

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 191st MEETING

HELD ON JUNE 26, 2008

Pursuant to notice dated June 23, 2008, the Long Island Power Authority (the "Authority") was convened for the one hundred and ninety first time at 11:15 AM at Brookhaven Town Hall, in Farmingville, NY.

The following Trustees of the Authority were present:

**James Larocca, Chairman
Howard Steinberg, Vice Chairman
Michael Affrunti
John Fabio
Michael Fragin
James Herrmann
Nancy Nugent
Jonathan Sinnreich
Suzette Smookler**

The following Trustees of the Authority were absent:

**Anthony Bonomo
Cristofer Damianos
Lawrence Elovich
Harriet Gilliam
Susan Gordon Ryan**

Representing the Authority were Kevin S. Law, President and Chief Executive Officer; Lynda Nicolino, General Counsel and Secretary, Elizabeth McCarthy, Senior Vice President and Chief Financial Officer; and Michael Hervey, Vice President-Operations. Also present were Michael Deering, Vice President-Environmental Affairs; Edward Dumas, Vice President-Communications; Bruce Germano, Vice President-Retail Services; and James Peterson, Director of Power Markets Contracts.

Chairman Larocca addressed the audience and called the meeting to order. The Chairman indicated that the meeting will begin informally as there are Trustees en route with some transportation slow downs this morning. He further indicated that it will become formal when there is a quorum.

The Chairman stated that this is the June 26th meeting of the Long Island Power Authority pursuant to notice duly given.

The Chairman thanked LIPA's hosts from the Town of Brookhaven for their courtesy in sharing the Brookhaven Town Hall with LIPA.

After leading the audience in the pledge of allegiance, the Chairman stated that they are going to go directly to the reports, which they can receive informally. He indicated that they can begin with the President's report.

President Law reported that as he mentioned in their briefings last week, there is a lot of volatility in the air, both in the oil and gas futures markets, and with regard to the weather, since we have had thunderstorms every other day, which have been creating some havoc on certain parts of LIPA's system. He continued that there is also volatility in Albany, and LIPA is doing its best and weathering through it. He indicated that he is happy to report on the activities for the past month. President Law stated that a couple of interesting things happened in Albany recently. He continued that legislation was passed on net metering that will allow LIPA to encourage more use of solar power with its commercial customers and allow them to sell excess power back to the grid. He continued that LIPA put out a release and is beginning the State Administrative Procedures Act (SAPA) process to implement and amend LIPA's tariff to allow for commercial net metering for its customers. He added that LIPA will be the first utility in the State to implement the new law. He indicated that Governor Paterson shared a quote in the press release that LIPA put out as well, and LIPA is excited about that.

President Law stated that earlier this week he advised the Board that he has been meeting with Congressman Steve Israel to try to secure federal funds to assist LIPA with its smart metering efforts. He continued that he is happy to report that Congressman Israel has secured \$750,000 to assist LIPA with its smart metering efforts, and LIPA will report on that as part of its capital budget today. He indicated that it is really a first when LIPA is actually getting money

from the federal government for assistance. He further indicated that the Congressman has gotten it through the Appropriations sub-committee, and it needs to go through the full committee and then the House, but he felt optimistic that it would be approved. President Law indicated that LIPA did not receive any money from the State or Federal government, so this is a nice surprise. He continued that he gathers that LIPA will be the first utility in the State to begin implementing smart meters, and LIPA is going to start with a pilot project that Mike Hervey will address when the Board discusses its capital program.

President Law stated that at the last meeting they had discussed LIPA's research and development activities, and he promised the Board that LIPA would have a report for them today. He continued that LIPA staff has it, and it is voluminous. He indicated that he thought that it would be best to give it to the Board to digest over the summer and then come back and discuss it in the month of September. He further indicated that he has some concerns with some of the research and development projects that were occurring at LIPA. He noted that both Newsday and News 12 had reported on a few of the issues and that he called for a full report. He stated that he was surprised that such a report, summarizing all of the different research projects that LIPA has, was not in existence. He continued that for the very first time, LIPA now has a report that summarizes every project that was performed in 2007, those that will continue in 2008, and any that have been proposed for the future. He added that there is both a summary and a more detailed analysis for the Board.

President Law stated that he had issued a directive earlier this year requiring that all research and development projects over \$250,000 come before the Board, and he is now revising that. He continued that he is issuing a new directive that requires that any project over \$50,000 come to the Board, and his feeling is that if LIPA has to send contracts to the New York State Comptroller at \$50,000 or higher, then the Board should know about it as well. He indicated that going forward, any new projects will be brought before the Board for approval, and he does not anticipate any new projects happening over the summer, leaving time to digest this report. He added that in September, he will address any further issues or questions that the Board wants resolved. He stated that in terms of improving LIPA's oversight and its accountability on important projects like this, he feels that LIPA has taken this in a new direction to improve accountability, so he looks forward to the Board's questions in September on this report.

President Law stated that LIPA staff will distribute to the Board, as promised, the draft underground policy that was discussed at the Board's last meeting. He indicated that it will be circulated to the Board for their review over the summer, and the Board can also take that up in the month of September.

President Law stated that LIPA has its real estate consultants, CBRE, assessing LIPA's space needs. He continued that he met with them, and they have asked for some information. He indicated that they are taking a look at

LIPA's lease and beginning to look at what options are available to LIPA, and perhaps in September he will have more definitive information to share with the Board.

Chairman Larocca noted the arrival of an additional Trustee and asked for a moment to convene in formal session. The Chairman called the meeting to order.

The Chairman stated that this is the June 26th meeting of the Long Island Power Authority held in the Town Hall of Brookhaven in Suffolk County pursuant to notice duly given.

Chairman Larocca began by making a motion to accept the minutes of the May 29th meeting of the Board of Trustees.

Upon motion duly made and seconded, President Law made one minor change to the minutes: the reference to the president of National Grid should have been Tom King, as opposed to Tom Kane.

Chairman Larocca made a motion to accept the minutes, which was approved unanimously.

875. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MAY 29, 2008 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 29, 2008 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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President Law resumed with the President's report.

President Law reminded the Board of an issue he addressed at the last meeting regarding the Shoreham Advisory Committee he put together to help LIPA assess what it could do with both the plant and property that it owns out at Shoreham. President Law reported that the Committee had its first tour of the Shoreham property, which was very well covered by News 12 and Newsday as well as some local papers. He added that both the community and elected officials who were asked to serve on the Committee were very pleased. He noted that this process would be open and would involve the Board in the process as the Committee begins to examine available opportunities.

President Law reported that LIPA's State statute actually directs LIPA to come up with a plan for the Shoreham property and plant. He continued that LIPA will begin the process. He noted that, again, this is an example of a way LIPA is trying to clean up and improve the way it is managed.

President Law reported that he met with LIPA's rebate program regarding some of the Energy Star appliances that people buy. He stated that customers

who are in arrears are applying for rebates under the program. He added that it did not sit well with him that LIPA would be giving money to people who are not paying their LIPA bill. President Law explained that in cases where customers who are in arrears are requesting rebates, LIPA will credit their arrears as opposed to sending them a check.

President Law reported that the outline of the LIPA Energy Resource Plan is now complete. He continued that LIPA will put that on its website next week. He noted that LIPA received a lot of good feedback from the communities and elected officials in Nassau and Suffolk Counties.

President Law reported that the State Energy Planning Board had convened and would be holding a meeting in two weeks on Long Island. He continued that LIPA will be participating in that meeting to make sure LIPA's planning efforts are coordinated with New York State's planning efforts.

President Law reported that the State legislature passed a law regarding Public Service Commission review of LIPA rate savings. He stated that he had supported the intent of the bill and had tried to work with both the Senate and Assembly, providing them with language that would have achieved their goals while protecting LIPA. He continued that the suggested language did not make it into the legislation.

President Law reported that the language that is in the law was substantial and will have some unintended consequences for LIPA in terms of its ability to address the concerns of rating agencies. He noted that this new law might impact LIPA's financial strength and credit quality. He further added that while the intentions are good, the law will have some unintended consequences. He continued that LIPA is still reviewing the recently passed bill and will determine what the impacts would be.

President Law reported that Governor Paterson has requested that all State agencies reduce their spending by three and a half percent to help improve the State's budget crisis. He continued that while LIPA is not obligated to comply, he has asked Ms. McCarthy and staff to come up with a three and a half percent cut in LIPA's discretionary spending for the balance of the year. He further stated his assurance that LIPA is doing its part to cut spending where it can.

President Law concluded his report.

Chairman Larocca thanked President Law for his report and opened the floor up to questions.

Trustee Affrunti asked with regard to investigating the use of the Shoreham property, whether any consideration had been given to reactivating it as a nuclear facility.

President Law stated that the answer is no. He continued that the State statute that created LIPA specifically prohibits LIPA from ever reopening Shoreham as a nuclear power plant.

Trustee Fabio asked President Law to explain some of the unintended consequences that LIPA may suffer as a result of the legislation that recently passed regarding the PSC review.

President Law stated that there were a couple issues that he did not want to get into because he is trying to work with LIPA's delegation to come up with language that is acceptable.

Trustee Fabio asked for clarification as to whether the bill had been signed into law.

President Law answered that it had not. He stated that it had not yet been sent to the Governor. He stated further that even if the bill was signed, it would not become effective for 180 days, therefore not impacting LIPA until next year. He noted that it could be discussed more over the summer.

Chairman Larocca noted the arrival of Trustee Fragin, thanked President Law, and stated that the next item on the agenda is the Operating Report, to be delivered by Mr. Hervey.

Mr. Hervey referred the Board to the 2008 Energy Solution Services Load Growth and Retention Report which he indicated was currently under-running. He continued that this is a key portion of LIPA's economic development mandate and that the year-to-date goal in megawatts is 18.33 while LIPA is currently at 16.54.

Mr. Hervey stated that LIPA will see several large projects coming in towards the end of the year and should expect to be over the goal of 57 megawatts by the end of the year. He noted that LIPA should be closer to 59 megawatts of added load on the economic development program.

Mr. Hervey stated that, unlike April and May, there was much storm activity in June, and there are several significant operating events to report.

Mr. Hervey reported that starting on June 7th the LIPA service territory was impacted by an early season heat wave exceeding 95 degrees with a Temperature Humidity Index over 84. He continued that as a result, electric consumption on Long Island reached an all time high for June with a peak load exceeding 5,270 megawatts on Tuesday June 10th.

Mr. Hervey reported that on June 8th, high winds, in some areas exceeding 70 miles an hour, struck Long Island. He noted that the weather forecast for that day was for a "slight chance of thunderstorms." He added that

most of the serious damage was on the East End and in the Moriches area, with uprooted trees and broken poles. He reported that total outages due to this line of thunderstorms were over 83,000 and that LIPA dispatched all of its linemen, available contractors and tree trimmers, along with assistance from National Grid, to help restore customers.

Mr. Hervey reported that on the following day, June 9th, while still recovering from the June 8th storm, high heat produced some localized heat-related outages affecting over 16,000 customers scattered throughout Long Island. He added that on the evening of June 9th, scattered thunderstorms hit Long Island adding another 4,000 customer outages.

Mr. Hervey reported that on June 11th, at approximately 1:14 P.M., the two remote control devices at the Valley Stream substation failed, which is an unusual event. He stated that this caused the transmission lines at that particular substation to trip and the 101 megawatt generator at Far Rockaway to trip offline. He added that approximately 72,000 customers, adding up to about 200 megawatts of load supplied from 14 substations, lost service for 26 to 45 minutes. He stated that the area affected consisted of the Rockaway Peninsula and the Five Towns area. He noted that this particular event is still under investigation and that LIPA has taken several operating precautions at other substations to assure that this does not recur.

Mr. Hervey reported that the combined weather systems from June 7th through June 11th, as well as the Valley Stream event, affected in excess of 194,000 LIPA customers, with the peak numbers of 74,832 occurring at 1:14 P.M on Wednesday June 11th. He stated that there were almost 1,400 damage locations, including over 300 transformer jobs and 300 blown line fuses in that time period. He added that almost 400 restoration crews, consisting of LIPA and contractor crews, worked 16-hour shifts to restore power. He noted that in total, over 1200 personnel contributed to the multi-day restoration efforts, and that for the entire event, approximately 87 percent of all outages were restored in less than four hours.

Mr. Hervey reported that following these storm events, on Saturday, June 14th, Long Island was affected by a powerful weather system consisting of lightning, heavy rains, and strong winds, which continued into Sunday morning. He stated that over 20,000 customers were affected by this weather system, with the peak number of outages at over 6,600 occurring at 1:00 A.M. Sunday morning. He added that 110 restoration crews worked to repair power lines, remove trees from LIPA facilities, replace fuses and reset transformers.

Mr. Hervey reported that in addition to the 20,000 customers affected during this storm, an additional 11,000 customers saw outages of up to 4 minutes in the Rockaways as a result of what appears to have been a direct lightning strike on a transformer at the Far Rockaway substation. He added that this

incident is still under investigation. He noted that approximately 91 percent of all outages during that time period were restored within four hours.

Mr. Hervey reported that on Monday, June 16, Long Island was again affected by a powerful weather system consisting of lightning, heavy rains, and strong winds. He stated that this storm included reports of water spouts in Northport Harbor and winds of over 70 miles per hour in the Elwood and East Northport areas. He added that over 17,000 LIPA customers were affected by this weather storm with the peak number of outages at over 11,000, occurring at 8 P.M. on Monday. He further stated that 190 restoration crews worked to repair power lines, remove trees from LIPA facilities, and do the other work necessary for restoration. He noted that for this particular storm, approximately 84 percent of all outages were restored within four hours.

Mr. Hervey reported that in addition to these significant storm events, several days in this time period brought isolated thunderstorm systems or cells that affected smaller numbers of customers. He stated, as an example, that on June 23rd, during the afternoon, straight line winds at over 70 MPH struck the North Fork of Long Island resulting in over 4,000 customer outages, primarily in the Town of Southold. He added that the straight line winds there broke two transmission poles along County Road 48 and caused extensive damage in and around Peconic.

Mr. Hervey reported that the damage was repaired by the following morning. He added that had it not been repaired by the following morning it would have resulted in a contingency situation, which would have occurred for the entire East End as the Bridgehampton-Southampton transmission line is still under construction and not yet in service.

Mr. Hervey reported that out of the next five days, four of them contain some forecast of a possible thunderstorm. He stated that it is LIPA's habit and practice during these thunderstorms to not just restore power, but to proceed with storm clean up and put the system back to normal as quickly as possible. He added that as a result of these storms and the storm clean up work, LIPA crews have essentially been working 16-hour days since the June 8th storm and therefore, LIPA is looking for ways to relieve these folks from those hard days of work. He noted that LIPA thanks all of the men and women who have done their work above and beyond over the past month.

Mr. Hervey reported that the customer average interruption duration index, which is the average duration of interruptions, not including June numbers, was floating upwards near 75 minutes, which is bad. He stated that this is nearing the penalty point for National Grid. He added that LIPA is watching that very closely, as is National Grid, and that LIPA is putting various programs into place to try and address it. He cautioned that when he adds the June data, the average duration of interruption will only get worse.

Mr. Hervey again thanked the crews and the management at National Grid who worked tirelessly over the last month to restore power.

Mr. Hervey reported that the superconductor cable has been an ongoing LIPA project and that LIPA celebrated putting it into service. He stated that it was the first transmission level superconductor cable in the world in a commercial system, which is an important step in developing a smart grid system here on Long Island.

Mr. Hervey then concluded his report.

President Law stated that he would like to add a couple of things to what Mr. Hervey had just presented. He stated that it really is amazing how LIPA, with so many things going on, including the Master Plan, efficiency program, smart metering, solar net metering, repowering studies, the Shoreham site, and rate pressures from the crisis in the oil market, is still dealing with the day to day obligations of keeping the lights on. He acknowledged that Mr. Hervey and his crew do a terrific job, as well as IBEW 1049. He stated that every Friday afternoon and every Monday morning, he and Mr. Hervey are on the phone assessing the staffing needs. He added that he and Mr. Hervey speak over the weekend as well because most of these storms have been hitting over the weekend.

President Law stated that Long Island has been getting pelted almost every other day in the month of June, which usually does not happen until late July and August. He continued that this has been really taxing and everybody has been doing a great job. He noted that while LIPA has so many things going on, it is on top of everything.

Vice Chairman Steinberg asked Mr. Hervey if LIPA tracks the increased costs resulting from the storm damage and need for emergency repairs.

Mr. Hervey answered yes, that LIPA tracks each storm individually.

Vice Chairman Steinberg asked if Mr. Hervey could give a rough estimate of the additional costs in June.

Mr. Hervey stated that the accounting typically lags by a few weeks, but to take a guess, the June storms have cost LIPA several million dollars.

Ms. McCarthy stated that LIPA budgets and plans for about 15 million dollars a year in incremental storm restoration costs.

Vice Chairman Steinberg asked if LIPA was within its budget on an annualized basis.

Ms. McCarthy answered that because Long Island had seen such little storm activity in the first part of the year, if it were measured today without getting a good sense of the June storms, LIPA would be ahead. Ms. McCarthy added that most of the storm activity is in the summer and this is significant activity.

Vice Chairman Steinberg asked where LIPA was on the Southampton project.

Mr. Hervey stated that the project recently switched over from a hybrid solution to an all underground solution, which caused LIPA to change the type of crews that were working on the project, resulting in about a two and a half to three-week delay. Mr. Hervey added that right now, LIPA is expecting to complete field work on the transmission line on June 23rd, and if weather will allow, putting it in service the following week.

Trustee Fragin stated that he could not remember his cell phone going off as much as it did on June 11th when everyone he knows in the Five Towns and the Rockaways contacted him to tell him all the traffic lights were out. He commended LIPA for getting things up quickly, and he stated that a half hour is expedient for that type of failure. He then asked about redundancy within the system. He explained that he understood that LIPA has a single choke point in Valley Stream and if that fails then LIPA has no redundancy throughout the

service area, which would compromise the Rockaway Peninsula all the way up until Valley Stream. He asked if Mr. Hervey would describe where that point is and if there is a possibility of putting in some redundancy.

Mr. Hervey answered that LIPA's design criteria is that it designs for the failure of any particular piece of equipment and any one failure, and that after that failure, LIPA reconfigures the system to be able to absorb the next failure on the transmission system. He explained that in this case, approximately 16 to 20 failures occurred inside one substation, meaning that not that many pieces of equipment failed, but rather that is how many lines opened up. He noted that this was a very unusual situation and it is something that concerns him. He added that LIPA will make design corrections so it does not have this particular problem in the future.

Mr. Hervey stated that one thing to remember is that since Long Island is bounded by water, LIPA does not have the advantage of being able to network the system to multiple substations, especially in the peninsula areas. He continued that the East Fork, the East End, North and South Fork, the Great Neck, Port Washington, and Rockaway Peninsulas, and the Five Towns area all have to be served by substations that are in that particular area. He added that there is always an upstream point that might be of concern. Mr. Hervey indicated that LIPA has removed many of the serious "choke points" over the past ten years and every time LIPA does an upgrade, it looks to eliminate more of these

particular choke points. He noted that creating redundancy is contemplated when making upgrade decisions.

Mr. Hervey stated that in this particular case, without getting into the technical details, it was an internal redundant system inside of the substation that actually created the problems. He continued that redundancy is not always the solution. He noted that LIPA is reconfiguring substations as it works on them so that it will be able to take this type of problem into account.

Trustee Fragin asked about emergency procedures regarding major intersections and railroad crossings when the power goes out. He wanted to know how LIPA gets the word out to the various police departments. He also wanted to know at what point LIPA calls the railroad when the gates are not functional, to tell them to stop running the trains and in the case where some of the tracks have current and others do not.

Mr. Hervey stated that the railroad has its own set of substations, which are fed from LIPA substations, and therefore, they sometimes have a different source of power. He clarified that the source of power is not different from LIPA, but from a different substation than where the immediate area outage might be. He added that the railroads have the ability to do routing from some of their own power.

Mr. Hervey stated that in general, in the area of the Rockaways, any time there is an abnormal situation at all on the electric system, LIPA is in contact with the New York City Office of Emergency Management. He continued that LIPA lets them know of the abnormal situation even if it is not causing power outages.

Mr. Hervey stated that in an event as the one discussed before, LIPA has three major contacts. He continued that LIPA contacts the railroad immediately. He explained that in the LIPA control room there is a direct line to the railroad power dispatchers so that LIPA can contact them directly and let them know what is going on. He also explained that LIPA has certain other emergency procedures in place with the railroad. Mr. Hervey went on to explain that LIPA also contacts both the City Office of Emergency Management and the County Office of Emergency Management. He continued that LIPA, at the same time, has an automated system that puts notifications out to its media and press people so they have the ability to answer questions. He concluded that through all of these paths, LIPA works to get the word out as to what the problem is, which is exactly what LIPA did during the recent event.

Chairman Larocca reminded the Trustees that there are six items that require formal action, with the possibility of losing the quorum at 12:30. He asked if there were any other questions regarding Mr. Hervey's operating report. Hearing no further questions, Chairman Larocca applauded the terrific job of the workforce out in the field as well as that of the leadership team at LIPA including

Mr. Hervey. He stated that the next item on the agenda is the Finance Report to be delivered by Ms. McCarthy.

Ms. McCarthy reported that for the five months ending May 31, 2008, LIPA had revenues of \$1.28 billion, which is 53 million or 4 percent below budget. She attributed about half of that percentage to lower than budgeted growth and average consumption. She attributed the other half to milder than normal weather during the period. She further reported that overall sales for the period were 3.7 percent below budget while fuel and purchased power costs were only 1 percent, or \$9 million, under budget. She explained that the impact on these costs of lower sales of \$30 million was almost fully offset by higher than budgeted net commodity costs. She further explained that fuel and purchased power costs for the period included the \$76 million benefit from LIPA's energy commodity hedge program.

Ms. McCarthy reported that from a fuel hedging perspective, as of June 24, 2008, LIPA had hedges for 85 percent of its expected oil, natural gas, and power consumption for the remainder of 2008. She continued that LIPA's hedge position for the same commodities for 2009, 2010, and 2011 are 81 percent, 47 percent, and 8 percent respectively. She indicated that for the first five months of 2008, LIPA's hedges have saved customers \$76 million in fuel and purchased power costs and the current unrealized gain in the hedge portfolio over the remaining period through 2011 is approximately \$970 million.

Ms. McCarthy reported that Operation and Maintenance expenses for the period was \$16 million, or 5 percent, below budget primarily due to some timing differences between when LIPA budgeted and when LIPA currently expects to spend the money. She further reported a \$6 million non-cash gain resulting from the termination of two offsetting interest rate swaps and a \$4 million extraordinary non-cash charge related to the early redemption of \$200 million of LIPA's insured auction rate securities, something that was done earlier this year to address the disruption in the municipal insured auction rate market. She added that interest expense for the period was 3 percent, or \$4 million under budget, despite the problems and turmoil in the municipal bond market.

Ms. McCarthy reported that overall, for the five months ending May 31, 2008, LIPA was below budget by \$16 million or 19 percent. She further reported that while the Board has authorized LIPA to undertake various financing activities in order to address the volatile insured auction rate market, plans to address that have been put on hold due to the recent activities in Albany. She stated that LIPA is in the process of re-evaluating its options and will be keeping the chair of the finance and audit committee informed as to LIPA's progress.

Ms. McCarthy reported that when looking forward to the remainder of the year, the precipitous rise in fuel oil, natural gas and purchased power is putting significant pressure on LIPA's financial results. She continued that while

LIPA has hedged 85 percent of expected commodity consumption, it is exposed to upper price movements on the 15 percent that LIPA is not hedged. She added that since January 1, 2008, the average forward price for residual fuel oil for the remainder of the year increased 42 percent to \$104.28 per barrel and the average forward price for natural gas for the same period increased 64 percent to \$13.30.

Ms. McCarthy explained that as a result, LIPA can no longer maintain its power supply charge at its current level and achieve its minimum financial reserve target of 25 million as set forth in its tariff. Therefore, effective July 1st of this year, LIPA will increase its power supply charge, which will result in a 3 percent, or on average, a \$4.44 increase to the typical monthly residential bill of 775 kilowatt hours. She then concluded her report and indicated that President Law would speak momentarily about measures LIPA is taking to mitigate the impact on customers due to the increase in fuel and purchased power costs.

President Law stated that he wanted to address the reason for the increase in fuel and power purchased charge and the impact the 3 percent increase will have on customers. He continued that since the Board approved a budget in December, just seven months ago, gas has gone up 64 percent and crude oil has gone up 47 percent. He stated that in 1998, when LIPA was created, a barrel of oil cost \$14.85, and when compared to this morning's price of \$138; that is an 820 percent increase in the past 10 years. He continued that gas,

similarly, has gone up 560 percent over the last 10 years, and 64 percent in this year alone.

President Law stated that there is an international fuel crisis and since the cost of fuel and the cost of power that we purchase makes up 55 percent of LIPA's budget, LIPA is not immune from it. He continued that because LIPA does not have shareholders to help pick up the tab, only ratepayers, the rates have to go up to cover these increases along with fixed costs, debt services, and taxes that LIPA has to pay.

President Law reflected on his own oil bill that he recently received. He stated that he has a 250 gallon tank, received 154.5 gallons, and was charged \$775. He stated further that these increases impact everyone and that he would prefer if LIPA did not have to increase rates. He explained that when he goes to church, the bagel store, or King Kullen, people ask him what is going on with the rates and why he does not lower them. He continued that he explains to people that he wishes LIPA was in a position to cut rates, but unfortunately things have gotten worse and are only heading in one direction. He noted a projection he heard yesterday that demand in energy was going to increase internationally another 50 percent over the next ten years, which is going to impact supply and demand, and contribute further to the escalating cost of fuel. He stated that LIPA is doing everything it can and he regrets the rate increase.

President Law addressed that LIPA does take action with regard to rate increases, but does not get credit for it. He stated that LIPA is the only utility around here that has a sophisticated hedging program and that without this program LIPA rates would be skyrocketing. He continued that other utilities surrounding LIPA have just asked for a 29 percent increase in their power charges, while LIPA is looking at an increase of only 3 percent on customers' bills. He explained that the hedging program, which locks in prices ahead of time, has saved hundreds of millions of dollars in additional fuel and purchased power costs. He further explained that without this hedging program, without 85 percent hedged for this year, LIPA would be facing significant, double-digit increases.

President Law stated that LIPA receives a lot of skepticism regarding rate increases when it should be getting credit for the amount of money it is saving ratepayers because of the sophisticated hedging program. He stated that LIPA is the only utility that hedges, at which the Authority works very hard, and if LIPA did not do it, rates would be going through the roof like other utilities across the country.

President Law explained how the rate increase will be reflected on a customer's bill. He stated that LIPA bills are broken up into two components: the basic delivery charge and the fuel and purchased power adjustment. He explained that LIPA is going to freeze the basic delivery aspect of the bill for two years so that the only thing that is fluctuating are those items beyond LIPA's

control, which in this case, is the cost of fuel. He continued that LIPA is doing everything else it can to stabilize and cut costs. He reiterated that LIPA will be freezing the basic delivery rate aspect of the bill for two years, but the fuel and power purchased charge are things that LIPA cannot avoid. President Law concluded his comments.

Chairman Larocca noted that President Law feels strongly about the rate increases. He explained that he understands the issue, and that he thinks most Long Islanders get it as well. He stated that the circumstances in the world that result in the cost of energy at the consumer end are complex, troubling, political, and the subject of forces well beyond LIPA or the Board's control. He continued that, at the end of the day, he thinks most Long Islanders understand that the energy crisis in the world is producing higher prices at the pump, higher prices in the natural gas markets, higher food prices because of the world of ethanol and mid-western corn, the collapse of the dollar, which has a compounding effect in all of this, and that the \$138 price for a barrel of oil reflects all of these factors. He further stated that he hopes Long Islanders will note that their rate increases, relative to the pain and suffering they are feeling in other parts of their energy system, are better managed and more moderated. He offered an example that if the price of home electric energy right now reflected the same volatility in the price of oil that has been experienced since the first of the year, the increase would not be 3 percent, but rather double digits.

Chairman Larocca stated that a big consequence of the management of fuel through the hedging program has been to be able to moderate and stage increases in a way that hopefully helps most ratepayers. He continued that the direction of all this in the world is unmistakable and stated that the Federal Power Commission, now called the Federal Energy Regulatory Commission, this week, put out its prognostications about what to expect in the time ahead. He continued that they are predicting that the price of natural gas through 2012 will go up, as will the price of coal, and the price of petroleum.

Chairman Larocca stated that President Law and Ms. McCarthy are doing an extraordinary job under extraordinary circumstances beyond their control. He continued that LIPA is doing well managing the things within its reach, which is a very small part of the vast system that serves everyone. He continued by explaining that he is not sure if there will ever be a complete understanding from LIPA customers, partly due to the political process and possibly due to the difficulty of reporting these complex subjects simply. He asserted that the truth of the matter is that this rate increase in a necessary and moderate adjustment that the Board recognizes is not easy, but not as bad as the rest of the system is behaving right now.

Chairman Larocca then opened the floor to other questions.

Vice Chairman Steinberg commented that he thinks President Law and Chairman Larocca have done a great job in describing the fuel crisis issue that LIPA is dealing with now and maybe in the foreseeable future, but he explained that there are other aspects that he thinks the Board and LIPA need to keep in consideration with respect to LIPA's costs, and the effect on ratepayers. He acknowledged that there are very few costs within LIPA's control. He explained that everybody has to realize that LIPA was created on a mountain of debt and that as LIPA tries to climb that mountain, it turns out the mountain is covered with oil - expensive oil - making it that much more difficult to climb the mountain. He further explained that LIPA is spending now, in terms of interest costs, over \$300 million a year to service this mountain of debt.

Vice Chairman Steinberg stated that while the fuel crisis is beyond LIPA's control, there is also another crisis in this country: the crisis of the financial markets. He explained that there are municipal insurance companies imploding or no longer writing business, there are banks going out of business, Wall Street is in disarray, and that generally, these are not good times for an organization that has \$7 billion in outstanding debt that has to be serviced and refinanced. He suggested that what LIPA needs over the longer term is some form of debt relief. He stated that he thinks LIPA has gone through its first formative stage and it has effectively kept the lights on. He continued that now, with a new administration, there are new opportunities and the ability to take a

look at new things. He commended President Law on driving the process to transparency very effectively and very well.

Vice Chairman Steinberg stated that LIPA has to re-evaluate its priorities in terms of what it can do with respect to its costs going forward, one of these costs being the debt issue. He continued that LIPA is not going to be able to do this alone and will need help from the legislature, not actions by the legislature that could hurt LIPA. He acknowledged that while the legislature may feel that somehow they are helping ratepayers by creating restrictions and strictures on what LIPA can and cannot do, those actions are not going to be well received in the bond markets. He added that if not properly handled, it will cost the ratepayers a lot more money in the long term, as well as in the short term.

Vice Chairman Steinberg raised the issued of PILOTS. He stated that LIPA needs to look at everything, including its taxing issues and issues that exist with Suffolk County that are related to property taxes. He acknowledged that he is aware of ongoing litigation which he will not comment on, but continued that LIPA could use some relief from these taxes, particularly from Suffolk County.

Vice Chairman Steinberg stated that the last thing he would like to speak to, and at which LIPA has taken a hard look, is expenditures. He stated that because of the crisis, we ought to be looking at the organization on an austerity basis, and that whenever there are potential discretionary expenses, LIPA should

take a double and triple hard look at whether it should incur those expenses. He continued that while there are certain things to which LIPA is committed and which are unavoidable, there are areas of discretionary expenses which LIPA should take a very hard look at because of these tough times. He noted that it is remarkable that the increase in fuel and purchased power charge is only 3 percent, especially when you consider that neighboring utilities are raising rates 30 and 35 percent. He added that LIPA is doing an extraordinary job at keeping rates down, but that will not last forever, so LIPA could use some help.

Hearing no further questions, Chairman Larocca stated that the next item on the agenda is Board consideration of the approval to implement a rate mitigation package. The Chairman entertained a motion, which was seconded, and indicated that the matter would be presented by President Law.

President Law deferred to Ms. McCarthy, and indicated he would comment after her presentation.

Ms. McCarthy reported that the Trustees are being requested to adopt a resolution authorizing the President and CEO to implement a rate mitigation package related to the use of the KeySpan/National Grid benefits received as a result of certain renegotiated and other agreements between LIPA and KeySpan/National Grid. She continued that LIPA has negotiated a settlement agreement with KeySpan/National Grid resolving significant outstanding

contractual issues, a restructured management services agreement, an agreement and waiver, and certain other agreements that have provided for substantial additional funds and cost savings to LIPA, which would enable LIPA to provide immediate and long-term benefits to LIPA's customers during this time of increased and highly volatile fuel costs.

Ms. McCarthy reported that LIPA's goal for the use of the \$213 million secured by LIPA from these agreements will be discussed in further detail by President Law. She continued that the specific actions that the Board is being asked to take today include setting aside \$10 million for low-income seniors, \$1 million to fund the repowering analysis relating to six power plants on Long Island, \$1 million to fund LIPA's expert review of the request for proposal for solar photovoltaic generation project and the commissioning of our commercial net metering program. She added that LIPA is also looking to start the SAPA process to return \$140 million to customers over the next 30 months to help mitigate rate impacts.

President Law stated that he appreciates and understands the comments Vice Chairman Steinberg made regarding debt service. He agreed that while it would be nice to use all of the money for debt service, which would be a fiscally prudent and sound decision, ratepayers are struggling and need help. He explained that people on Long Island are hurting, facing high property taxes, high income taxes, and high utility bills. He continued that LIPA should be giving this

money back to customers to help mitigate the way the cost of fuel is going to increase over the next three years. He noted that while this mitigation would not eliminate future increases based on what the experts are saying, this is what LIPA should be doing.

President Law stated that he has proposed allocating \$25 million to the retiring of the Shoreham debt, which, while not a large amount, is not insignificant. He continued that the item he is happiest about in terms of his recommendations to the Board, is the Low Income Senior Citizen Energy Assistance Program. He explained that the number one complaint he receives is from low income senior citizens struggling to pay their utility bills. He stated that he therefore wants to use \$10 million to help lower-income seniors to offset the high cost of their electric bills. He added that LIPA has reached out to several organizations and governmental agencies to help administer this program, and that there is tremendous interest. He further added that LIPA will likely put this out to proposal and select the best option.

President Law stated that with the \$140 million, he recommends to the Board that LIPA target that money to residential customers and small businesses. He explained that LIPA will hear what the public has to say in a public hearing during the SAPA process. He further explained that this would not go to all LIPA customers, but only residential and small businesses; those who are hurting the

most. He added that he will report on the feedback in September with an ultimate recommendation.

Chairman Larocca called for a vote on the motion. Upon duly made and seconded, the following motion was approved unanimously:

876. APPROVAL OF IMPLEMENTATION OF RATE MITIGATION PACKAGE

WHEREAS, the Long Island Power Authority (“LIPA”) and KeySpan/National Grid have entered into a Settlement Agreement resolving significant outstanding contractual issues, a restructured Management Services Agreement, an Agreement and Waiver of LIPA’s contractual change of control rights, and certain other agreements that provide substantial additional funds and cost savings to LIPA going forward, which will enable LIPA to implement a Rate Mitigation Package (“RMP”) in order to provide substantial benefits to LIPA’s customers; and

WHEREAS, LIPA staff recommends that the RMP include the following measures: \$25 million to help pay down the Shoreham related debt and yield debt service cost savings; \$1 million to fund LIPA’s repowering analysis related to six power plants in National Grid’s generation fleet in LIPA’s service territory; \$1 million to fund LIPA’s Request for Proposals for 50 MW of Solar Photovoltaic Generation Projects and LIPA’s Commercial Net Metering Program; \$10,000,000 to create a Low Income Senior Energy Assistance Program to provide financial assistance to qualifying seniors in paying their LIPA bills, to be administered by a local not-for-profit organization; and \$140 million to be returned to certain ratepayers over the next 30 months to mitigate future Power Supply Charges, as determined by LIPA’s Board of Trustees in accordance with its requirements under the State Administrative Procedure Act; and

WHEREAS, as discussed in the preceding Memorandum, the RMP is in the interest of LIPA’s customers to provide immediate and long-term benefits to LIPA’s customers during a time of increased, highly volatile fuel costs; and

WHEREAS, distribution of the \$140 million component of the RMP to LIPA’s customers will require subsequent action and/or authorization from the LIPA Board following public hearings and comments;

NOW, THEREFORE, BE IT RESOLVED, that the RMP is hereby adopted and approved, and the President and CEO or his designee be and hereby are

authorized to carry out the RMP, including entering into any related agreements and arrangements and performing any further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the President and CEO or his designee, to ensure the RMP is fully implemented.

* * *

Chairman Larocca stated that the next item on the agenda is consideration of approval of the updated 2008 and 2009 capital budget. After requesting a motion on the matter, which was seconded, the Chairman indicated that the matter would be presented by Ms. McCarthy.

Ms. McCarthy stated that the Trustees are being requested to adopt a resolution approving the updated 2008 and proposed 2009 capital budget for the Long Island Power Authority and its subsidiary LIPA. She continued that the budgets present LIPA's planned expenditures for those two years. She added that on December 14, 2006, the Board of Trustees approved the 2008 capital budget together with the 2007 operating and capital budgets and that since that time, LIPA has updated the 2008 capital budget to reflect current information and prepared and proposed the 2009 capital budget.

Ms. McCarthy stated that the capital expenditures presented are considered by staff as the necessary level of spending needed to meet system growth and maintain system reliability. She continued that the majority of the updated budget, or the budget in both years, is for the capital designed to

maintain system reliability and meet the requirements of normal load growth. She added that the capital budgets also include the construction and transmission needed for interconnection, new supply, and the costs related to LIPA's 18 percent ownership interest in the Nine Mile Power Plant. She noted for the record, as required by regulations issued by the State Comptroller in 2006, attached to the resolution is a certification signed by Mr. Hervey, Vice President of Operations, certifying that to the best of his knowledge and belief, after reasonable inquiry, the budget information for the year ended December 31, 2008 and 2009 has been developed based on reasonable assumptions and methods of estimation and that the requirements of such regulations have been satisfied.

Chairman Larocca asked if there were any comments. After noting that there were none, the Chairman called for a vote on the motion. Upon motion duly made and seconded, the following motion was approved unanimously:

877. APPROVAL OF THE UPDATED 2008 AND 2009 CAPITAL BUDGETS

WHEREAS, the Long Island Power Authority ("Authority"), through its wholly owned subsidiary, LIPA, owns and operates the electric transmission and distribution system ("T&D System") serving the counties of Nassau and Suffolk and a small portion of the County of Queens known as the Rockaways; and

WHEREAS, the Board of Trustees is required to approve annual budgets for capital improvements to the T & D System; and

WHEREAS, the Board of Trustees previously approved the capital budget for 2008 on December 14, 2006; and

WHEREAS, the Authority has prepared an updated capital budget for 2008 and a proposed capital budget for 2009;

NOW, THEREFORE, BE IT RESOLVED, that the 2008 capital Budget, as updated, and the 2009 Capital Budget, both of which are attached hereto, are hereby approved; and be it further

RESOLVED, that the Authority intends to finance the requirements of the 2008 and 2009 Capital Budgets through a combination of internally-generated funds and the issuance of tax-exempt debt of the Authority, to the extent permitted by law.

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Chairman Larocca stated that the next item on the agenda is consideration of approval of the award to provide power supply management services. After requesting a motion on the matter, which was seconded, the 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 selections of Con Edison Energy, Incorporated and Pace Global Energy Risk Management, LLC to provide power supply management services to LIPA for a five-year period with an option to renew for an additional five-year term. She continued that the management of LIPA's power supply is currently supplied by National Grid Energy Trading Services under the Energy Management Agreement between LIPA and what was formerly KeySpan and now National Grid.

Ms. Nicolino stated that the Energy Management Agreement, or EMA, is one of three major agreements, including the Management Services Agreement and Power Supply Agreement, entered into by LIPA and National Grid as part of

the LIPA transaction in 1998. She continued that under the EMA, National Grid, as energy manager, is responsible for providing services related to the scheduling, dispatch, purchase, and sale of all power supply resources available to LIPA until December 31, 2009. She added that under the EMA, National Grid manages over \$3 billion of transactions annually on LIPA's behalf.

Ms. Nicolino stated that in order to ensure that the vital Power Supply Management Services continue beyond the term of the expiring contract, LIPA issued a request for proposals for Power Supply Management Services in October 2007 seeking qualified companies to provide those services. She explained that those services are separated into three distinct components: front office, mid-office and back office services. She continued that the RFP was distributed to more than 100 firms, advertised in accordance with LIPA's requirements under the law, and on December 21, 2007, five responses were received.

Ms. Nicolino stated that a selection committee carefully evaluated the proposals and reviewed them for compliance with the criteria in the RFP and then conducted interviews and limited negotiations with three firms, including National Grid, Con Edison, and Pace. She continued that the negotiation process ran from late February to mid-June, and based on the written submissions, oral presentations, negotiations, and an assessment of LIPA's needs, it was determined that Con Edison is best suited to provide front office and back office

Power Supply Management Services and Pace Global is best suited to provide mid-office Power Supply Management Services.

Ms. Nicolino stated that Con Edison Energy and Pace's proposal provided a best value to LIPA's customers. She continued that Con Edison has many strengths, including a long presence in New York, being financially sound, having significant experience and knowledge of performing front and back-office services for its clients over the last several years, having proposed favorable staffing levels, and providing cost stability in comparison to the other proposals received. She added that Pace also has an in-depth knowledge of LIPA, having previously provided risk management services to LIPA for five years, having extensive experience providing mid-office power supply management services, and having proposed strong personnel to service the account and provide indisputable independence between the front and back office service providers, which the selection committee found to be very valuable to LIPA. Ms. Nicolino concluded her presentation.

Chairman Larocca asked if there were any questions for counsel.

Trustee Sinnreich stated that in the past, he was a severe critic of KeySpan, but in recent years he has stopped that criticism because he has seen an improvement both in their performance and in their partnership with LIPA. He continued that nevertheless, he thinks that in the long run, it is a healthy decision

for LIPA to develop relationships with other entities that can service some of LIPA's needs. He noted that he not only supports this, but applauds this move by LIPA staff.

Chairman Larocca agreed with Trustee Sinnreich. He added that whenever LIPA can make something competitive by taking a look at the field, and doing it in an open and transparent manner, we are all well served.

Chairman Larocca asked if there were any further comments.

After no response, the Chairman called for a vote on the motion. Upon motion duly made and seconded, the following motion was approved unanimously:

878. AUTHORIZATION TO SELECT PROPOSALS IN RESPONSE TO POWER SUPPLY MANAGEMENT RFP AND TO NEGOTIATE AND EXECUTE POWER SUPPLY MANAGEMENT SERVICES AGREEMENTS WITH CONSOLIDATED EDISON ENERGY, INC. AND PACE GLOBAL ENERGY RISK MANAGEMENT, LLC.

WHEREAS, Power Supply Management Services ("PSM Services") are critical to maintaining and ensuring there are no interruptions in the reliable supply of dependable electric power and energy; and

WHEREAS, the existing PSM Services portion of the Energy Management Agreement ("EMA") between LIPA and National Grid (formerly KeySpan) is due to expire on December 31, 2009; and

WHEREAS, LIPA's selection committee has reviewed proposals submitted in response to its October 17, 2007 Request For Proposals to Provide Power Supply Management Services ("PSM RFP") to secure one or more service providers that are capable and have the necessary experience and expertise to perform these

vital services on behalf of LIPA for an initial period of five years with an option, at LIPA's sole discretion, to extend for an additional five years; and

WHEREAS, based on the written submissions, oral presentations, negotiations and an assessment of LIPA's needs, the selection committee has determined that the following proposals provide a best value to LIPA's customers based on the criteria set forth in the RFP: Consolidated Edison Energy, Inc. ("CEE") (a wholly owned subsidiary of Consolidated Edison, Inc.) is best suited to provide Front-Office and Back-Office PSM Services to LIPA; and Pace Global Energy Risk Management, LLC ("Pace") is best suited to provide Mid-Office PSM Services to LIPA; and

NOW, THEREFORE, BE IT RESOLVED, that in accordance with the accompanying memorandum, the Trustees hereby 1) approve the selection of CEE and Pace to provide the services indicated above in response to the PSM RFP; and 2) authorize the President and Chief Executive Officer ("CEO") or his designee to negotiate and execute Power Supply Management Services Agreements with both CEE and Pace, each for a five year term with the option to renew for an additional five year term, and any other related agreements and arrangements and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the CEO or his designee to ensure that LIPA obtains the required Power Supply Management Services.

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Chairman Larocca stated that the next item on the agenda is consideration of approval of authorization to execute an easement agreement with KeySpan Gas East Corporation related to providing local gas transportation to the Caithness Energy Center. After requesting a motion on the matter, which was seconded, the Chairman indicated that the matter would be presented by Ms. Nicolino.

Ms. Nicolino stated that the Trustees are being requested to authorize the President and CEO to enter into an Easement Agreement with KeySpan Gas East

Corporation to facilitate the delivery of on-island natural gas transportation for the Caithness Long Island Energy Center. She continued that Caithness and LIPA are parties to a 20-year contract to purchase capacity from the Caithness facility, which is currently being constructed in Yaphank, Long Island. She added that LIPA is in the process of making the on-island firm gas transportation arrangements, which include providing for the required infrastructure improvements necessary for the delivery of natural gas to the project.

Ms. Nicolino stated that in October of 2007, the Trustees authorized the execution of a Facilities Construction and Reimbursement Agreement between LIPA and a KeySpan subsidiary, under which KeySpan would develop the gas infrastructure improvements required to provide gas to the project, which includes construction of a gas lateral. She continued that pursuant to that Facilities Construction Agreement, LIPA is required to reimburse KeySpan for, among other things, the costs for such gas lateral, including the cost of obtaining the necessary real property rights to provide for its construction. She added that in order for KeySpan to connect its existing gas delivery main located on the South Service Road of the Long Island Expressway in Yaphank to the project, the lateral must be constructed along LIPA's transmission right-of-way near the Caithness property.

Ms. Nicolino stated that accordingly, LIPA and KeySpan have negotiated an easement agreement under which LIPA would make its right-of-way available to

KeySpan for the purpose of installing, operating and maintaining the gas lateral. She continued that since LIPA is responsible for the costs of the real property rights related to the gas lateral, LIPA is providing the easement to KeySpan in the nominal amount of one dollar. She added that under the Public Authorities Accountability Act, approval of the Board of Trustees is required in connection with the negotiated disposition of real property for less than fair market value in the event that such disposition is intended to further the public health, safety or welfare, or an economic development interest of the State or a political subdivision.

Ms. Nicolino stated that it is clear that the provision of electricity in LIPA's service territory is necessary to further the health, safety, and welfare of LIPA's customers. She continued that it is also clear that under the Facilities Construction Agreement between LIPA and Caithness, LIPA customers are ultimately responsible for the real property costs associated with this easement. She added that, as such, providing the easement to KeySpan for less than fair market value is in LIPA's best interest. She explained that as a result, she recommends approval of the resolution. Ms. Nicolino concluded her presentation.

Chairman Larocca asked if there were any questions for counsel.

After noting that there were none, the Chairman called for a vote on the motion. Upon motion duly made and seconded, the following motion was unanimously approved:

879. AUTHORIZATION TO EXECUTE EASEMENT AGREEMENT WITH KEYSpan GAS EAST CORPORATION TO PROVIDE LOCAL GAS TRANSPORTATION FOR CAITHNESS LONG ISLAND ENERGY CENTER

WHEREAS, in order to meet LIPA's increasing load requirements, LIPA and Caithness Long Island, LLC ("Caithness") entered into a 20-year Power Purchase Agreement ("PPA") under which LIPA will purchase 286 mW of power from the Caithness Long Island Energy Center (the "Caithness Project"), a 326 mW combined cycle generation facility being developed by Caithness in Yaphank, New York; and

WHEREAS, pursuant to the PPA, LIPA is responsible for the fuel supply and transportation associated with the power that it will purchase from the Caithness Project; and

WHEREAS, in October 2007, the Trustees authorized the execution of a Facilities Construction and Reimbursement Agreement ("FCRA") between LIPA and a subsidiary of KeySpan Gas East Corporation ("KeySpan"), under which KeySpan would develop the gas infrastructure improvements required to provide gas to the Project, which includes construction of a gas lateral; and

WHEREAS, in order for KeySpan to connect its existing gas delivery main located on the South Service Road of the Long Island Expressway in Yaphank to the Project, the gas lateral must be constructed along LIPA's transmission right-of-way near the Caithness property; and

WHEREAS, pursuant to the FCRA, LIPA is required to reimburse KeySpan for, among other things, the costs for such gas lateral, including the cost of obtaining the necessary real property rights to provide for its construction; and

WHEREAS, LIPA and KeySpan have negotiated an Easement Agreement under which LIPA would make its right-of-way available to KeySpan for the purpose of installing, operating and maintaining the gas lateral for the nominal amount of \$1.00; and

WHEREAS, for the reasons set forth herein and in the accompanying memorandum, it is in LIPA's best interest to provide the easement to KeySpan for less than fair market value;

NOW THEREFORE, BE IT RESOLVED, that the President and CEO or his designee be and hereby are authorized to execute an Easement Agreement with KeySpan, and any other related agreements and arrangements as may be necessary, convenient or appropriate to facilitate the delivery of on-Island natural gas transportation for the Caithness Project.

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Chairman Larocca stated that the next item on the agenda is consideration of approval to execute an Energy Purchase Agreement with Entergy Nuclear Power Marketing. After requesting a motion on the matter, which was seconded, the Chairman indicated that the matter would be presented by Ms. McCarthy.

Ms. McCarthy stated that the Trustees are being requested to approve and adopt a resolution authorizing the execution of an Energy Purchase Agreement between the Long Island Power Authority and Entergy Nuclear Power Marketing for the continued sale of nuclear energy from the FitzPatrick Plant located in Scriba, New York. She continued that since 2003, LIPA and Entergy have had a contract under which FitzPatrick sells nuclear energy to LIPA at the rate of 160 megawatts in the summer and 124 megawatts in the winter, both at an annual capacity factor of at least 85 percent. She noted that the current contract is scheduled to expire on December 31, 2008, and that LIPA and Entergy have been in discussions with respect to entering into a new contract for that power.

Ms. McCarthy stated that in addition to the contract for the energy, LIPA also has grandfathered transmission agreements under which the energy delivered from the FitzPatrick Plant is treated with, and awarded with, LIPA transmission congestion contracts, which are valuable financial instruments that ensure that LIPA customers maximize the economic value of the nuclear energy provided by FitzPatrick. She noted that in recognition of the impending expiration of the contract, LIPA and Entergy are negotiating a five-year agreement, which would begin January 1, 2009, and which would provide for the purchase of the annual energy volumes generally equivalent to those set forth in the current contract and generally under the same terms as are set forth in that contract as to everything except price.

Ms. McCarthy reported that while the agreement for fixed pricing under the five-year term is not fully negotiated at this time, it is expected that the pricing will be higher than the current level in recognition of current economic conditions in the volatile electric market. She continued that LIPA staff, while negotiating, has developed the maximum acceptable pricing that when combined with the value of the transmission congestion contracts, would provide economic benefits to LIPA's customers. She added that in the event that LIPA and Entergy are unable to negotiate favorable pricing to LIPA that meets or exceeds LIPA's expected economic benefit level, the agreement would not be executed by LIPA. Ms. McCarthy concluded her presentation.

Chairman Larocca asked if there were any questions or comments.

Vice Chairman Steinberg commented that it is his understanding that LIPA is legally constrained from buying power from Canada, and questioned whether that was an issue or concern. He further asked if LIPA is looking to obtain any legislative relief this session on this issue.

President Law stated that it was in the draft legislation that he had shared with Senator LaValle and Assemblyman Sweeney, in terms of revising LIPA's statute. He continued that while that legislation did not go anywhere, LIPA did, two months ago, enter into a Memorandum of Understanding with NYPA to negotiate on LIPA's behalf. He added that while LIPA is still interested in bringing down Canadian power to Long Island, it can do that through NYPA.

President Law stated that LIPA is still going through a transmission gridlock machine to bring power down to Long Island. He continued that LIPA's announcement yesterday, with American Superconductor, may provide future transmission capability from upstate to downstate, allowing that power to be brought to Long Island. He noted that this is in LIPA's legislation which he hopes to resurrect, but added that for now, LIPA must go through NYPA.

Chairman Larocca asked if, despite difficulty, LIPA saw the same net result.

President Law answered yes.

Chairman Larocca stated that LIPA has to use the agency relationship with NYPA. He then asked for other comments or questions.

After noting that there were no further comments or questions, the Chairman called for a vote on the motion. Upon motion duly made and seconded, the following motion was approved unanimously:

880. AUTHORIZATION TO ENTER INTO AGREEMENT WITH ENTERGY NUCLEAR FITZPATRICK, LLC FOR THE SALE OF POWER

WHEREAS, the Long Island Lighting Company d/b/a LIPA (“LIPA”) and Entergy Nuclear FitzPatrick, LLC (“FitzPatrick”) are parties to Contract UD-3S under which LIPA purchases energy from the FitzPatrick Nuclear Power Plant (the “Fitzpatrick Plant”) in Scriba, New York;

WHEREAS, LIPA is a party to valuable transmission agreements that have been “grandfathered” by the New York Independent System Operator (“NYISO”) and that allow for the delivery of energy from the FitzPatrick Plant to Long Island; and

WHEREAS, to maintain the benefits of the grandfathered transmission agreements, the NYISO requires that LIPA have a corresponding energy purchase agreement in place; and

WHEREAS, Contract UD-3S has been transferred from FitzPatrick to Entergy Nuclear Power Marketing, LLC (“Entergy”) and expires on December 31, 2008; and

WHEREAS, LIPA and Entergy are currently negotiating an Agreement for the Sale of Power to LIPA to replace Contract UD-3S (the “Agreement”); and

WHEREAS, pursuant to the Agreement, LIPA would purchase nuclear energy from Entergy at a fixed price for a five year period beginning on January 1, 2009 in annual amounts equivalent to the levels that had been purchased under Contract UD-3S; and

WHEREAS, the Agreement would provide for stable priced nuclear energy to be made available to LIPA ratepayers for a five year period and will preserve the benefits of the grandfathered transmission agreements; and

WHEREAS, LIPA Staff has determined the maximum acceptable pricing that, when combined with the grandfathered transmission agreements, would provide economic benefits to LIPA's customers; and

WHEREAS, in the event LIPA and Entergy are unable to negotiate favorable pricing to LIPA that meet or exceed LIPA's expected economic benefit level, the Agreement would not be executed by LIPA;

NOW THEREFORE, BE IT RESOLVED, that the President and CEO or his designee be and hereby is authorized to execute and effect the Agreement and any other related agreements and arrangements, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the President and CEO or his designee, to implement LIPA's continued receipt of energy from the FitzPatrick Plant, provided the pricing under the Agreement meets or exceeds the economic benefit level expected for its customers.

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Chairman Larocca stated that the next item on the agenda is consideration of approval to adopt a Governance Committee Charter. After requesting a motion on the matter, which was seconded, the Chairman indicated that this is part of a broad improvement in corporate governance that is going on both in the private sector and in the public sector, particularly in New York, bringing public authorities, which are corporations, into a higher standard of governance. He continued that LIPA began some months ago with the creation of a new Governance Committee. He noted that this brings forward a committee charter. The Chairman then turned the presentation over to Ms. Nicolino.

Ms. Nicolino stated that the Trustees are being requested to adopt and approve the resolution authorizing the Governance Committee Charter as Mr. Hervey described. She continued that this is in response to the Public Authorities Accountability Act, and that the Governance Committee was formed back in March 2007, and its composition modified in April 2008. She added that in furtherance of this, a charter that would formalize the purpose, powers, duties, structure, and responsibilities of the committee is now being proposed.

Ms. Nicolino stated that in addition to its statutory responsibilities, the Charter before the Board provides for review by the committee of key governing and policy documents of LIPA, including its bylaws, code of ethics and conduct, and procurement and property guidelines. She continued that the Charter also provides for the committee to report on its actions and make recommendations to the full Board related to its obligations therein on an annual basis.

Chairman Larocca stated that he thinks a good way to look at this for the Board and for the committee, is that this is the beginning of a work in progress. He continued that this is consistent with LIPA's mission and he thinks LIPA will probably perfect it more as time passes. He added that the idea is to regularize and improve the process of governance that is carried to the Board and to the Authority.

Chairman Larocca asked if there were any questions.

After noting that there were none, the Chairman called for a vote on the motion. Upon motion duly made and seconded, the following motion was approved unanimously:

881. ADOPTION OF THE CHARTER OF THE GOVERNANCE COMMITTEE OF THE AUTHORITY BOARD OF TRUSTEES

WHEREAS, the Public Authorities Accountability Act of 2005 (the “Act”) requires public authorities including the Long Island Power Authority (the “Authority”) to establish a governance committee comprised of independent members, as defined therein; and

WHEREAS, the Act further requires that the governance committee be responsible to 1) keep the Board informed of current best governance practices; 2) review corporate governance trends; 3) update the Board on corporate governance principles; and 4) advise those responsible for appointing trustees on the skills and experience required of potential Trustees; and

WHEREAS, the Authority’s current Governance Committee (the “Committee”), meets the requirements of the Act;

WHEREAS, it is desirable to formalize the purpose, powers, composition, structure and responsibilities of the Committee through adoption and implementation of a governing Charter;

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby adopt the Governance Committee Charter presented at this meeting; and be it further

RESOLVED, that this resolution take effect immediately.

*** * ***

Trustee Smookler thanked Chairman Larocca, the Trustees and President Law for having this session in Suffolk County and requested that the Board consider scheduling more of them in the future.

Chairman Larocca then entertained public comment.

Following the public comment, Chairman Larocca announced that the next board meeting will be held on September 25, 2008 at 11 A.M in Uniondale.

Chairman Larocca stated that the Board will be at work this summer as it is increasingly active in its committee work and other matters that Mr. Steinberg mentioned. He explained that the Board is taking some broad strategic looks at some of the financial matters as it looks forward. He wished everyone a good summer during which the lights stay on, the temperature stays low, and the humidity is manageable.

Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 1:00 P.M.

Respectfully submitted,

Lynda Nicolino