

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 201st MEETING

HELD ON SEPTEMBER 24, 2009

The Long Island Power Authority (the "Authority") was convened for the two-hundred-and-first time at 11:02 AM at the Omni Teleconference Center, in Uniondale, NY, pursuant to legal notice given on September 21, 2009, verbal notice given by the Acting Chairman at the June 25, 2009 meeting of the Board of Trustees, and electronic notice posted on the Authority's website annually.

The following Trustees of the Authority were present:

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

The following Trustees of the Authority were absent:

**James Herrmann
Michael Fragin**

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; Michael Hervey, Vice President-Operations; Bruce Germano, Vice President-Retail Services; and Paul DeCotis, Vice President-Power Markets.

Acting Chairman Steinberg welcomed everyone to the 201st meeting of the Long Island Power Authority Board of Trustees. He 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 minutes of the June 25, 2009 meeting of the Board of Trustees. He asked if there were any additional changes or deletions. Upon hearing none, the resolution was adopted unanimously:

943. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JUNE 25, 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 June 25, 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.

The Acting Chairman next remarked on the following items:

- *Changes to the Board minutes going forward;*
- *LIPA's success of keeping the lights on over the summer;*
- *Future bill credits due to lower fuel costs;*
- *Completion of negotiations with National Grid to settle customer satisfaction issues;*
- *LIPA's heavy debt burden and its property tax issue, noting that LIPA has not made any decisions on these topics; and*

- *The status of LIPA's strategic review and its implications going forward.*

The Acting Chairman stated that President Law would now give his report.

The President reported on the following items:

- *The current status of Lazard Frere's analysis and findings regarding LIPA's structure and possible options going forward, including the option to purchase the Barrett generating facility;*
- *The settlement with National Grid regarding a dispute over customer satisfaction;*
- *The status of the FERC rate proceeding, which concerns the power supply agreement with National Grid – to be further addressed in executive session;*
- *The status of the potential off-shore wind project with Con-Edison;*
- *The status of negotiations with the two vendors that LIPA chose in response to the RFP issued for 50 megawatts of solar energy;*
- *The possibility of bringing Canadian hydropower down to Long Island;*
- *The summer weather and its impacts on LIPA, financially and otherwise;*
- *The status of LIPA's low income senior citizen program;*
- *The status of LIPA's application for stimulus funds, as well as other potential applications/projects;*
- *The Waxman-Markey bill and its potential impacts on LIPA;*
- *LIPA's debt and the proposed legislation related to the Rural Electrification Act;*
- *LIPA's property tax issue and the current status of any potential tax certiorari proceedings;*
- *The status of OSC's continuing audit into various matters;*
- *The status of the rate credit that will be paid to customers in the future;*

- *The status of LIPA's search for office space given that the current lease expires in April 2011;*
- *The status of reappointments of Board Members*
- *LIPA's participation with the wind collaborative and with a smart grid consortium;*
- *His testimony before the Nassau Legislature on LIPA's Master Plan;*
- *His testimony before the Long Island Congressional Delegation in Washington D.C.;*
- *Meetings with Senator John Flanagan, Assemblywoman Audrey Pheffer, and supervisors Mark Lesko and Phil Nolan regarding various opportunities with municipal partners;*
- *New staff additions at LIPA, including two new attorneys – Jacqueline Hardy and James Hettie – as well as Brian Kurtz in the environmental department; and*
- *The status of LIPA's 2010 budget process.*

The President concluded his report.

Acting Chairman Steinberg thanked the President for his report. He stated that next on the agenda is the financial report, which would be presented by Mr. Hogue.

Mr. Hogue presented the financial report, including reporting on the actual versus budgeted results for the eight months ended August 31, 2009 and the August 31, 2009 balance sheet.

Mr. Hogue concluded his report and took questions from the Trustees.

Acting Chairman Steinberg stated that the next item on the agenda is the operating report, which would be presented by Mr. Hervey.

Mr. Hervey presented the operating report, which included reporting on weather related events, various reliability metrics, and on the breakdown of generation by fuel type.

Mr. Hervey concluded his report and took questions from the Trustees.

Acting Chairman Steinberg stated that the next item on the agenda is the consideration of the approval of the engagement of vendors to provide utility consulting 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 presented the following action item:

Requested Action

The Trustees are being requested to approve a resolution authorizing the President and Chief Executive Officer, or his designee, to engage twenty-five firms to provide utility consulting services on an as-needed basis to the Long Island Power Authority (“LIPA”), as set forth below, for a period of five years.

Background

On March 11, 2009, LIPA issued a Request for Proposals (“RFP”) from experienced firms to provide utility consulting services to LIPA, in some or all of the nine following distinct scopes of services: power markets; transmission and distribution planning services; generation and resource planning, analysis and development; distributed generation; retail services; transmission and distribution services; financial support services; contractual support services; and efficiency and renewable energy. The RFP set forth that the services to be provided to LIPA would be on an as-needed basis only. That is, the firms selected would have no guarantee of work in any particular scope during the contract term, since all work would be controlled by LIPA’s management and budgeting processes. The RFP further set forth that in determining which firms would be best-suited to perform such work, LIPA would be engaging in a “mini-bid” process for individual projects, and would evaluate proposals from suitable firms in each scope based on both technical expertise and cost.

On April 9, 2009, thirty-eight firms responded to the RFP proposing in one or more of the scopes of service. A selection committee comprised of Authority staff carefully examined each proposal for compliance with the terms of the RFP and against the cost and non-cost criteria set forth therein. Based on this evaluation, the proposals were scored and ranked separately within each scope of service in order to determine the top-qualifying firms available to meet LIPA’s needs. Based upon this evaluation, and in light of LIPA’s anticipated needs over the next five-year period, it is desirable to have the following twenty-five firms available to participate in the above-referenced mini-bid process to provide services to LIPA in the areas identified below:

Proposed Firms

Area(s) of Responsibility

1. **Applied Energy Group, Inc.** **Retail Services, Efficiency & Renewable Energy**
2. **AECOM USA, Inc.** **Power Markets, Generation & Resource Planning, Analysis & Development, Distributed Generation, Transmission and Distribution Services, Financial Support Services, Contract Services, Efficiency & Renewable Energy**
3. **Altran Solutions Corp.** **Transmission & Distribution Planning Services**
4. **AMEC E & E PC** **Transmission & Distribution Planning Services, Transmission and Distribution Services**
5. **AWS Truewind, LLC** **Generation & Resource Planning, Analysis & Development, Distributed Generation**
6. **Black & Veatch Corporation** **Distributed Generation**
7. **Burns & McDonnell Engineering** **Transmission & Distribution Planning Services, Generation & Resource Planning, Analysis & Development, Distributed Generation, Retail Services, Financial Support Services, Efficiency & Renewable Energy**
8. **Burns & Roe Enterprises, Inc.** **Power Markets, Generation & Resource Planning, Analysis & Development, Distributed Generation, Transmission and Distribution Services, Financial Support Services, Efficiency & Renewable Energy**
9. **Commonwealth Associates, Inc.** **Transmission & Distribution Planning Services, Transmission and Distribution Services**
10. **GAI Engineering Consultants, of New York, PC** **Transmission and Distribution Services**
11. **GDS Associates, Inc.** **Efficiency & Renewable Energy**
12. **ICF Resources, LLC** **Efficiency & Renewable Energy**
13. **KEMA, Inc.** **Power Markets**
14. **LaCapra Associates, Inc.** **Retail Services**
15. **Levitan & Associates, Inc.** **Power Markets, Generation & Resource Planning, Analysis & Development, Financial**

	Support Services, Contractual Support Services
16. Navigant Consulting, Inc.	Power Markets, Transmission Planning Services, Generation & Resource Planning, Analysis & Development, Distributed Generation, Retail Services, Transmission and Distribution Services, Financial Support Services, Contractual Support Services, Efficiency & Renewable Energy
17. PSM Consulting, Inc.	Power Markets
18. Sargent & Lundy LLC	Generation & Resource Planning, Analysis & Development, Contractual Support Services
19. Siemens Energy Inc. International	Transmission & Distribution Planning Services
20. Shaw Consultants, Inc. International	Power Markets, Generation & Resource Planning, Analysis & Development, Distributed Generation, Contractual Support Services
21. Stephen A. Marsh Consulting, Inc.	Retail Services
22. Think Energy, Inc. Energy	Distributed Generation, Efficiency & Renewable Energy
23. TRC Engineers, Inc.	Transmission and Distribution Services
24. Utility Integration Solutions, Inc.	Power Markets, Retail Services
25. Virchow, Krause & Company, LLP	Financial Support Services, Contractual Support Services

Mr. Hervey noted that the hourly rates for the selected firms vary by firm and staff level, but generally range from \$84 - \$508 for principal staff time and from \$38 - \$238 for technical staff time. Stated differently, the average hourly labor rate for all staff levels in all of the firms proposed to be selected is approximately \$200 per hour.

Recommendation

Based upon the foregoing, Mr. Hervey recommended approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

The following resolution was then unanimously adopted by the Trustees:

944. ENGAGEMENT OF FIRMS TO PROVIDE UTILITY CONSULTING SERVICES

RESOLVED, that consistent with the attached memorandum, the President and Chief Executive Officer or his designee be, and hereby is, authorized to engage the following twenty-five firms to provide Utility Consulting Services in the areas identified below, on an as-needed basis to the Long Island Power Authority and LIPA, with the contract terms to be five years:

<u>Proposed Firms</u>	<u>Area(s) of Responsibility</u>
1. Applied Energy Group, Inc.	Retail Services, Efficiency & Renewable Energy
2. AECOM USA, Inc.	Power Markets, Generation & Resource Planning, Analysis & Development, Distributed Generation, Transmission and Distribution Services, Financial Support Services, Contract Services, Efficiency & Renewable Energy
3. Altran Solutions Corp.	Transmission & Distribution Planning Services
4. AMEC E & E PC	Transmission & Distribution Planning Services, Transmission and Distribution Services
5. AWS Truwind, LLC	Generation & Resource Planning, Analysis & Development, Distributed Generation
6. Black & Veatch Corporation	Distributed Generation
7. Burns & McDonnell Engineering	Transmission & Distribution Planning Services, Generation & Resource Planning, Analysis & Development, Distributed Generation, Retail Services, Financial Support Services, Efficiency & Renewable Energy
8. Burns & Roe Enterprises, Inc.	Power Markets, Generation & Resource Planning, Analysis & Development, Distributed Generation, Transmission and Distribution Services, Financial Support Services, Efficiency & Renewable Energy
9. Commonwealth Associates, Inc.	Transmission & Distribution Planning Services, Transmission and Distribution Services
10. GAI Engineering Consultants, of New York, PC	Transmission and Distribution Services
11. GDS Associates, Inc.	Efficiency & Renewable Energy

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| 12. ICF Resources, LLC | Efficiency & Renewable Energy |
| 13. KEMA, Inc. | Power Markets |
| 14. LaCapra Associates, Inc. | Retail Services |
| 15. Levitan & Associates, Inc. | Power Markets, Generation & Resource Planning, Analysis & Development, Financial Support Services, Contractual Support Services |
| 16. Navigant Consulting, Inc. | Power Markets, Transmission Planning Services, Generation & Resource Planning, Analysis & Development, Distributed Generation, Retail Services, Transmission and Distribution Services, Financial Support Services, Contractual Support Services, Efficiency & Renewable Energy |
| 17. PSM Consulting, Inc. | Power Markets |
| 18. Sargent & Lundy LLC | Generation & Resource Planning, Analysis & Development, Contractual Support Services |
| 19. Siemens Energy Inc. International | Transmission & Distribution Planning Services |
| 20. Shaw Consultants, Inc. International | Power Markets, Generation & Resource Planning, Analysis & Development, Distributed Generation, Contractual Support Services |
| 21. Stephen A. Marsh Consulting, Inc. | Retail Services |
| 22. Think Energy, Inc.
Energy | Distributed Generation, Efficiency & Renewable |
| 23. TRC Engineers, Inc. | Transmission and Distribution Services |
| 24. Utility Integration Solutions, Inc. | Power Markets, Retail Services |
| 25. Virchow, Krause & Company, LLP | Financial Support Services, Contractual Support Services |

Acting Chairman Steinberg stated that the next item on the agenda is the consideration of the approval of the engagement of a vendor to provide natural gas supply. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated

that the matter would be presented by Mr. Shansky.

Mr. Shansky presented the following action item:

Requested Action

The Trustees are being requested to adopt a resolution authorizing the President and Chief Executive Officer or his designee to select and engage Sequent Energy Management, L.P. (“Sequent”), to provide natural gas supply to the Caithness Plant for a twenty-two month term, with the option to renew for an additional twelve-month term.

Background

The Long Island Power Authority (“LIPA”) and Caithness are parties to a power purchase agreement dated January 31, 2006, as amended (the “PPA”), which has a 20-year term. Pursuant to the PPA, LIPA is purchasing approximately 286 MW (“LIPA’s Share”) of the 326 MW of capacity available from the Caithness Plant, which began commercial operation on August 1, 2009. Under the PPA, LIPA is responsible for providing fuel for LIPA’s Share of the Caithness Plant. In order to take advantage of the plant’s high efficiency and to avoid fuel curtailments, LIPA needs to have a firm natural gas fuel supply for the Caithness Plant, which consists of two elements: 1) firm local gas transportation and 2) a firm natural gas supply delivered to the local natural gas transportation network. LIPA has already obtained the first element of such firm natural gas fuel supply by entering into a 20-year agreement for firm local gas transportation on Long Island with National Grid. To obtain the second element, LIPA needs a gas supplier with access to firm transportation capacity on interstate pipelines.

The Evaluation Process

As such, on May 19, 2009, LIPA issued a competitive solicitation to obtain a service provider to deliver a firm natural gas supply to the local gas transportation network (the “RFP”). The RFP was distributed to approximately 30 firms, advertised in the New York State Contract Reporter, and posted on the LIPA website.

On July 7, 2009, 4 proposals were received in response to the RFP. The proposals were reviewed by a selection committee consisting of an interdisciplinary group of LIPA staff and consultants to determine, among other things, compliance with the terms of the RFP. Based on an initial review, the selection committee determined that only the proposal submitted by Sequent was responsive to the RFP. As such, in August 2009, the selection committee interviewed Sequent to better assess its proposal and ability to provide the services sought.

Based on the committee’s evaluation of Sequent’s proposal, including the written submission, and the oral presentation, it was determined that Sequent is well-suited to meet LIPA’s needs and provide firm natural gas supply to the Caithness Plant. Some of the strengths of Sequent’s proposal are as follows:

- significant experience in providing natural gas supply;
- a hold or control of significant pipeline capacity and natural gas storage on both the Transco and Iroquois pipelines serving Long Island;
- evidence of financial strength through its parent, AGL Resources, Inc.;
- selected by Caithness to supply natural gas supply for the non-LIPA share of the Caithness Plant; and
- reasonable pricing estimated to total approximately \$250 million over the 34-month maximum term of the engagement, including proposed charges for firm supply.

Recommendation

Based on the foregoing, Mr. Shansky recommended approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

The following resolution was then unanimously adopted by the Trustees:

945. ENGAGEMENT OF FIRM TO PROVIDE NATURAL GAS SUPPLY TO THE CAITHNESS LONG ISLAND ENERGY CENTER

WHEREAS, the Long Island Power Authority (“LIPA”) is responsible for providing fuel and fuel management services in connection with its power purchases from the Caithness Long Island Energy Center (“Caithness Plant”) pursuant to a power purchase agreement dated January 31, 2006; and

WHEREAS, in response to LIPA’s May 19, 2009 “Request for Proposals to Provide Natural Gas Supply to the Long Island Power Authority” LIPA recommends the selection of Sequent Energy Management, L.P. (“Sequent”) to provide such natural gas fuel supply to LIPA for the Caithness Plant:

NOW, THEREFORE, BE IT RESOLVED, that as more fully set forth in the accompanying memorandum, the Trustees hereby 1) approve the selection and engagement of Sequent to provide natural gas fuel supply for LIPA’s power purchases from Caithness, and 2) authorize the President and CEO or his designee to negotiate and execute a gas sale and purchase agreement that shall set forth the terms and conditions for Sequent to provide such natural gas fuel supply, and any other related agreements or 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 ensure that LIPA obtains the required natural gas fuel supply for LIPA’s power purchases from the Caithness Plant.

Acting Chairman Steinberg stated that the next item on the agenda is the consideration of the approval of the engagement of a vendor to provide fuel management services. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Mr. Shansky.

Mr. Shansky presented the following action item:

Requested Action

The Trustees are being requested to adopt a resolution authorizing the President and Chief Executive Officer, or his designee, to engage National Grid Energy Trading Services, LLC (“NGETS”) to provide Fuel Management Services for the Caithness Plant for a term beginning January 1, 2010 and ending on May 28, 2013.

Background

The Long Island Power Authority (“LIPA”) and Caithness are parties to a power purchase agreement dated January 31, 2006, as amended (the “PPA”), which has a 20-year term. Pursuant to the PPA, LIPA is purchasing approximately 286 MW (“LIPA’s Share”) of the 326 MW of capacity available from the Caithness Plant, which began commercial operation on August 1, 2009. Under the PPA, LIPA is required to provide fuel for LIPA’s Share of the Caithness Plant, which requires fuel management services, including, among other things, scheduling daily natural gas deliveries to match Caithness’ electric dispatch requirements, arranging oil deliveries when natural gas is curtailed or too expensive, remarketing natural gas purchased in excess of Caithness’ consumption, and verifying and paying fuel invoices. NGETS is currently providing these fuel management services for LIPA’s Share under an agreement that expires on December 31, 2009.

The Evaluation Process

In order to ensure that the fuel management services for LIPA’s Share continue beyond the term of the expiring contract, LIPA issued a solicitation for fuel management services on May 19, 2009 (the “FM RFP”), seeking proposals from experienced firms to provide such services for a term beginning January 1, 2010 and ending on May 28, 2013. The FM RFP specified an expanded scope of service that included management of the firm natural gas supply to be procured under a separate RFP. The FM RFP was distributed to approximately 75 firms, advertised in the New York State Contract Reporter and posted on the LIPA website.

On July 7, 2009, only one proposal, from NGETS, was received in response to the FM RFP.

The NGETS proposal was carefully evaluated by a selection committee consisting of an interdisciplinary group of LIPA staff and consultants. The selection committee reviewed NGETS' proposal for compliance with the terms of the FM RFP and then evaluated the proposal against the criteria set forth therein.

Based on NGETS' proposal and an assessment of LIPA's needs, it was determined that NGETS is well-suited to provide fuel management services to LIPA for the Caithness Plant. In this regard, some of the strengths of NGETS' proposal are as follows:

- significant experience and knowledge in providing fuel management services to LIPA for over eleven years, including serving as LIPA's fuel manager for the Caithness plant during 2009;
- evidence of financial strength through its parent, KeySpan Corporation d/b/a National Grid; and
- pricing that is comparable to its current contract price considering its expanded scope of service (\$387,000 per year, subject to an annual inflation adjustment).

Recommendation

Based on the foregoing, Mr. Shansky recommended approval of the above-requested actions by adoption of a resolution in the form of the attached draft resolution.

The following resolution was then unanimously adopted by the Trustees:

946. ENGAGEMENT OF FIRM TO PROVIDE FUEL MANAGEMENT SERVICES TO THE LONG ISLAND POWER AUTHORITY FOR THE CAITHNESS LONG ISLAND ENERGY CENTER

WHEREAS, the Long Island Power Authority ("LIPA") is responsible for providing fuel in connection with its power purchases from the Caithness Long Island Energy Center ("Caithness Plant") pursuant to a power purchase agreement dated January 31, 2006; and

WHEREAS, the existing fuel management services for the Caithness Plant is due to expire on December 31, 2009; and

WHEREAS, in response to LIPA's May 19, 2009 "Request for Proposals to Provide for Fuel Management Services for the Caithness Long Island Energy Center" LIPA recommends the selection of National Grid Energy Trading Services, LLC ("NGETS") to provide such management services:

NOW, THEREFORE, BE IT RESOLVED, that as more fully set forth in the accompanying memorandum, the Trustees hereby approve 1) the selection and engagement of NGETS to provide fuel management services in connection with LIPA's power purchases from the Caithness Plant and 2) further authorize the President and Chief

Executive Officer or his designee to negotiate and execute a Fuel Management Services Agreement, and any other related agreements or 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 fuel management services.

Acting Chairman Steinberg stated that the next item on the agenda is the consideration of the approval of the engagement of a vendor to provide services related to the future use and re-development of the Shoreham Property. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Mr. Deering.

Mr. Deering presented the following action item:

Requested Action

The Trustees are being requested to adopt a resolution authorizing the President and Chief Executive Officer, or his designee, to engage VHB Engineering, Surveying and Landscape Architecture, P.C., an affiliate of Vanasse, Hangen, Brustlin, Inc. (“VHB”), to provide services to the Long Island Power Authority (the “Authority”) related to the future use and redevelopment of certain property in Shoreham, NY, for a period of one year.

Background

The Shoreham nuclear power plant (the “Plant”) was constructed on Long Island on nearly 60 acres of industrially zoned land in Shoreham, NY (the “Shoreham Property”). In 1989, following intense public opposition to its operation, the Plant was closed, and fully decommissioned by the Authority in 1994.

Pursuant to the Authority’s enabling legislation, the Authority has the obligation to “investigate and develop alternative uses, if any” for the property owned by the Authority following the decommissioning of the Plant. Accordingly, in April 2008, the Authority formed the Shoreham Advisory Committee (the “Committee”) to discuss the future use and redevelopment of the Shoreham Property. At the request of the Committee, on April 20, 2009, the Authority issued a Request for Proposals (“RFP”) to procure a firm(s) to work with the Authority and the Committee to provide ideas and feedback on the redevelopment of the former nuclear plant site and what effect it may have on, among other things, taxes, the environment and the quality of life for nearby residents. The RFP set forth that the selected firm(s) would, among other things, produce a report with its findings and recommendations on such potential redevelopment to the Authority and the

Committee.

The RFP was affirmatively distributed to a list of 64 firms, advertised in the NYS Contract Reporter, and posted on the LIPA website. On June 23, 2009, ten firms responded to the RFP. A selection committee comprised of Authority staff carefully examined each proposal for compliance with the terms of the RFP and against the cost and non-cost criteria set forth therein. Interviews with the three top-scoring firms were conducted in order to more fully evaluate the written proposals and to better assess the strengths and weaknesses of each firm with respect to the Authority's needs. The three interviewed firms were VHB, Cameron Engineering & Associates LLP and Buckhurst Fish and Jacquemart, Inc. d/b/a BFJ Planning.

Based upon the written proposals, the interviews and an assessment of the Authority's needs, it was determined that VHB, a Hauppauge-based firm, achieved the highest total score and would provide the best value to the Authority for the services sought. VHB is a multi-faceted engineering, environmental, land development and transportation firm with staff available to promptly handle this project. VHB has worked on other significant Long Island projects including the Nassau Coliseum redevelopment project, the Kings Park Psychiatric Center project and the Ronkonkoma Hub Transit Oriented Planning Study. In addition, VHB proposes to use several well-known and reputable subconsultants to perform the scope of work, including: Basile Bauman Prost Cole & Associates (economic/fiscal/market analysis), Harrison Leifer DeMarco Public Relations (public and community relations), Forchelli, Curto, Crowe, Deegan, Schwartz, Mineo & Cohn, LLP (regulatory and zoning), Posillico Civil, Inc. (cost estimating), and ABG Strategies LLC (decommissioning and reuse). It is significant to note that ABG Strategies has actual experience in the decommissioning and reuse of an atomic power plant. Mr. Deering noted that the total cost proposed for the services of VHB and its subconsultants is \$233,950.

Recommendation

Based on the foregoing, Mr. Deering recommended approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

The following resolution was adopted by the Trustees with Trustee Weir and Trustee

Calone abstaining:

947. ENGAGEMENT OF FIRM TO PROVIDE RECOMMENDATIONS ON THE FUTURE USE AND REDEVELOPMENT OF THE SHOREHAM PROPERTY

RESOLVED, that consistent with the attached memorandum, the President and Chief Executive Officer or his designee be, and hereby is, authorized to engage VHB Engineering, Surveying and Landscape Architecture, P.C. an affiliation of Vanasse,

Hangen, Brustlin, Inc. (“VHB”) to provide recommendations and prepare a report on the future use and redevelopment of certain property owned by the Long Island Power Authority in Shoreham, NY, for a term of one year.

Acting Chairman Steinberg stated that the next item on the agenda is the consideration of the approval of the engagement of a vendor to provide energy efficiency solution provider services. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Mr. Zaweski.

Mr. Zaweski presented the following action item:

Requested Proposal

The Trustees are being requested to approve a resolution authorizing the President and Chief Executive Officer or his designee, to engage TRC Energy Services to provide Energy Efficiency Solution Provider services to the Long Island Power Authority (“LIPA”), for a term of five (5) years.

Background

LIPA has developed Efficiency Long Island (“ELI”), an expanded set of energy efficiency initiatives to significantly increase energy and demand savings after evaluating options for meeting the demands of the current and future electric energy markets. The Energy Efficiency Solution Provider (“EESP”) is an integral contractor necessary to further ELI’s expanded efficiency efforts with LIPA’s Commercial and Industrial (“C&I”) customers, including the goals of achieving 277,000 GWh of energy savings and 64 MW of summer demand reduction by 2014. The EESP would work with LIPA’s C&I customers to ensure that energy efficient design is incorporated into any planned new facilities and explore retrofitting opportunities that provide energy and electric demand savings in existing facilities. The EESP would provide C&I customers with virtually all sales, outreach, technical analysis, and other services required to facilitate energy efficiency projects from inception to completion.

In an effort to maximize the achievement of savings related to the EESP’s performance, LIPA designed a Performance Incentive Mechanism (“PIM”) to be included in any prospective contract for EESP services. The proposed PIM is structured to compensate the EESP for achieving certain aggressive goals for MW, MWh and other demand or consumption savings set at or below established customer rebate budgets. When compared to not incentivizing the EESP, the PIM provides a potentially significant benefit to LIPA by lowering its levelized cost per kWh of energy efficiency by up to approximately 20% (e.g.,

\$.035/kWh for achieving the maximum incentive, vs. \$.043/kWh without the incentive).
The Evaluation Process

As such, on June 30, 2009, LIPA issued a Request for Proposals (“RFP”) seeking experienced firms to provide EESP services. The RFP was affirmatively distributed to a list of 30 firms, advertised in the NYS Contract Reporter, and posted on the LIPA website. In August 2009, LIPA received three proposals in response to the RFP. A selection committee comprised of LIPA and National Grid staff reviewed each proposal to ascertain its conformance to the RFP requirements and evaluated the proposal in accordance with the cost and non-cost selection criteria set forth therein.

Based upon the committee’s evaluation of the proposals received, it TRC Energy Services (“TRC”) received the highest total score of the three proposals and is deemed to be best-suited to perform the services sought. TRC’s cost proposal is estimated to be approximately \$2.6 million per year, which includes the lowest average hourly rates of the three proposals received, and an estimate of labor hours that is consistent with what LIPA staff and LIPA’s Efficiency Planning Consultant forecasted for the effort prior to the issuance of the RFP. The total value of the contract, net of any achievement of the PIM, would be approximately \$13.1 million, with a PIM that could range from \$0 to a maximum \$5.2 Million over the five-year term. In addition, the contract with TRC will be terminable at the Authority’s discretion upon written notice.

Mr. Zaweski also noted that TRC is an established, financially stable and highly experienced firm with over 2,500 employees at 120 locations throughout the United States and 40 years of experience in energy and environmental consulting, which includes design, implementation and management services of commercial, industrial, and multifamily energy efficiency programs, and services for LIPA on its Peak Load Reduction Program and the Retrofit Energy and Capacity Program. Moreover, TRC has extensive experience with similar programs, including the management and implementation of programs for NYSERDA and New Jersey’s Office of Clean Energy.

Recommendation

Based on the foregoing, Mr. Zaweski recommended approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

The following resolution was adopted unanimously by the Trustees:

948. ENGAGEMENT OF FIRM TO PROVIDE ENERGY EFFICIENCY SOLUTION PROVIDER SERVICES

RESOLVED, that the President and Chief Executive Officer or his designee be, and hereby is, authorized to engage TRC Energy Services to provide Energy Efficiency Solution Provider Services for a term of 5 years, terminable at the Authority’s discretion upon written notice.

Acting Chairman Steinberg stated that the next item on the agenda is the consideration of the approval of revisions to LIPA's Code of Ethics and Conduct. 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 presented the following action item:

Requested Action

The Trustees are being requested to adopt the Code of Ethics and Conduct of the Long Island Power Authority (the "Code"), as modified.

Background

In October 2007, the Trustees adopted the Code, which sets forth the Long Island Power Authority's (the "Authority") policy regarding the ethical conduct of its employees, former employees, officers and Trustees, including their responsibilities under the Public Officers Law. The Code also reflects the provisions of certain Executive Orders as adopted by the former Governor. Since that time, certain changes in the law and other governing principles included in the Code have taken place. As such, and as part of the Authority's ongoing review of its governance documents, a comprehensive review of the Code was conducted by legal staff and the Governance Committee of the Board. This review included consideration of revisions to the Code to reflect 1) legal, policy and administrative changes that went into effect since its adoption; 2) current best practices related to the ethical conduct of state employees; and 3) an improved transparency of the Code's requirements.

Accordingly, the principal changes reflected in the proposed revised Code are as follows:

- modifies the definition of "spouse" to include "individuals who enter into a same sex marriage legally performed in jurisdictions outside of New York" consistent with current New York case law and the Authority's Employee Handbook.
- adds a definition for the term "nominal" to be consistent with the New York State Commission on Public Integrity's Advisory Opinion No. 08-01, which provides guidance for determining "nominal value" in the context of permissible gifts under the Public Officers Law.
- provides a more comprehensive explanation of Advisory Opinion No. 06-01,

which sets forth certain restrictions for employees pursuing or being pursued for employment opportunities with vendors who have matters under consideration by the employee.

- expands on the applicable requirements related to the post-employment restrictions set forth in the Public Officers Law.
- modifies the anti-nepotism provision prohibiting an employee from taking part in a hiring or employment decision relating to a family member to also prohibit such employee from supervising the family member if hired.
- incorporates the Authority's existing outside employment policy into the Code.
- changes the reference to "Chairman" in the investigation section of the Anti-Retaliation Policy to "President and Chief Executive Officer" to more accurately reflect the desired reporting protocol.

Based on the Governance Committee's recommendation, staff believes that the proposed revisions to the Code are reasonable, appropriate and consistent with good governance practices.

Recommendation

Based upon the foregoing, Ms. Nicolino recommended approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

The following resolution was adopted unanimously by the Trustees:

949. ADOPTION OF REVISIONS TO THE CODE OF ETHICS AND CONDUCT OF THE LONG ISLAND POWER AUTHORITY

WHEREAS, the Code of Ethics and Conduct of the Long Island Power Authority (the "Code") sets forth the policies and procedures related to, among other things, the ethical and professional standards of conduct expected of the Long Island Power Authority's (the "Authority") employees; and

WHEREAS, as part of the Authority's ongoing review of its governance documents, a comprehensive review of the Code was undertaken by the Authority's legal staff and the Governance Committee of the Board; and

WHEREAS, based on this review, the Authority wishes to revise its existing Code, as set forth more fully in the accompanying memorandum, to reflect legal, policy and administrative changes that went into effect since its adoption, current best practices related to the ethical conduct of state employees, and to provide improved transparency of the Code's requirements:

NOW, THEREFORE, BE IT RESOLVED, that the Trustees, upon recommendation of the Governance Committee, hereby adopt the “Code of Ethics and Conduct of the Long Island Power Authority – September 24, 2009” in the form presented at this meeting; and be it further

RESOLVED, that this resolution take effect immediately.

Acting Chairman Steinberg stated that the last item on the agenda is the consideration of the approval of a settlement agreement with National Grid. 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 presented the following action item:

Requested Action

The Trustees are being requested to authorize the President and Chief Executive Officer, or his designee, to execute 1) a Settlement Agreement and Release (“Settlement Agreement”); and 2) a Second Amendment to Amended and Restated Management Services Agreement (“Second Amendment”), with National Grid, resolving certain disputes related to National Grid’s performance and modifying certain other terms under the Amended and Restated Management Services Agreement, dated January 1 2006, as amended by the Amendment to the Amended MSA, dated March 22, 2007 (together, the “Amended and Restated MSA”).

Background

In June 2007, the Trustees authorized the Long Island Power Authority (“LIPA”) to execute certain agreements with National Grid and KeySpan related to the National Grid/KeySpan merger that provided a series of ratepayer, reliability and repowering benefits to LIPA’s customers. These benefits were in addition to those LIPA had already obtained in a series of agreements negotiated with KeySpan and approved by the Trustees in January 2006. The Amended and Restated MSA was one of those 2006 agreements and, among other things, established certain performance metrics which KeySpan (now National Grid) is required to achieve to avoid certain financial penalties and/or possible termination of the agreement. One such performance metric relates to the overall

satisfaction of LIPA's customers measured according to certain indices (the "Customer Satisfaction Metric" or "CSM"). The failure to meet the CSM for any year gives rise to monetary penalties amounting to \$1 million per failed year. Failure to meet the CSM for three consecutive contract years constitutes an "Event of Default", giving LIPA the right to terminate the agreement.

In both 2006 and 2007, KeySpan/National Grid failed to achieve the annual minimum requirements of the CSM and has paid LIPA \$2 million in combined penalties associated with these failures. Earlier this year, LIPA received results again showing that National Grid failed to meet the CSM for 2008. As such, LIPA advised National Grid that it was subject to the \$1 million penalty, and that it was in default of the MSA for failing the CSM three years in a row. National Grid disagreed, advising LIPA that not only did it meet the threshold performance level for 2008, but that the failures of the CSM in 2006 and 2007 were to be retroactively excused as they were due to circumstances beyond National Grid's control.

As a result of this disagreement, the parties commenced good faith negotiations to attempt to resolve the dispute under the dispute resolution procedures of the Amended and Restated MSA. The primary goal of these negotiations, which have taken place over several months, has been that any settlement should produce an agreement that better serves the interests of LIPA's customers for the balance of the term of the Amended and Restated MSA.

Through these negotiations, LIPA has been able to obtain additional customer benefits that it believes would, as described below, serve to improve customer satisfaction and service, increase accountability for National Grid employees, and create a bridge to the future through the acquisition of certain critical system assets, at no cost, prior to the expiration of the Amended and Restated MSA. The key terms and conditions setting forth the parties' agreement are contained in the attached term sheet, which will be more specifically incorporated into the following two agreements.

Settlement Agreement and Release

This Settlement Agreement provides for the formal resolution of the dispute regarding the CSM. The agreement provides for National Grid to pay LIPA an additional \$1 million as consideration in exchange for LIPA's agreement to forbear its right to terminate the Amended and Restated MSA. Under the Settlement Agreement, the parties also mutually release each other from any further claims related to the CSM dispute.

Second Amendment to Amended and Restated MSA

The Second Amendment modifies the Amended and Restated MSA in a number of important respects, including the following:

Improved Customer Satisfaction:

- **Doubles the annual financial penalty for violation of the Customer Satisfaction Metric from \$1 million to \$2 million per year;**
- **Increases the cap on the overall annual metric penalties from \$7 million to \$11 million;**
- **Creates two new Customer Satisfaction Metrics in place of the existing metric that:**
 - **use the nationally syndicated JD Powers Peer Survey, which ranks LIPA against utility performance in the Northeast;**
 - **use a LIPA-specific survey to measure satisfaction with all transactions between the customer and LIPA; and**
 - **provide that three consecutive annual failures of this newly created customer satisfaction metric results in an Event of Default;**
- **Requires National Grid to create and implement an Employee Culture Improvement Plan for Customer Satisfaction; and**
- **Requires National Grid to ensure that individual compensation for its Executive and Management organization responsible for LIPA is directly tied to achieving satisfactory customer satisfaction performance.**

Improved Customer Service:

- **National Grid must demonstrate performance of a “best practices” review to LIPA’s satisfaction in 2009;**
- **National Grid and LIPA will establish a standing Smart Grid development team; and**
- **National Grid will improve certain staffing on Long Island, including with respect to:**
 - **achieving Minority and Women Owned Business Enterprises goals;**
 - **Rates and Pricing matters; and**
 - **Executive Oversight.**

Critical Information Systems:

- **Gives LIPA the right to acquire key operating information systems at no cost, prior to the expiration of the Amended and Restated MSA, including:**
 - **Customer Service Systems; and**
 - **Outage Management Systems Control Center Systems.**
- **Strengthens the Information System governance process related to improvements of LIPA-owned information systems**

Without the Critical Information Systems, LIPA would be constrained with respect to many of its potential objectives going forward, including but not limited to, changing business models, leveling the playing field for any future competitive procurement of

management services, and transitioning service providers for such services. Although the Amended and Restated MSA provides future rights to LIPA to purchase or lease these systems at a cost to be determined by the parties, as part of the negotiations, however, in the Second Amendment, LIPA would be able to acquire these key operating assets at no cost. Staff estimates that the value to LIPA's customers of these deferred or avoided system costs is over \$60 million.

Overall, Staff considers this negotiated settlement to be fair, reasonable and in the best interest of LIPA's customers. It would finally resolve important contract issues that otherwise would be subject to a protracted and uncertain arbitration process, and would give LIPA's customers certain financial and performance-related benefits that would not be available if LIPA were to terminate the Amended and Restated MSA at this time.

Recommendation

Based on the foregoing, Ms. Nicolino recommend that the Trustees adopt a resolution in the form of the attached draft resolution.

The following resolution was adopted by the Trustees with Trustee Calone abstaining:

950. AUTHORIZATION TO ENTER INTO SETTLEMENT AGREEMENT AND RELEASE AND SECOND AMENDMENT TO AMENDED AND RESTATED MANAGEMENT SERVICES AGREEMENT

WHEREAS, the Long Island Power Authority ("LIPA") and National Grid have negotiated a resolution of their differences regarding National Grid Electric Services, LLC's satisfaction for the 2006-2008 contract years of the Customer Satisfaction Metric in the Amended and Restated Management Services Agreement, dated January 1 2006, as amended by the Amendment to the Amended MSA, dated March 22, 2007; and

WHEREAS, for the reasons set forth in the preceding Memorandum, the proposed Settlement Agreement and Release and Second Amendment to Amended and Restated Management Services Agreement are in the best interests of LIPA and its customers;
NOW, THEREFORE, BE IT RESOLVED, that the President and CEO or his designee be and hereby are authorized to execute and deliver the Settlement Agreement and Release and Second Amendment to Amended and Restated Management Services Agreement, consistent with the term and conditions presented at this meeting, with such changes therein as the President and CEO shall deem appropriate, and other related agreements and arrangements, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the President and CEO or his designee, to carry out the aforesaid agreements.

The Acting Chairman then allowed public comment to be heard, after which he

announced that the next Board meeting is scheduled for October 22, 2009 at 11:00 a.m. in Uniondale.

The Acting Chairman called for a motion to enter executive session. Upon motion duly made and seconded, the following motion was unanimously approved:

951. 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 12:48 p.m. the open session of the Board of Trustees was temporarily adjourned on motion into Executive Session, which commenced at 1:03 p.m.

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 the meeting ended at 2:22 p.m.

Respectfully submitted,

Lynda Nicolino