs to understand the value in two ways, from both LIPA's and the customers' perspective. He explained that this involves determining whether the customer can save money and whether the information and equipment provided by LIPA is of value to the customers by helping to control their costs. He added that from LIPA's side, LIPA needs to know what this will do to help avoid capacity needs going forward by projecting that customers are going to change their usage patterns.

Mr. Germano stated that LIPA also looks at whether the customer needs "handholding." He added that another question is about how the technology will work. He continued that to answer these questions, LIPA set up test cases, or groups of customers. He explained that in one group, LIPA will assist customers,

in another group, LIPA will not hold their hands, and in a third group, LIPA will provide customers with extra technology. He noted that this will help LIPA to better understand how the customers will behave in each of these scenarios.

Mr. Germano stated that during this entire process, LIPA has made a very proactive outreach effort. He continued that it included one-on-one calling of customers to explain the program to them and encourage them to participate. He added that LIPA tried to segment the customers by size because LIPA needed to differentiate between different customer sizes to see if there was any difference in behavior.

Mr. Germano stated that this method will help LIPA to understand what needs to be done as this program grows, including what kind of hand-holding there needs to be, what kind of value can be projected to the project, and how the technology will affect meeting customers' needs. He noted that LIPA will be using this effort to learn those lessons.

Trustee Fabio asked about how many participants there are and how many might want to avail themselves of the opportunity.

Mr. Germano stated that there are 200 customers signed up and all of them want to avail themselves of the voluntary effort. He continued that the question is going to be how they will react under the program. He added that LIPA has not

come up with a set number of participants yet, and that LIPA needs to focus on these initial stages, which includes determining whether customers are going to actively participate.

Trustee Fabio asked whether LIPA provided the volunteers with information as to what they could save.

Mr. Germano stated that is something that LIPA has done. He continued that LIPA has tried to give an estimate based on an industry standard. He offered the example that in the initial stage, a customer may see a four percent change in their usage patterns, which would equate to similar savings. He added the value is really going to be in trying to make the customers take advantage of the opportunity and to use the technology better, as it will be giving them real-time data.

Trustee Fabio asked how the technology is going to work. He asked specifically, how the customer will be able to monitor his or her usage on an hour-by-hour basis. He further asked if there is a computer program that the customer will check or whether they read their meter every hour.

Mr. Germano stated that it depends on the technology being used. He continued that one of the ways that LIPA will communicate with the customer is through web-enabled services, which will include a web-site where the customer

can log-on and check usage. He noted that this is what LIPA is offering to the large commercial customers, the details of which are being worked out right now.

Mr. Germano stated that for residential customers, it may simply be an in-home display. He continued that it could be as simple as what looks like a thermostat, which will give the customer real-time data. He added that it could also be a web-enabled service again. He noted that the technology is there, and that is what LIPA is currently working on.

Trustee Fabio stated that he thinks there is tremendous promise in this effort once LIPA has a handle on how it is going to work and how successful it is going to be. He noted that he sees a real benefit to the ratepayers.

Mr. Germano agreed that it has real tremendous value. He noted that it is going to come down to cost versus value.

President Law concurred. He continued that these are the reasons why LIPA needs to move slowly and cannot do a wide-scale implementation. He stated that LIPA should check out the companies, the technology, and watch what other parts of the State and country are doing. He noted that this is where the entire utility industry is heading, and that again, LIPA is ahead of the curve, but it is important not to get too far out in the front of the curve, which is why LIPA is only doing a pilot.

Acting Chairman Steinberg asked for public comment. After taking comments, the Acting Chairman called for a vote on the motion which was approved unanimously:

938. APPROVAL OF TARIFF MODIFICATIONS TO IMPLEMENT A NEW SERVICE CLASSIFICATION NO. 16 FOR ADVANCED METERING INITIATIVE PILOT SERVICE

WHEREAS, the Long Island Power Authority (“LIPA”) has initiated a Smart Grid Initiative in order to evaluate and understand, among other things, how new advanced metering systems can interact with time-differentiated rates, and also to study customers’ interest in and response to time-differentiated rate structures; and

WHEREAS, in connection with LIPA’s Smart Grid Initiative, LIPA staff issued a Proposal to add a new “Service Classification No. 16 Advanced Metering Initiative (AMI) Pilot Service,” that will offer experimental time-differentiated rates to customers in certain geographical areas who volunteer for the program; and

WHEREAS, following Public Notice in the State Register on April 15, 2009, two public hearings were held on June 9, 2009, and the public was afforded the opportunity to submit written comments by June 15, 2009, and no comments were received from the public; and

WHEREAS, as discussed in the preceding Memorandum, the Proposal is in the public interest;

NOW, THEREFORE, BE IT RESOLVED, that the Proposal is hereby adopted and approved; and be it further

RESOLVED, that the attached Tariff leaves and Tariff Statement reflecting our action herein are approved.

* * *

The Acting Chair stated that the next item on the agenda is the consideration of the approval of a Kerosene Exchange Program. After requesting

a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Ms. Nicolino.

Ms. Nicolino stated that the Trustees are being requested to adopt a resolution approving the Long Island Power Authority's ("LIPA") disposition of kerosene oil to Northville Industries Corporation to meet supply constraints with respect to the delivery of oil to certain generators on the East End. She continued that of the five East End generators, four of them are supplied solely by kerosene oil, with the one exception being Port Jeff, which is also supplied by gas. She added that oil must be truck-delivered directly to the generation sites, and based on the sporadic nature of their operation, determining the amount of oil necessary to supply is largely dependent on the weather. She noted that there is limited on-site storage capacity at these facilities, thus requiring daily monitoring and often daily delivery to meet the generation requirements.

Ms. Nicolino stated that Northville Industries is the primary oil supplier to these East End generators and is responsible for trucking the fuel to those facilities. She continued that depending on which tank Northville chooses to store the kerosene in at the Holtsville site on Long Island, the volume necessary to operate the generators is the equivalent to ten to twenty times the amount of storage capacity at Holtsville. She added that accordingly, Northville is unable to replenish its supply of that tank quickly enough to keep up with the amount of kerosene needed to operate the East End generators during peak load conditions.

Ms. Nicolino stated that to address this supply constraint, the Kerosene Exchange Program was implemented. She continued that this provides for Northville to borrow kerosene from LIPA's storage tank in Setauket, transfer it by pipeline to Northville's tank in Holtsville, where it can be loaded into the trucks for delivery to the East End generators. She added that thereafter, when a barge delivering kerosene arrives in Setauket, which usually takes about two to three weeks, Northville is able to replace the amount borrowed and replenish it directly into LIPA's tank at Setauket. She noted that this is done at no cost to LIPA.

Ms. Nicolino stated that to ensure the proper functioning of this program, LIPA staff has put appropriate governance processes and procedures in place that ensure that the amount borrowed and the amount replenished are properly accounted for. She noted that LIPA is actively working on a long-term solution to this supply constraint and thus, the Kerosene Exchange Program is only intended to be in place for the 2009 summer period. She added that Board approval is sought in this instance due to the requirements of the Public Authorities Accountability Act to the extent that this kerosene oil is being disposed of at less than fair market value.

Ms. Nicolino stated that based on the foregoing, staff is recommending approval of the program at this time.

The Acting Chairman asked for any questions from the Trustees.

President Law stated that again, this should be an administrative item that staff, management, and National Grid should be able to take care of. He continued that since there is a property disposition issue, it requires Board approval. He added that other than that, LIPA would have handled this simply through management.

Acting Chairman Steinberg stated that in the interest of complete transparency, it was discovered that this program was taking place without an adequate control system in place for LIPA to monitor it. He added that one of the things that this does is to create that adequate controlled environment so that LIPA can measure and approve or disapprove all of these transactions.

President Law stated that was correct, and that all of the issues or concerns that LIPA had late last year, when the item rose to its attention, have been addressed and implemented.

Acting Chairman Steinberg asked for public comment. After taking comments, the Acting Chairman called for a vote on the motion which was approved unanimously:

939. APPROVAL OF LONG ISLAND POWER AUTHORITY'S DISPOSITION OF KEROSENE OIL UNDER THE KEROSENE EXCHANGE PROGRAM

WHEREAS, the Long Island Power Authority ("LIPA") purchases power from, among others, five different generators located on the East End of Long Island, in Greenport, Shoreham, Port Jefferson, Southampton, and Southold, ("the East End Generators") which operate almost exclusively during the summer months and which are critical to the reliability of the electric system throughout that portion of LIPA's territory; and

WHEREAS, the East End Generators rely on burning kerosene oil to operate which must be truck delivered directly to the generating sites; and

WHEREAS, due to limited on-site storage at these facilities, continuous daily monitoring of oil inventory is required during peak summer months; and

WHEREAS, Northville Industries Corporation ("NIC") is the primary oil supplier to the East End Generators which is delivered by truck from a storage tank located in Holtsville, NY; and

WHEREAS, the Holtsville storage tanks lack sufficient capacity to store all of the necessary volume of kerosene to operate the generators and therefore, NIC is sometimes unable to deliver a sufficient amount of oil to the East End Generators; and

WHEREAS, on the occasions of insufficient capacity, NIC "borrows" the kerosene from LIPA's Setauket inventory and has it transferred to Holtsville so it can be supplied to the East End Generators; and

WHEREAS, when a barge delivering kerosene arrives in Setauket, NIC replaces the borrowed kerosene directly into LIPA's Setauket tank but LIPA does not pay for those volumes representing "replacement" kerosene; and

WHEREAS, this method of replenishing supply results in a transfer of title of the supply from LIPA to NIC which constitutes a property disposition under the Public Authorities Accountability Act (the "Act") since it is a negotiated disposition of the oil by LIPA for less than fair market value.

NOW, THEREFORE, BE IT RESOLVED, that pursuant to the Act, the Trustees hereby approve this disposition of kerosene oil for less than fair market value for 2009 to promote the public health, safety and welfare of LIPA's East End electric customers.

* * *

The Acting Chair stated that the next item on the agenda is the consideration of the approval of an independent consultant to provide evaluation services for LIPA's energy efficiency and renewable programs. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Ms. Nicolino.

Ms. Nicolino stated that the Trustees are being requested to approve a resolution authorizing the President and Chief Executive Officer, or his designee, to engage Opinion Dynamics Corporation to conduct an independent evaluation of the Long Island Power Authority's ("LIPA") Efficiency and Renewables programs, for a 3-year term, with the option to extend for an additional 2 years. She continued that in an effort to provide objective and more comprehensive reporting to LIPA's Board of Trustees and LIPA ratepayers on the activities and results of efficiency and renewable programs undertaken by LIPA, it has been determined that an independent consultant should be procured to provide a comprehensive review of LIPA's Efficiency and Renewable programs.

She added that the primary scope would include a complete annual evaluation implementation plan for each of LIPA's Efficiency Long Island and Renewables programs, beginning with a comprehensive review of LIPA's Clean Energy Initiative ("CEI") programs for the period 1999–2008 (the "Evaluation").

She noted that the Evaluation consultant would develop and implement an evaluation plan to include: impact evaluation, process evaluation, market assessment, cost effectiveness analysis, and economic impact analysis.

Ms. Nicolino stated that as such, on April 7, 2009, LIPA issued a Request for Proposals (“RFP”) which was distributed to 54 vendors in the ordinary course. She added that on May 11, 2009, six firms responded to the RFP.

Ms. Nicolino stated that a selection committee comprised of LIPA and National Grid staff members carefully examined each proposal and first reviewed them for compliance with the terms of the RFP. She continued that based upon the written proposals and the interviews, it was determined that “Opinion Dynamics Corporation” (“ODC”), in conjunction with its subcontractors “Energy & Resource Solutions” (“ERS”), and “Megdal & Associates” (“Megdal”), is best-suited to provide the services sought at a cost determined to be reasonable and appropriate. She noted that ODC, ERS, and Megdal have more than twenty years of utility experience and offer similar services throughout the utility industry.

Ms. Nicolino stated that it is anticipated that the Evaluation contemplated under the scope of services would be conducted and provided to the Board annually. She continued that in this regard, once the Evaluation report is produced and reviewed, in order to maintain the independence of the report, LIPA’s involvement would only include providing comments as to whether the

consultant complied with the scope of the RFP. She noted that LIPA intends to provide the State Comptroller with a copy of the Evaluation report once it is produced.

Ms. Nicolino stated that based on the foregoing, she recommends approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

The Acting Chairman thanked Ms. Nicolino. He stated that he wanted to point out that this item really is a furtherance of President Law's commitment to transparency. He continued that questions have been raised about LIPA's efficiency and renewables program in the past, and he thinks that this is a great way to have an outsider independently evaluate the program. He noted that this is very much an initiative that President Law has put into place, and that it is consistent with his commitment to the public to be as transparent as possible.

President Law thanked the Acting Chairman for his words. He continued that in addition to that, LIPA is embarking on what is going to be the largest efficiency program for any public utility in the country. He added that LIPA is going to be investing almost \$1 billion over the next ten years in this and LIPA is counting on its Energy Master Plan.

President Law stated that LIPA views efficiency as its next best resource. He continued that it represents the power plant that does not have to be built, so LIPA needs to make sure that it is doing things right. He added that LIPA needs to be accountable and flexible so that if it is not achieving the results hoped for early on, it can tweak the program.

President Law stated that the model for state energy departments throughout the country, including NYSERDA, is to have an independent analysis, which is why LIPA is not bringing the function in-house. He added that it is important to have independent analysis for the sake of transparency.

The Acting Chair called for questions from the Trustees.

Trustee Weir congratulated LIPA and said she thinks having an independent analysis is great. She asked about the price of the contract. She added that she understands that LIPA does not have to pick the lowest bidder as price is just part of the criteria.

Mr. Deering stated that the Trustees have an item in their board books that lays out the proposals. He continued that the key area to look at is the average rate. He added that Opinion Dynamic Company has an average rate of \$157.87, which put them second in terms of their average hourly costs.

The Acting Chair asked for an estimate of the cost of the contract.

Mr. Deering stated that since this is a time and materials contract, LIPA anticipates controlling costs through the budgetary process as well as through the staffing process and directing the consultants. He continued that LIPA anticipates the time to be about 9,000 to 10,000 hours a year, which is about \$1.5 million.

The Acting Chair asked if it is \$1.5 million over three years.

Mr. Deering clarified that it is \$1.5 million annually. He continued that this is consistent with the Department of Public Service's recommendations through the Energy Efficiency Portfolio Standard for regulated utilities. He continued that they spend about five percent on evaluation and analysis of their efficiency and renewable programs. He added that the dollar figure that is outlined today is about 3.5 percent of LIPA's total cost of its efficiency and renewables programs.

Mr. Deering stated that as President Law identified, as LIPA ramps up the program, the cost of the analysis will actually become a reduced percentage of the overall cost for the program. He continued that locking that price in now for a period of three years with an option to continue that for two years at LIPA's discretion, gives LIPA a very good company and a very good group at a cost effective rate, which will actually get better over the course of time.

The Acting Chair asked who would be supervising the work.

Mr. Deering stated that he is directly responsible for the department. He continued that Dan Zaweski is the Assistant Vice President for Efficiency and Kimberly Bregenzer was hired last year to oversee the data evaluation procedures.

The Acting Chair stated that since this is a time and materials contract, the Board would expect staff to pay close attention to cost. He continued that as a percentage, it may not be the large, but it is a reasonably substantial expenditure at \$1.5 million per year. He added that the Board would want to be reassured that the money is being well spent.

President Law stated that the Acting Chairman made a great point. He continued that this was why he had proposed, and the Board had approved in this year's budget, the creation of two financial positions in the Environmental Department for better accountability of the program funds since LIPA is investing a lot of money in the programs.

Trustee Fabio asked about the reporting process, specifically if reports would be by program or quarterly.

Mr. Deering stated that this goes to the details and comprehensiveness of the program. He continued that the consultants are going to begin with an overarching view of the Clean Energy Initiative program, which just ended. He added that LIPA has never had an independent analysis performed for the program. He stated that LIPA would anticipate that being done 90 days after OSC approval of the contract. He noted that LIPA optimistically hopes that by the new year it would be able to complete an analysis of the project.

Mr. Deering stated that after the analysis, the consultant will look at every individual program that LIPA has from its CFL program all the way to its comprehensive commercial and industrial program. He added that the consultant would break down all of the energy savings, identify the market – pro-marketing programs – identify what LIPA is doing right, and what it can do better. He noted that the economic cost benefits are really important for both the ratepayers and for LIPA in managing the operations and the system.

Mr. Deering stated that the analysis will be performed on an on-going basis. He continued that the Board will receive a report at the April board meeting, and then on an annual basis. He added that the Board will also be provided with quarterly reports when they are available, and be updated on actual spending.

Mr. Deering stated that it is a very detailed analysis, and it is important not only for transparency purposes, but as regulations are being developed, the analysis will help LIPA avoid certain costs. He noted that currently, on Capitol Hill, there are discussions about the energy plan, including the carbon cap and trade programs. He stated that these programs are going to have monetary value in terms of LIPA moving forward, so the actual reporting, verification and documentation is going to be extremely important.

President Law stated that last year, the Acting Chairman created an Environmental Efficiency Subcommittee of the Board, which Trustee Damianos chairs. He continued that Mr. Deering will be in regular contact with that subcommittee as well.

Trustee Fragin stated that he wants to understand why LIPA went with the highest cost bidder. He continued that he knows that LIPA can average hourly rates, but he is talking about as far as the total budget is concerned. He added that he wants to understand the scoring since qualifications are not always apples to apples. He noted that he wants to feel comfortable with the decision.

Mr. Deering stated that the level of effort that the consultant is willing to provide to LIPA is 60,000 hours. He continued that LIPA controls what the consultant will actually do in terms of their overarching annual workload. He added that LIPA looked at qualifications, level of effort that a consultant is willing

to give, and then average hourly rate. He noted that LIPA does not anticipate that this will take 60,000 hours over the course of five years, but that is the level of effort that the consultant is willing to give should LIPA need it.

Mr. Deering stated that part of the consultant's availability goes to the flexibility that LIPA will need as regulations become finalized and LIPA needs additional efforts to move forward. He continued that this consultant gives LIPA both flexibility and control, with a qualified company based on a very good hourly rate.

Trustee Fragin asked for some insight as to the scoring with regard to the other five proposals. He asked if the others were anywhere close and if anyone was disqualified from the beginning.

Mr. Deering indicated he was going to defer to Dan Zaweski to address that issue.

Mr. Zaweski stated that the scoring was relatively close for the top four contenders. He continued that there was one outlier that really did not have the experience in many cases to be able to justify its proposal. Mr. Zaweski stated that there is a small group of specialists in this area. He continued that the chosen team has done work for about 80 percent of the independent-owned utilities across the country. He added that they have done a lot of work for NYSERDA as well.

Mr. Zaweski stated that the group is starting to have its total resources drawn down as different states enact more efficiency programs. He continued that the requirements of having evaluations are starting to come out and there is not a really large pool of contractors. He noted that the top four who responded to the RFP were relatively close.

Trustee Fragin stated that with regard to the principals of the engagement team, it seems that all of them significantly exceed the average hours. He asked if LIPA would expect that most of the work from Opinion Dynamics is going to be done by lower level people, and whether LIPA was comfortable with that.

Mr. Zaweski stated that is generally the case. He continued that for the large number of hours in question – 60,000 hours – much of the work is survey work, which is a type of work that does not require high level analysis. He added that Megdal & Associates – a women-owned business – will do about eight percent of the billing for the project. He explained that that will be at a higher level because there is a lot of quantitative analysis and financial analysis that they will be responsible for. He noted that overall, a big portion of the work will be done by lower level people. He stated that high level work is generally necessary to confirm that the findings are correct.

President Law stated that the fact that it is a women-owned business was important to LIPA. He continued that LIPA, as a state agency, tries to comply with executive orders issued by the last few governors, which encourage using minority and women-owned businesses when they are qualified. He noted that he spoke at an event on Tuesday morning about the opportunities for minority and women-owned businesses regarding all of LIPA's programs that are currently running.

Trustee Damianos stated that he wholeheartedly agrees that LIPA has to monitor the program as it is proceeding so that LIPA does not find out at the end that \$900 million did not work. He continued that he knows it is a dollar amount for the Board to be looking at as far as fees are concerned, but that it is something that must be done. He asked whether the consultant will also advise LIPA, as technology is changing so rapidly, as to what programs are not working any more and what other programs may be better served.

Mr. Deering answered yes, that it was part of the give-and-take that LIPA will have with the consultant. He continued that they are going to be providing an independent review of LIPA's programs, identifying what is working, what is not, and what else is out there that could work to reduce usage in better ways. He noted that it is all part of the analysis.

Acting Chairman Steinberg asked for public comment. After taking comments, the Acting Chairman called for a vote on the motion which was approved unanimously:

940. ENGAGEMENT OF INDEPENDENT CONSULTANT TO EVALUATE LONG ISLAND POWER AUTHORITY EFFICIENCY & RENEWABLES PROGRAMS

RESOLVED, that the President and Chief Executive Officer, or his designee be, and hereby is, authorized to engage Opinion Dynamics Corporation with subcontractors Energy & Resource Solutions and Megdal & Associates, to evaluate LIPA's Efficiency & Renewables Programs for a 3-year term, with the option to extend for an additional 2 years.

* * *

The Acting Chair stated that the next item on the agenda is the consideration of the approval of the engagement of a consultant to provide strategic organizational review services. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Ms. Nicolino.

Ms. Nicolino stated that the Trustees are being requested to adopt a resolution authorizing the President and Chief Executive Officer, or his designee, to engage Lazard Frères & Co. LLC ("Lazard") to provide corporate strategic organizational and governance advisory services, for a five month term, with an option to renew for up to one additional month.

She continued that LIPA's current organizational structure as a public/private partnership has been very successful with respect to LIPA's acquisition of LILCO in May 1998 and the resolution of issues surrounding the energy crisis on Long Island at that time. She continued that in light of the continuing evolution of the energy/utility industry, LIPA is currently re-examining that structure and developing a forward-looking business plan to strategically place LIPA in a position to continue to deliver to its customers reliable energy at the lowest cost possible.

Ms. Nicolino stated that accordingly, LIPA recently announced that it is proceeding with an examination of a range of strategic organizational options. She continued that the key options and objectives in this examination would be to systematically identify actionable alternatives to LIPA's current structure to assist LIPA in evaluating its role in the energy markets, its debt burden and its commitment to enhance the environmental profile of Long Island's energy usage, while balancing the fundamental issues of electric rates and the cost to LIPA's customers.

Ms. Nicolino stated that to help fulfill LIPA's needs in these areas, LIPA is recommending that Lazard be engaged to provide such strategic organizational and governance advisory services, on a single source basis, for a five-month term, with the option to extend for an additional month. She continued that Lazard is one of the world's preeminent financial advisory and asset management firms and provides advice on mergers and acquisitions, restructuring and capital

raising, as well as asset management services to various corporations, partnerships, institutions, governments, and individuals. She added that Lazard has extensive and superior skills and knowledge in the energy industry, including extensive familiarity with the Long Island energy market and related regional energy issues and transactions. She stated that the firm has substantial relevant experience performing the type of review LIPA is undertaking, and has offered its services to LIPA at a cost of \$100,000 per month, which is significantly reduced from what would be charged to a publicly traded company for the same or similar services. She noted that LIPA staff believes that based on its review, Lazard's proposal would provide a value to its customers.

Ms. Nicolino stated that based on the foregoing, staff recommends approval of the engagement of Lazard at this time.

President Law stated that this is consistent with what he had shared with the Board in the spring regarding what he wants to do. He continued that LIPA needs to make some big decisions over the next couple of years regarding whether the decision made eleven years ago was the best decision.

President Law stated that the report prepared by staff uses the phrase "very successful" with respect to the Authority's creation and structure. He continued that he would like to take the word "very" out because he is not sure it

has worked. He continued that he thinks it has worked “well” as opposed to being “very successful.”

President Law stated that he wanted to analyze LIPA’s business model to see if it is going to continue with the public/private partnership with National Grid or a company like National Grid. He continued by questioning whether it might make sense to make amendments to LIPA’s business model, including whether to get into the generation business. He added that is why LIPA worked hard over the last ten days to get an extension on Barrett because he wants the Board to have all of this good information before making any decision that might change LIPA’s business model. He noted that it is important to get the facts first so that everyone can see which items make the most sense, and at that point, LIPA can consider changing its business model and maybe getting into the generation business.

President Law stated that he is excited about the process. He continued that LIPA hopes to have a report done by the end of September. He stated that he envisions spending a lot of time in October and November digesting and sharing the report with elected officials and the public. He noted that this is an opportunity to shape the energy landscape for Long Island for the next 30 years.

President Law stated that is important to not rush into anything. He continued that it should be done methodically and professionally, which is what

he knows that the Board wants to do because everyone cares about Long Island and the ratepayers. He noted that maybe the current model is not the best model, and so an analysis is needed.

Acting Chairman Steinberg stated that he wanted to add one thing. He continued that this process has really been accelerated beyond what had been anticipated, in part, because of National Grid's default under their agreement with LIPA and for several other reasons. He added that consequently, LIPA is faced with the need to make some very serious decisions in a shorter period of time than had been anticipated.

The Acting Chairman stated that LIPA has got to move forward timely. He added that the clock is ticking on a number of items, so LIPA really needs to get people in quickly and get them to assist LIPA in working its way through the process.

The Acting Chairman called for questions from the Trustees.

Trustee Fabio stated that LIPA did a similar study a few years ago. He asked how this might be different and what circumstances compelled LIPA to do this.

President Law stated that LIPA did do a strategic report about three and a half to four years ago. He continued that LIPA is not looking to reinvent the

wheel, but rather to update the previous report. He added that the world has changed dramatically in the last three years. He noted that whether it is the international, national or local economy, or regulations, the whole world is now focused on energy. He continued that new federal legislation, new state legislation, and new tax laws have come into play over the last few years as well.

President Law stated that Lazard will not be doing this alone. He continued that they will utilize, as was done the last time, other consultants that LIPA has available, including LIPA's corporate and tax counsel, bond counsel, and operational engineers. He added that LIPA will not be spending money and wasting time, but rather looking at where LIPA should be in the future.

Trustee Fabio stated that hopefully this will result in some decision-making rather than just another report that will sit on the shelf.

President Law said that was an excellent point. He continued that he wants this report to be a guide for the decisions that LIPA has to make this fall. He added that he has a very open mind, and he is not driving this in any particular direction. He noted that the number one criterion he has is what makes the most sense for the customers. He stated that should be the criteria used and is his goal.

Trustee Fragin asked about the cost of the contract.

President Law stated that it was \$500,000 over a five-month period.

Trustee Fragin requested that the cost information be included in the information book going forward.

President Law stated that Trustee Fragin made a good point, and that he had called for the same when he was Chairman. He continued that he will make it incumbent upon himself to make sure that the economics of the contracts are described in full in future proposals. He noted that in this case, they did include the number, which was provided by Ms. Nicolino.

Ms. Nicolino stated that the Trustees should have gotten a cover sheet yesterday that had the relevant information including the cost of the contract, which she noted would be on a not-to-exceed \$600,000 basis to the extent that the renewal option for one additional month past the five-month term was exercised.

Trustee Belinsky stated that he wanted to express his support to this very important initiative that President Law is undertaking with Lazard. He continued that he has been on the Board for ten months and since that time, there have been four new additional Board members. He added that during those ten months he never would have conceived the complexity of being a LIPA Board member, let alone the decisions that the Board will be confronted with over the next five to six

months. He noted that for him personally as a Board member, having a firm with a reputation like Lazard coming in to help advise LIPA gives him some comfort.

Trustee Belinsky stated that he had two questions. He asked who is going to lead the effort on the part of LIPA. He explained that given that LIPA already knows the range of potential answers, it is important that staff properly frame the issues for Lazard and does not guide them in any one particular direction. He further asked if there will be opportunities during the six months for Lazard to come in and make periodic reports to the Board and committees so that come December, the Board does not just get a piece of paper without any input or explanation as to why LIPA is heading in whatever direction the report advises.

President Law stated that he will be the quarterback of the effort, and the management team includes Ms. Nicolino, Mr. Hogue, and Mr. Hervey. He continued that there will also be a team of consultants, not just Lazard (which includes bond counsel, engineering consultant and corporate and tax counsel). He added that there will be a technical team, which will be overseen by Lazard and then a management team where LIPA will oversee the consultants with direct reports to the Board. He noted that he envisions staying with the long meetings that the Acting Chairman and he had discussed last week, and maybe even the creation of a committee to brief the Board.

President Law stated that it is certainly not the intention to dump a report on the Board on September 30th. He continued that there will be briefings ahead of time.

Trustee Belinsky clarified that he did not mean to imply that the report would be dumped on the Board, but that given the important of the process, he believes that there should be interaction.

President Law said that there would be. He continued that he envisions public discussions in the Fall with elected officials, the Governor's office, the State Senate, local leaders on Long Island, the business community and the ratepayers.

The Acting Chairman stated that this is a very complex issue obviously, and just as a heads up to the Trustees, he said this process is going to require a fairly substantial commitment on the part of the Board because it is not possible to get a report in September or October and then be able to meaningfully act on that report. He continued that the Board will need to have interim briefings, which will be complex and take time.

President Law stated that the Acting Chairman made a good point. He continued that there are some decisions that have to be made this year regarding generation, but a lot of decisions will carry over to next year as well. He added

that making decisions on generation can change LIPA's business model, which is a big drive. He stated that LIPA and the Board may need to make some fundamental decisions this year so he agreed that it is going to take a time commitment. He noted that is why he is going to make sure that he is leading the effort, and even if he has to brief the Trustees individually, he will.

Acting Chairman Steinberg asked for public comment. After taking comments, the Acting Chairman called for a vote on the motion which was approved unanimously:

941. ENGAGEMENT OF CONSULTANT TO PROVIDE STRATEGIC ORGANIZATIONAL AND GOVERNANCE ADVISORY SERVICES

RESOLVED, that the President and Chief Executive Officer, or his designee be, and hereby is, authorized to engage Lazard Frères & Co. LLC for a period of five months, commencing July 1, 2009, with the option to extend for an additional one-month period.

* * *

The Acting Chairman then allowed public comment to be heard, after which he announced that the next Board meeting is scheduled for September 24, 2009 at 11:00 a.m. in Uniondale.

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

RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Trustees of the Long Island Power Authority shall convene in Executive Session for the purpose of discussing acquisition of property and securities.

* * *

At approximately 1:18 p.m. the open session of the Board of Trustees was temporarily adjourned on motion into Executive Session to discuss a litigation matter and proposed acquisition of property and securities.

After noting that no votes were taken in the Executive Session, Acting Chairman Steinberg entertained a motion to adjourn, which was duly made and seconded, after which a quorum was no longer present at 1:35 p.m. with the meeting ended at 2:03 p.m.

Respectfully submitted,

Lynda Nicolino