

**LONG ISLAND POWER AUTHORITY
MINUTES OF THE 183rd MEETING
HELD ON OCTOBER 2, 2007**

Pursuant to notice dated September 26, 2007, the Long Island Power Authority (the "Authority") was convened for the one hundred and eighty-third time at 11:16 AM at the Omni Teleconference Center, in Uniondale, NY.

The following Trustees of the Authority were present:

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

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

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

The Chairman stated that the first item on the agenda is approval of the minutes of the June 6, 2007 meeting of the Board of Trustees.

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

823. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JUNE 6, 2007 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 6, 2007 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

* * *

Chairman Law stated that since the Board's last meeting in June, the Public Service Commission ("PSC") approved the merger between National Grid and KeySpan, and the KeySpan Corporation no longer legally exists. The Chairman continued that National Grid is LIPA's new partner, although they are still doing business on Long Island as KeySpan. He indicated that the great men and women of KeySpan will continue to take care of LIPA's system, and LIPA owes them a great deal of gratitude for all of the hard work that they do for LIPA in making sure that the lights are kept on, and he thanked and congratulated them on behalf of himself and the Board.

Chairman Law stated that the merger did not happen without some issues, controversies and concerns. The Chairman continued that the Board feels very good about the agreement that LIPA negotiated with National Grid, although LIPA had no say over the merger itself. He added that the PSC, the Attorney General and the New York State Comptroller approved the merger.

Chairman Law stated that LIPA will remain vigilant to ensure that National Grid lives up to the expectations and obligations under the agreement, with respect to general service and reliability, as well as the commitments that were made to LIPA regarding the MGP issues, and their obligation and responsibility to clean up those sites. The Chairman continued that LIPA will be vigilant and will look forward to the new partnership with National Grid, and ensure that the arrangement will continue as well as it did with KeySpan.

Chairman Law stated that with respect to LIPA's search for a new General Counsel, he believes that LIPA has found a terrific candidate. The Chairman continued that we will hopefully be presenting this individual to the Board at its next meeting, after first sharing the information about this candidate with the Personnel and Compensation Committee.

Chairman Law stated that he had previously submitted a letter to the PSC, and specifically to the Chairwoman Patricia Acampora, in connection with the Authority's desire to strike a balance with regard to oversight. The Chairman continued that there have been a lot of calls to make LIPA subject to the

regulation of the PSC, and those talks are continuing. He indicated that the Authority had submitted a good proposal, which LIPA ran by the rating agencies, who were comfortable with it. He added that the Authority thought that it was a nice compromise to add another set of eyes and some oversight, but it was rejected by the PSC for the reason that the PSC does not have jurisdiction.

Chairman Law stated that with regard to the oversight, he recently had discussions with State Senator Kenneth LaValle, Assemblyman Robert Sweeney and New York State Comptroller Thomas DiNapoli. The Chairman continued that he told them that the Authority wants to work with them, but that the Authority also wants to do something that works for itself and its ratepayers. He indicated that he intends to continue to work with them, and he will report back to the Board on the issue.

Chairman Law stated that he has been participating in the sub-cabinet meetings with the heads of NYPA, the DEC, NYSERDA, DASNY and the PSC, and they are trying to work together on a coordinated approach to energy matters throughout the state. The Chairman continued that it is a good team, and LIPA is looking to be partners with these entities with respect to matters that relate to Long Island and LIPA, when it is in LIPA's interest. He added that he has been participating on Lieutenant Governor Paterson's Renewable Energy Task Force in trying to come up with a renewable energy plan for the entire state, and he has also been participating on the Executive Order 111 Advisory Council. He noted that all of these bodies have a goal of coordinating energy programs and policies for the entire state, and that LIPA's voice is being heard at these meetings.

Chairman Law stated that he has not yet heard from the New York Attorney General's Office with respect to his request for opinions on compensation matters and charitable contributions. The Chairman continued that depending upon what the Attorney General says, it will either be a final decision by him, or it will be a LIPA Board decision. He indicated that once he receives something, he will promptly share it with the Board.

Chairman Law stated that he recently participated in a hurricane preparedness drill, with CEO Kessel, LIPA staff and KeySpan (now National Grid) staff members, and it was a terrific experience. The Chairman further stated that people should feel comfortable with the fact that there is a lot of good planning and preparation going on, and that there are also good policies and procedures in place. He added that you can never be totally prepared, but it was an interesting exercise, and it is nice to know that these policies and procedures are in place and that LIPA and National Grid will coordinate these efforts.

Chairman Law stated that as he was driving to the meeting today, he heard that the number of storms and hurricanes that were predicted for this year has been downgraded, but four more storms are anticipated, one or two of which may be hurricanes. The Chairman indicated that the good news is that the plans and procedures are in place for LIPA to do the best job that it can in the event that a hurricane strikes Long Island.

Chairman Law stated that LIPA needs to make decisions over the next several months regarding an opportunity that was given to LIPA pursuant to the revised agreements with KeySpan and National Grid before the approval of the merger, and which concern options for repowering for which LIPA needs to make decisions on by the end of May 2008. The Chairman continued that he has committed to work with others to explore repowering opportunities, and LIPA is excited about it, but LIPA has to go slowly. He indicated that it must make sense for its ratepayers, and the clock is ticking, so LIPA will need to deal with that over the next few months.

Chairman Law stated that Governor Spitzer has proposed a 15 by 15 program to reduce demand throughout the state by 15 percent by the year 2015, and LIPA staff has continued its work on an exciting new efficiency program. The Chairman continued that LIPA is not there yet, but it is getting close, and LIPA continues to go back and press harder to make sure that this is the right approach to take. He indicated that he is excited about it, and he hopes to be in a position to present something to the Board at its next meeting. He added that although there is not a lot that LIPA can do in terms of controlling rates, LIPA can certainly help its customers to control their bills and to reduce demand, and also to make sure that LIPA's customers are being smart about the energy that they use.

Chairman Law stated that on October 11th, LIPA will be doing a ceremonial event with Neptune and the Federal Energy Regulatory Commission, with respect to the Neptune Cable. The Chairman further stated that on October 15th,

Governor Spitzer will be on Long Island with Congressman Steve Israel promoting a Green Buildings Initiative for schools and school buildings. He noted that many school buildings are between forty to fifty years old, and they waste a lot of energy. He added that the program is designed to see how school buildings can be made more efficient. Chairman Law stated that on October 18th there will be a groundbreaking ceremony for the Advanced Energy Research Center at Stony Brook University.

Chairman Law stated that this week, his dear friend, Richard Kessel, will be moving on. The Chairman continued that they first met in 1993 when CEO Kessel was running for County Executive, and they have been friends since. He indicated that he is wearing a button from that campaign.

Chairman Law stated that they have worked together while he was in private practice working on most of the major energy projects on the Island, and while he had been at Suffolk County, he worked with CEO Kessel on a lot of interesting projects as well. The Chairman continued that CEO Kessel has been a good friend and a great public servant to Long Island, who has done a tremendous amount of good things. He indicated that they may not always have agreed, but he believes that CEO Kessel's heart was always in the right place, and his commitment to Long Island and energy, as well as the protection of the environment, is without question. He added that Long Islanders owe him a great deal of gratitude.

Chairman Law stated that the last eight months have been sort of an awkward time, and the transition has been longer than some would have liked or expected. The Chairman continued that their friendship was tested at times, and there were people who tried to put a wedge between them, but he thinks that their friendship withstood those attempts. He added that he is happy to call CEO Kessel his friend, and that he loves him and wishes him the best.

Chairman Law stated that his colleagues may also wish to comment and that he would defer to Deputy Chairman Steinberg.

Deputy Chairman Steinberg stated that it is clear that Long Island is a much better place for having CEO Kessel taking the stewardship and leadership of the Authority from its inception. He continued that CEO Kessel added 1,800 MW of power, and he always pledged to keep the lights on. He noted that CEO Kessel always made good on his commitment and his pledge. He added that CEO Kessel upgraded the infrastructure and took an organization that in its infancy was chaotic and in a difficult situation, due to the LILCO transformation, and he molded the organization and kept it going. He indicated that the people of Long Island owe CEO Kessel a great deal for his stewardship and leadership, and he will be missed.

Trustee Elovich stated that he probably knows CEO Kessel the longest in comparison to anybody on the Board, having known him for more than forty years. He continued that CEO Kessel has worked very hard with respect to everything that he has ever done in his life, and he is a credit to Long Island. He

added that CEO Kessel had done a great job with LIPA, which became his heart and soul and everything he believed in, and while LIPA will miss him terribly, he knows that CEO Kessel will be a great success. He wished CEO Kessel only Godspeed.

Trustee Fabio stated that he realizes that the agenda is lengthy, but he believes that the service that CEO Kessel has given to the Authority and to the people of Long Island deserves a few minutes. He continued that CEO Kessel took a moribund LILCO, and transformed it to LIPA, which is one of the best run overhead utilities in New York State. He indicated that this is because CEO Kessel had the vision, determination, political savvy and the leadership skills to make it happen.

Trustee Fabio stated that since 1998, LIPA has spent more than two billion dollars on infrastructure improvements and transmission and distribution system upgrades, which has resulted in LIPA being rated as the number one overhead utility in New York State with respect to both the SAIFI and CAIDI indices. He continued that LIPA restored the storm-related outages caused by Hurricane Ernesto within 24 to 48 hours, while customers served by other utilities did not see full service restored until after a week or more. He added that Long Islanders did not suffer the kind of service disruption experienced by Queens residents during the 2006 summer heat wave, and similarly, this summer's storms caused only pockets of outages that were quickly restored, and which were not either massive or long-lasting service disruptions.

Trustee Fabio stated that one of CEO Kessel's major priorities has been to address Long Island's growing demand by providing sufficient power capacity. He continued that it was no accident that LIPA had sufficient capacity to respond to record-setting demands the last two summers, and under his leadership the Cross Sound Cable stalemate was resolved. He added that the Neptune Cable project, which will bring lower cost power to Long Island from the Midwest, is now a reality and the Caithness state-of-the-art power plant in Yaphank is under construction. He noted that on CEO Kessel's watch, LIPA added 1,800 MW of capacity which has ensured that Long Island's energy needs will be met well into the future, which is an extraordinary accomplishment.

Trustee Fabio stated that the recent series of management agreements, were achieved as a direct result of CEO Kessel's involvement and will ensure that LIPA ratepayers will be the beneficiaries of synergy savings, while protecting and maintaining the high quality of electric service. He continued that CEO Kessel also played a major role in helping to resolve the labor management obstacles that threatened to derail the deal. He indicated that when you combine LIPA's accomplishments, such as increasing capacity through conventional power generation, with LIPA's conservation efforts and the vision and plan for developing an alternative energy supplies, such as wind, solar, fuel cells, geothermal and oceanographic sources, you have a utility company grounded in the reality of keeping the lights on now, but with an eye clearly focused on the future, all of which are outlined in LIPA's comprehensive Energy Plan initiated by CEO Kessel. He added that CEO Kessel may have his share of critics, which

goes with the territory, but those who would curse him will not do so in the dark, because true to his words, he kept the lights on.

Trustee Fabio stated that he thanks CEO Kessel for his total commitment to LIPA, and he salutes all of his wonderful accomplishments. He continued that his legacy will long endure and he will be greatly missed by many. He indicated that they all are looking forward with great anticipation to the next chapter in the life of Long Island's icons, and he wishes him good luck and Godspeed.

Trustee Nugent stated that CEO Kessel is the greatest advocate that Long Island ratepayers ever had. She continued that his honesty, integrity and good work is singular among all of the people that are active and caring about Long Island residents, and that his friendship is one that she has honored and continues to revere. She indicated that the best is yet to come, and she congratulated him on his future endeavors.

Trustee Affrunti stated that if he said all of the things that he wants to say, they would be here all day. He continued that he is proud that he joined this organization when it became LIPA, and now that CEO Kessel is leaving, Trustee Sinnreich and he are the only ones left. He indicated that it has been a pleasure to serve CEO Kessel, and he looks forward to seeing him in the future. He added that he is leaving Chairman Law in good hands, and he thanks him for all he has done.

Trustee Sinnreich stated that he would like to comment on the two qualities that he thinks have always characterized CEO Kessel in his relations at LIPA and that are, in his experience, all too rare and maybe even unique in public service: First, his unquestioned dedication to the public good to the exclusion of everything else; and second, the genuineness with which he welcomed the public's participation and also innovation at LIPA. He continued that he thinks that it had remarkable results, and the reason that there are so many people present today is because LIPA has indicated openness and welcomes the public and their views. He added that he hopes that those two qualities will be emulated by LIPA, going forward.

Trustee Fragin stated that as a new member of the Board, the one thing to learn from CEO Kessel, as far as government service is concerned, is that the status quo is never good enough. He continued that this is one thing that CEO Kessel represents for Long Island, and that LIPA must constantly improve on and move forward.

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

CEO Kessel stated that he wants to thank everyone for their kind words, and that it has been great working with everyone and with prior Boards. He continued that it is great to see former Trustee Auerbach, who was on the Board when Governor Pataki took over. He indicated that you would be surprised as to who has been on the Board, and it has been great working with all of them. He

added that he has probably agreed with most of them on most matters, and when he has not, it has always been courteous.

CEO Kessel stated that he also wants to thank his staff, and it has been a great honor to work with some great people. He further stated that he wants to thank all of the employees that work for LIPA and KeySpan, now National Grid. He indicated that Mr. Daley Mr. Shand, Ms. Redmond, and before them, Mr. Ranghelli, have meant a lot to him.

CEO Kessel stated that LIPA is the most reliable overhead utility in the state, and despite all of the consternation that people may have about LIPA, he has always said that the bottom line is to keep the lights on. He continued that no one cares about a lot of the issues that are passionate to LIPA. He indicated that it could not have been done without the great dedication of all of the management and employees.

CEO Kessel stated that he wants to thank Robert Catell, who is a great guy and a great friend. He stated that the public/private partnership has worked well because Mr. Catell has worked so hard, and because they have known each other for more than 30 years. He further stated that he wishes Mr. Catell well.

CEO Kessel stated that it has been a pleasure working with Chairman Law. He continued that people have tried to put a wedge between them, and that they do not agree on everything, but they have agreed 99 percent

of the time. He indicated that Chairman Law will continue to do a great job at LIPA, and that he is eminently qualified. He added that Chairman Law will be a terrific CEO, and he looks forward to working with him in any capacity that he can to be helpful. He noted that Chairman Law is a gentleman, and that he appreciates the support that he has given, both now and in the past, and he wished Chairman Law well.

CEO Kessel stated that with respect to the wind project, he thinks that all of the things that LIPA has looked to do are very lofty goals. He continued that whether it is repowering some aging power plant or another renewable energy project, they should be pursued carefully, because if LIPA did them all at once, it would bankrupt Long Island. He added that there is a perception that LIPA can repower every power plant, cut demand by 500 MW and meet 25 percent renewables all at the same time, which can not be done, but they are all lofty goals that should not be pitted against each other.

CEO Kessel stated that there has to be a timed way to do this, because if you try to meet every goal at the same time, Long Island could not afford it. He continued that he still believes in the wind project, although there is a cost to it, as there is no cheap way to do renewables, energy efficiency or repowering.

CEO Kessel stated that Chairman Law is taking the right approach. He reiterated that people should not pit one against the other, and these things should be done in a planned way, since it will take decades to do a lot of this. He noted that if you reduce demand by 500 MW, you cannot then simultaneously

repower a power plant or two, without impacting Long Island's rates, which are already too high.

CEO Kessel stated that LIPA had a good summer, and LIPA has adequate capacity. He indicated that he is happy that he is leaving LIPA in a financially stable condition and A-rated by every rating agency. He indicated that LIPA's bills are too high, but LIPA has not raised them in the last couple of years, although when oil goes up, it is a problem. He added that this is why LIPA must do some of these things that have been suggested.

CEO Kessel stated that LIPA is the most reliable overhead utility in the State of New York. He continued that LIPA does not have issues such as exploding pipes, deaths or injuries due to stray voltage, blackouts that last for days or outages from storms, where power to customers is not restored for weeks at a time, which is critical, and which is due to the investment that LIPA has made in the infrastructure. He indicated that LIPA was close to experiencing blackouts a few years ago, but now LIPA exceeds everyone else in terms of its resources.

CEO Kessel stated that he is proud of the Cross Sound Cable, and he thanks Chairman Law for the work that he did on the project before joining LIPA, and he is also proud of the Neptune Cable, which he feels is LIPA's greatest accomplishment. He continued that he feels very comfortable that he is leaving the utility in good shape with a terrific person, a good friend who is going to do a

terrific job. He added that he hopes to come back and say that Chairman Law did even better than he, because that is good for the people of Long Island.

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

Mr. Hulkower reported that with respect to LIPA's forecast for load and sales, additions for the year, at this point major accounts is not expected to hit its target of 34 MW. He continued that LIPA now anticipates that it will add approximately 38.4 MW against a goal of 44.8 MW, which is a fourteen percent shortfall. He indicated that on a revenue projection basis, LIPA will only fall nine percent short, so although LIPA will miss its goal, LIPA is getting more effective sales out of that.

Mr. Hulkower stated that with respect to the Clean Energy Initiative, the largest portion is lighting and appliances, and year to date, LIPA has 751,000 units against a years end goal of 715,000. He continued that on a coincident peak basis, LIPA has 3.2 MW of reduction against a goal of 3.35 MW. He added that for energy savings, LIPA has almost reached its year end goal, which is some very good progress.

Mr. Hulkower stated that with respect to LIPA's SAIFI, which concerns the frequency of interruptions, LIPA is at 14.5 months between outages, which is right at LIPA's goal. He continued that he will offer a reliability presentation in place of normal operating report. He indicated that with respect to LIPA's CAIDI,

which measures the duration of interruptions, there have recently been some significant improvements there, and LIPA's CAIDI is down to 72 minutes for the average interruption. He added that LIPA is still not at its five-year average.

Chairman Law asked whether the five-year average is a goal that the Board set or a requirement that LIPA is obligated to make, and further, why LIPA has not achieved it yet. Mr. Hulkower answered that LIPA uses the five-year average just as a measuring stick to remind LIPA where it needs to be. He continued that in the reliability reports, he indicates where LIPA's target are and the bandwidth used, but LIPA operates within plus or minus one standard deviation of where it has been on a historical basis. He added that LIPA recognizes that it cannot stay "rock solid" in one place, due to weather and other conditions that affect the system, which causes volatility, but LIPA has set up the goals for KeySpan and Grid to operate.

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

Ms. McCarthy reported that for the four months ended August 31, 2007, LIPA had an excess of expenses over revenues of \$152 million, compared to a budget of \$63 million. She continued that revenues for the period were \$2.4 billion, and were \$63 million or 3 percent below budget, due primarily to the reduction in the power supply charge that was implemented in February 2007 and milder than normal weather throughout the year. She added that sales for the period were .7 percent below budget, but offset by a \$109 million, or five percent

positive variance in operating expenses, driven by lower than budgeted fuel and purchase power costs.

Ms. McCarthy reported that Fuel and Purchased Power expenses are \$84 million below budget, due to lower than expected natural gas prices, and lower than budgeted O&M expenses of \$16 million, due primarily to timing related to clean energy and storm hardening expenditures. She continued that other income and deductions are approximately \$23 million ahead of budget, as a result of higher investment income, due to higher earning rates, higher investment balances and higher than budgeted sales of emissions credits and a timing difference related to the recognition of the Caithness benefits package. She indicated that interest expense is \$19 million lower than budget, due to lower interest rates on LIPA's variable rate debt and higher capitalized interest in connection with LIPA's construction program.

Ms. McCarthy reported that at August 31, 2007, LIPA had cash and equivalents of \$653 million, \$250 million of which is kept in LIPA's Rate Stabilization Fund, and the remainder in LIPA's operating funds. She indicated that it is invested in a variety of instruments with 89 percent having a maturity of three months or less.

Ms. McCarthy reported that from a hedging perspective, at August 31, 2007, LIPA had hedges for 84 percent of its expected oil and natural gas consumption for the remainder of 2007. She continued that LIPA's fuel hedge positions for oil,

natural gas and purchased power for 2008, 2009 were 76 percent, 38 percent and 14 percent respectively.

Chairman Law stated that before he was appointed to the Board he did not keep an eye on the cost of a barrel of oil. The Chairman continued that although it went back under \$80, it has been hovering in the low \$80's for the past two weeks. He asked what it means to LIPA, if the price stays in that range. Ms. McCarthy answered that LIPA has had the benefit this year of natural gas prices being lower than expected, and LIPA has been able to use more of the natural gas lately.

Ms. McCarthy stated that oil has been up in the \$80's, and has traded and settled at a record \$83.28 in September, and natural gas is trading up as well. She indicated that LIPA is in the process of putting together its budget, but clearly with prices running in this range and on the upward slope, there will be pressure on LIPA. She added that LIPA will have a better picture of this year when LIPA pulls together the full budget.

Deputy Chairman Steinberg asked what accounts for the significant increase in capitalization lease obligations. Ms. McCarthy answered that it is due to the recognition of the Neptune Cable on the balance sheet.

Trustee Nugent stated that the Finance and Audit Committee met prior to this meeting. She indicated that some of the revenue growth is up because of the increase in consumption by residential ratepayers, and despite the subprime

mortgage crisis, it seems that Long Islanders continue to consume within their very own home. She added that as gasoline prices increase, and the price per barrel continues to skyrocket, Long Islanders continue to drive as well.

Chairman Law entertained a motion to go into executive session to discuss litigation and personnel issues.

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

824. 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 litigation and personnel matters.

* * *

At 12:02 p.m. the open session of the Board of Trustees was temporarily adjourned and an executive session of the Board of Trustees was convened.

At 1:02 p.m. the executive session was adjourned and the open session was reconvened.

Chairman Law noted that he did not participate in the Executive Session. He indicated that as required by new State regulations, this meeting is being

webcasted, and so the Board discussion is on the Internet. He added that sidebar discussions may also be picked up, so the public should be aware of that.

Chairman Law stated that the next item on the agenda is Board consideration of authorization to enter into agreement with KeySpan Energy Delivery Long Island to provide on-Island natural gas transportation for Caithness Long Island Energy Center.

Ms. McCarthy stated that the Trustees are being requested to authorize the CEO and President, or his designee to negotiate and execute the Facilities Construction Reimbursement Agreement; the Gas Transportation Agreement and the Maintenance Agreement with KeySpan Energy Delivery of Long Island (KEDLI), pursuant to which KEDLI will provide firm, on-Island natural gas transportation service for the Caithness Long Island Energy Center. She continued that LIPA has a long-term power purchase agreement with the Caithness Long Island Energy Center for the purchase of 286 MW of power from that project, commencing upon its commercial operation date. She indicated that pursuant to the PPA terms, LIPA is responsible for the procurement and delivery of the fuel necessary to generate the electricity at that power plant.

Ms. McCarthy stated that in evaluating its alternatives for delivery of fuel to that plant, LIPA evaluated a potential lateral off the Iroquois gas transportation system for delivery to that system, and LIPA had discussions with KEDLI with respect to delivery of the existing system or after they had done upgrades through the proposed Islander East Pipeline. She continued that LIPA began a

process with Iroquois, which the Board approved in terms of evaluating a potential lateral, but issues raised by the New York State Department of Transportation increased the cost of that facility and led to some difficulties in siting. She indicated that because LIPA had discussions with Iroquois, LIPA created, with KEDLI, a potential bypass option, which was approved by the Public Service Commission and which allowed KEDLI to negotiate a discounted firm delivery rate to the Caithness facility. She added that LIPA has evaluated this alternative and believes it is the best option going forward.

Ms. McCarthy stated that LIPA has executed a nonbinding letter of intent with KEDLI, setting forth the terms under which KEDLI would provide the required firm transportation service for the Caithness project for the term of the PPA. She continued that pursuant to that letter of intent, LIPA and KEDLI anticipate negotiating certain agreements to achieve the provision of firm gas transportation, which includes the Facilities Cost Reimbursement Agreement, a Gas Transportation Agreement and a Maintenance Agreement. She indicated that the Facilities Cost Reimbursement Agreement involves the construction of infrastructure improvements at an estimated cost of \$27.4 million, which includes a 5,200 foot lateral from the KEDLI system to the Caithness plant. She added that LIPA would negotiate the final terms upon completion of the Facilities Cost Reimbursement Agreement, and for the reasons set forth LIPA staff recommends that the Board consider this resolution for adoption.

CEO Kessel stated that LIPA initially selected another route. He continued that due to great concerns brought to LIPA's attention by Suffolk County

Executive Steve Levy, County Legislator John Kennedy and State Senator John Flanagan, among others, that the route would be harmful to families, children, home values, schools, etc. LIPA made a commitment to find an alternative. He continued that LIPA worked for many months to negotiate this agreement with KEDLI, and he thinks that this route satisfies many of the concerns. He added that it is probably a better deal than LIPA would have had, if LIPA had stayed with the former route, and this is an example of where LIPA listened to the community.

Deputy Chairman Steinberg noted that the Trustees have been briefed by staff on the proposed KEDLI agreement.

Chairman Law indicated that the Islander East Project will not be happening at this point in time, so the gas will not be coming from that project. He further indicated that there are two alternatives and LIPA believes that the option before the Board is the better and more economical one to get the gas to the Caithness facility.

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

**825. AUTHORIZATION TO NEGOTIATE AND EXECUTE AGREEMENTS WITH
KEYSPAN ENERGY DELIVERY LONG ISLAND TO PROVIDE LOCAL GAS
TRANSPORTATION FOR CAITHNESS LONG ISLAND ENERGY CENTER**

WHEREAS, LIPA and Caithness Long Island, LLC (“Caithness”) are parties to 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;

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;

WHEREAS, LIPA staff reviewed several alternatives for providing firm, reliable and economic on-Island gas transportation service for the Caithness Project, and initially determined that a 22 mile gas lateral between South Commack and the Caithness Project to be constructed by Iroquois Gas Transmission System, LP (“Iroquois Lateral”) represented the best choice;

WHEREAS, the cost and schedule for the proposed Iroquois Lateral are jeopardized because of strong opposition from the New York State Department of Transportation and certain local interests;

WHEREAS, KeySpan Energy Delivery Long Island (“KEDLI”), which operates the local gas delivery system on Long Island, recognized the proposed Iroquois Lateral as a bypass threat, thereby allowing KEDLI to negotiate more favorable terms and conditions for gas transportation service with LIPA than otherwise available under its tariff;

WHEREAS, the option to provide LIPA with firm gas transportation service to the Caithness Project from the local KEDLI gas system became available at pricing terms that are more economic than the current estimates for the Iroquois Lateral;

WHEREAS, accordingly, LIPA executed a non-binding Letter of Intent with KEDLI under which KEDLI would provide firm local gas transportation service pursuant to terms and conditions more favorable than those that otherwise would have been available in connection with the Iroquois Lateral;

WHEREAS, the arrangements with KEDLI involve the execution of three separate agreements: a Facilities Construction Reimbursement Agreement (“FCRA”); a Gas Transportation Agreement (“GTA”); and a Maintenance Agreement;

WHEREAS, pursuant to the FCRA, for a cost estimated at \$27.4 million, KEDLI would construct certain infrastructure improvements on its system to support service to the Caithness Project and would install a 5,200 foot gas lateral and a metering station solely to serve its needs;

WHEREAS, pursuant to the GTA, KEDLI would provide firm gas transportation service to LIPA for the Caithness Project for the 20 year term of the PPA;

WHEREAS, pursuant to the Maintenance Agreement, KEDLI would maintain the 5,200 foot lateral and the metering station on an actual cost basis; and

WHEREAS, LIPA may enter into a Peaking Gas agreement with KEDLI in connection with the Caithness project and in such an event, will seek Trustee approval to execute such an agreement.

NOW THEREFORE, BE IT RESOLVED, that the President and Chief Executive officer or his designee be and hereby are authorized to negotiate and execute the FCRA, GTA and Maintenance Agreement with KEDLI in accordance with the accompanying memorandum to the Trustees.

Chairman Law stated that the next item on the agenda is Board reconsideration of authorization to enter into a Power Purchase Agreement with FPL Energy Marcus Hook, LP (“FPL”).

Ms. Nicolino stated that the Trustees are being requested to approve and adopt a resolution for the execution of a contract with the sale of contract capacity and other related agreements with FPL Energy Marcus Hook, LP, and the long-term purchase of capacity over the Neptune Cable under the terms and conditions modified for the PPA previously submitted and approved for execution by the Board on January 25, 2007. She continued that at the time of the January 25th Board meeting, the principal terms and conditions of the PPA with FPL had been negotiated, but there were final points that remained outstanding and which first required negotiation between the parties. She indicated that based upon those negotiations, FPLE proposed some more substantive changes based on legal and business issues that delayed the finalization of the negotiations, and which led staff to bring the matter to the Board again today.

Ms. Nicolino stated that the PPA presented for approval contains the general business principals approved by the Board in January, but there were certain other issues that were raised for the first time, including a tax issue and some auction pricing related issues. She further stated that as a result of those issues, FPL came back to LIPA and asked for some increased pricing and some different terms and conditions in the PPA. She indicated that LIPA suspended negotiations with FPL at that time to pursue other options, but after pursuing those options, LIPA staff concluded that it was in LIPA's best interest to resume negotiations with FPL.

Ms. Nicolino stated that LIPA was able to negotiate a PPA with FPL that still provides exceptional value to LIPA's ratepayer from both an economic and reliability perspective. She indicated that the PPA has been executed by FPL as of this morning's meeting in order to assure the Board, going forward that there will be no further revisions, and with the Board's approval, LIPA would be prepared to execute, as well and submit the PPA for approval by the State Comptroller's office in the ordinary course of business. She further indicated that based upon the foregoing, LIPA staff is asking for such authorization at this time.

Chairman Law indicated that the Board has been briefed earlier on this matter.

Ms. Nicolino noted that this is a capacity contract only, and there is no energy component to it. She indicated that it would be from the Marcus Hook facility, which is a gas fired, combined-cycle generation facility.

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

**826. AUTHORIZATION TO ENTER INTO AGREEMENT WITH FPL ENERGY
MARCUS HOOK, L.P.**

WHEREAS, on January 26, 2006, the Trustees approved the selection of FPL Energy's ("FPLE") Marcus Hook Project proposal in response to LIPA's January 2005 Request for Proposals, and authorized the negotiation of the terms of a Power Purchase Agreement ("PPA") with FPLE to provide capacity and related energy to LIPA over the Neptune Cable;

WHEREAS, on January 25, 2007, the Trustees authorized the Chief of Staff or his designee, among other things, to execute and effect a PPA with FPLE, the principal terms and conditions of which had already been negotiated;

WHEREAS, following the January 25, 2007 Board meeting, FPLE raised certain legal and business issues that delayed finalization of the PPA and ultimately led to a revised proposal from FPLE including, among other things, increased capacity pricing;

WHEREAS, the revised proposal required renegotiation of certain of the principal terms of the PPA beyond the scope of the agreement for which the Trustees had previously authorized execution;

WHEREAS, LIPA has considered its other options for providing economic capacity to its customers over the Neptune Cable and as more fully set forth in the accompanying memorandum, believes that FPLE's proposal, even as revised, is still the most economic and beneficial proposal for LIPA's customers;

WHEREAS, FPLE has agreed in writing that it will execute the renegotiated PPA in its current form and will not seek any further changes.

NOW, THEREFORE, BE IT RESOLED that the President and Chief Executive Officer or his designee be and hereby are authorized to execute and effect the renegotiated PPA with FPLE 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 Chief Executive Officer or his designee, to carry out the renegotiated PPA in accordance with the accompanying memorandum to the Trustees.

Chairman Law stated that the next item on the agenda is consideration of approval of authorization to enter into agreement with KeySpan Ravenswood, LLC to provide fuel to the E.F. Barrett Generation facility.

Ms. Nicolino stated that the Trustees are being requested to authorize the execution of a fuel oil supply agreement with KeySpan Ravenswood Service Corporation to provide residual fuel oil to LIPA for use on a backup fuel supply at the E.F. Barrett generating facility. She continued that the Barrett generating facility, which is located in Island Park, is essential to the operation of the Long Island transmission system, and it is a dual fuel facility which runs primarily on natural gas, but is capable of using fuel oil as backup for economic and reliability reasons. She indicated that right now, that existing fuel supply is in desperate need of replenishment.

Ms. Nicolino stated that in the last several months, an RFP was issued seeking a fuel service provider to supply that reserve fuel oil for the facility and those attempts to achieve a supplier on a competitive basis were unsuccessful. She continued that due to certain transmission constraints and other physical restrictions at that proximity, LIPA was unable to find a supplier that was willing to deliver. She indicated that as a result of that unsuccessful procurement, LIPA

explored some other options in order to replenish that reserve, and one of those options was the Ravenswood generating station oil supply. She added that the Ravenswood generating station is a dual fuel capable facility in Queens, New York, owned by a subsidiary of what is now National Grid, and it uses the same type of fuel oil that could be used at Barrett.

Ms. Nicolino stated that based on LIPA's current needs, LIPA discussed the option for Ravenswood supplying this backup fuel to Barrett, which LIPA believes is a good deal. She further stated that LIPA is looking to purchase up to 200,000 barrels of No. 6 residual fuel oil at market based, indexed pricing, plus a small per barrel reimbursement to KeySpan for storage and handling. She indicated that LIPA will pay for it, and KeySpan would deliver it to LIPA on or before December 31, 2007, in order to have it available for the winter run, when gas supply is less adequate.

Ms. Nicolino stated that as a result, LIPA is looking to do that in the short term. She continued LIPA is not guaranteed that 200,000 barrels would be available, but LIPA would buy up to that amount, if available from KeySpan, and LIPA staff is asking for the Board's authorization to enter into that fuel oil supply agreement at this time.

Trustee Sinnreich stated that in the Board's briefing it became clear to him that this is an excellent short-term solution, but that this is a long ongoing problem, and it would behoove the staff to provide some long-term guidance on how this can be addressed.

Chairman Law stated that the point is well taken and that LIPA staff should look at that and come up with a longer term plan. He further stated that LIPA will work on that and report back to the Board.

Chairman Law asked whether LIPA is looking to purchase up to 200,000 barrels or gallons of fuel oil. Deputy Chairman Steinberg indicated that as a clarification, he thinks that the description says that it is 200,000 barrels. Ms. Nicolino stated that she has been informed by the Vice President of Power Markets that the reference is to barrels.

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

**827. AUTHORITY TO NEGOTIATE AND EXECUTE AN AGREEMENT WITH
KEYSPAN RAVENSWOOD SERVICE CORP. TO PROVIDE RESIDUAL FUEL
OIL SUPPLY TO THE E. F. BARRETT GENERATING FACILITY**

WHEREAS, the E.F. Barrett facility, located in Island Park, New York (the “Barrett” facility), is essential to the reliable operation of the LIPA system; and

WHEREAS, the Barrett facility is a dual fuel facility which runs primarily on natural gas, but uses no. 6 residual fuel oil as necessary; and

WHEREAS, the existing fuel oil supply at the Barrett facility is very low and in need of replenishment prior to the winter months; and

WHEREAS, LIPA has experienced difficulty finding a suitable vendor to supply residual fuel oil to the Barrett facility due to, amongst other things, navigational issues associated with getting the fuel to the site, the limited equipment available to transport and/or store the fuel oil, as well as the unique fuel specifications required by permit for use at the facility; and

WHEREAS, a recent competitive solicitation seeking qualified vendors to supply fuel oil to the Barrett site did not yield an award of a contract for such a

purchase, requiring LIPA to consider other options to address the current need to replenish the diminished fuel oil supply at the Barrett facility for reliability purposes; and

WHEREAS, the Ravenswood Generating Station (“Ravenswood”), owned and operated by a subsidiary of National Grid, is a dual fuel capable generating facility located in Astoria, Queens, uses residual fuel oil suitable for use at the Barrett facility and is located in close enough proximity to allow for delivery by barge of such fuel oil; and

WHEREAS, LIPA proposes to enter into a Fuel Oil Supply Agreement (the “Agreement”) with KeySpan for the purchase of up to 200,000 barrels of no. 6 residual fuel oil from the Ravenswood facility under terms and conditions that LIPA believes are commercially acceptable and at a price that is consistent with the market; and

WHEREAS, LIPA believes that the proposed Agreement with KeySpan represents the most viable and cost-effective method of supplying liquid fuel for use at the Barrett facility at this time.

NOW THEREFORE, BE IT RESOLVED, that the President and Chief Executive officer or his designee be and hereby are authorized to negotiate and execute the Agreement with KeySpan in accordance with the accompanying memorandum to the Trustees.

Chairman Law stated that the next item on the agenda is Board consideration of a resolution to authorize the extension of the Fuel Management and Bidding Services Agreement with KeySpan Energy Trading Services, LLC.

Ms. McCarthy stated that the Trustees are being requested to authorize the execution of amendments extending the terms of the contract for fuel management services for the power plants under contract to LIPA, outside of the Power Supply Agreement (PSA), to be coterminous with LIPA’s fuel management services contract for the PSA units, which were the former LILCO units. She continued that the termination date would be May 31, 2012. She

indicated that in addition, LIPA staff is asking for authority to extend the terms of the current contracts that LIPA has for power supply management services for all of the units on Long Island that are currently being managed by KeySpan Energy Trading Services.

Ms. McCarthy stated that power supply management services consist of bidding the units into the New York ISO, scheduling dispatch and purchase and sale of the units, and purchase of economy energy. She continued that those contracts are scheduled to expire at the end of December 2007, and LIPA staff is asking for the Authority to extend those to December 31, 2009. She indicated that LIPA staff believes that it is desirable to have a single fuel manager and a single power supply manager at this time, and that is the basis for this recommendation. She added that the extension to 2009 will allow LIPA to evaluate its options for this service on a long-term basis.

CEO Kessel stated that he wants to tell the Board of the good work that LIPA's staff did in briefing the Chairman and himself, and putting this together. He thanked Mr. Bolbrock, Mr. Parmelee and Mr. Peterson for a job well done. He indicated that they did an excellent analysis of this, and he thinks that it is appropriate and in the best interest of the customers.

Ms. McCarthy stated that the extensions are all based on the current levels that LIPA is paying KeySpan right now with an escalator on the fuel management. She further stated that LIPA pays in the order of \$12 million a year, direct and indirect cost.

Chairman Law stated that when other contracts come before the Board, he will try to associate a price to them.

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

828. AUTHORIZATION TO EXECUTE AMENDMENTS EXTENDING THE TERMS OF THE 1) ENERGY MANAGEMENT AGREEMENT WITH RESPECT TO THE POWER SUPPLY MANAGEMENT SERVICES AND 2) FUEL MANAGEMENT BIDDING AND SERVICES AGREEMENT WITH RESPECT TO FUEL MANAGEMENT AND POWER SUPPLY MANAGEMENT SERVICES

WHEREAS, the management of LIPA's power supply under the Power Supply Agreement ("PSA") is currently provided by KeySpan Energy Trading Services, LLC ("KETS") under the EMA dated as of June 26, 1997, under which, KETS as Energy Manager is responsible for providing services related to: 1) the physical procurement of fuel supply ("FM" Services) for the KeySpan generating units under contract to LIPA under the PSA ("Genco Units"); and 2) the scheduling, dispatch, purchase and sale of the output of the Genco Units and purchase of economy energy ("PSM" Services);

WHEREAS, the FM Services portion of the EMA is due to expire on May 28, 2013 while the existing PSM Services portion of the EMA does not expire until December 31, 2007;

WHEREAS, since 2004, KETS has also been providing FM Services and PSM Services to LIPA under the Fuel Management Bidding and Services Agreement ("FMBSA") for other generating units under contract to LIPA which were developed subsequent to the LIPA transaction in May 1998 ("non-Genco Units");

WHEREAS, the FMBSA currently expires on December 31, 2007;

WHEREAS, LIPA believes it is desirable to have a single fuel manager and a single power supply manager provide services to LIPA for both the Genco and non-Genco units;

WHEREAS, in order to ensure that there is continuity and efficiency in the provision of vital FM Services for the non-Genco Units, LIPA has negotiated an amendment to the FM Services portion of the FMBSA providing for an extension until May 28, 2013 to be co-terminus with the termination of FM Services in the EMA;

WHEREAS, in order to ensure that there is continuity in the provision of vital PSM Services for both the Genco Units and non-Genco Units, and to allow LIPA time to issue a competitive procurement for these services, LIPA has negotiated amendments to the PSM Services portions of both the FMBSA and EMA through December 31, 2009;

WHEREAS, KETS has agreed to provide all of these services during the extended contract terms under the same or similar pricing, terms and conditions as currently exist;

WHEREAS, for the reasons set forth in the accompanying memorandum to the Trustees, LIPA believes that extending these agreements is in its customers' best interest.

NOW, THEREFORE, BE IT RESOLVED, that the President and Chief Executive officer or his designee be and hereby are authorized to execute amendments to the EMA and FMBSA with KETS in accordance with the accompanying memorandum to the Trustees.

Chairman Law stated that the next item on the agenda is Board consideration of a resolution to approve and adopt amended and restated By-Laws for the Long Island Power Authority.

Ms. Nicolino stated that the Trustees are being requested to adopt amended and restated By-Laws of the Long Island Power Authority as presented at this meeting. She continued that the Authority has existing By-Laws that were originally adopted in April 1998 and then restated in May 1999, following the LILCO merger, and there have been no subsequent amendments to the By-Laws since that time. She indicated that a number of changes have taken place with respect to the Authority's authorization and management.

Ms. Nicolino stated that most importantly, the Public Authority Accountability Act was adopted in 2006, and the Authority is now subject to additional statutory requirements that needed to be more accurately reflected in LIPA's operating By-Laws. She further stated that on that basis, changes and refinements were made to more accurately reflect the current operating organization, and to incorporate the requirements of the Accountability Act. She added that further revisions may be made by Governance Committee to the Board at a later date, but at this time LIPA staff recommends approval of the amendments incorporated in the By-Laws presented today.

Chairman Law stated that the Trustees have all received copies of those By-Laws, and the Board can always amend them in the future, if the Board sees fit to do that.

Trustee Nugent stated that the Economic Development Committee has been eliminated. She asked whether that function or interest has been incorporated elsewhere. Chairman Law answered that it has, and it will continue to be a priority. The Chairman added that the Authority will determine which committee is best to handle that, but it was tough to get that committee up and running on a regular basis.

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

829. APPROVAL OF REVISED BY-LAWS OF THE LONG ISLAND POWER AUTHORITY

WHEREAS, the Long Island Power Authority (the “Authority”) has adopted By-Laws dated May 3, 1998 for the regulation and management of the affairs of the Authority; and

WHEREAS, the Authority wishes to revise its existing By-Laws to reflect certain changes in the law made by the Public Authorities Accountability Act regarding governance requirements and practices and to more accurately reflect the current management and operation of the Authority;

NOW THEREFORE BE IT RESOLVED, that the Trustees hereby approve and adopt the “By-Laws of the Long Island Power Authority (as amended October 2, 2007)” in the form presented at this meeting; and be it further

RESOLVED, that such By-Laws of the Long Island Power Authority are to be effective with respect to the regulation and management of the affairs of the Authority as of October 2, 2007.

Chairman Law stated that the next item on the agenda is the consideration of approval of the Code of Ethics for the Long Island Power Authority.

Ms. Nicolino stated that the Code is required under the Public Authorities Accountability Act, and it would govern the standard and principals for ethical and other conduct of the Authority’s employees, directors and trustees. She continued that currently the law had only required a code of conduct for the Trustees, but with the passage of the Accountabilities Act, the law now requires that it be applicable to all LIPA employees. She added that this code reflects that

and is very broad reaching. She noted that it includes an anti-retaliation policy, which is also required under the Act. She added that she believes that the Board has had ample opportunity to review the proposed code and LIPA staff recommends that it be approved and adopted at this time.

Chairman Law stated that this is something that in the future, the Authority could amend as required by a change of law or based upon what the Board may entertain.

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

830. APPROVAL OF CODE OF ETHICS AND CONDUCT OF THE LONG ISLAND POWER AUTHORITY

WHEREAS, the Long Island Power Authority (the "Authority") is committed to maintaining the highest level of ethical and professional conduct and public trust in the Authority's activities; and

WHEREAS, pursuant to the Public Authorities Accountability Act, the Authority is required to adopt a code of ethics applicable to each officer, director and employee of the Authority; and

WHEREAS, the proposed Code of Ethics and Conduct contains statements of general principles as well as specific standards and principles that are designed to, among other things, avoid conflicts of interest, and incorporates certain duties imposed by the Public Officers Law of the State of New York.

NOW THEREFORE BE IT RESOLVED, that the Trustees hereby approve and adopt the "Code of Ethics and Conduct of the Long Island Power Authority - October 2, 2007" in the form presented at this meeting; and be it further RESOLVED, that such Code of Ethics and Conduct of the Long Island Power Authority shall be effective with respect to the ethical and other conduct of the Authority's employees, officers and directors as of October 2, 2007.

Chairman Law stated that he will hand the next matter over to Deputy Chairman Steinberg to preside over.

Deputy Chairman Steinberg stated that the next item on the agenda is Board consideration of a resolution to appoint Kevin Law as President and Chief Executive Officer of LIPA, effective on October 8, 2007. He requested that Trustee Elovich give a report as Chair of the Personnel and Compensation Committee Board.

Trustee Elovich stated that the Trustees are being requested to appoint Kevin Law as President and Chief Executive Officer at a total cash compensation level of \$295,000 per year as recommended by the Personnel and Compensation Committee. He continued that on January 24, 2007 Kevin Law was appointed by Governor Spitzer as Chairman of LIPA with the expectation that after an appropriate transition period, he would resign from the Board of Trustees and take on the role of President and CEO. He indicated that since 2004, he has served as Chief Deputy County Executive and General Counsel in Suffolk County, and prior to that he was the managing partner at the Long Island office of Nixon Peabody where he focused his practice on all facets of environmental, land use, real estate, energy and municipal litigation, representing clients before federal, state and local agencies.

Trustee Elovich stated that while at Nixon Peabody, Kevin Law worked on a number of large energy projects on Long Island, and he is very familiar with the energy issues that Long Island faces. He continued that he has also served as Director of Real Estate for the Suffolk County Department of Law, as well as a Legislative Aid to the New York State Assembly. He added that had Kevin Law wanted to remain with Nixon Peabody, his salary would probably be double or triple what the Authority is now offering to him.

Trustee Elovich stated that the proposed total compensation for Kevin Law is recommended by the Personnel and Compensation Committee, which is comprised of himself, Trustee Herrmann, Trustee Sinnreich and Deputy Chairman Steinberg. He continued that in making the compensation recommendation, the Committee considered, in addition to his experience and job responsibilities, the following: total cash compensation paid to current LIPA officers; compensation to the recent Spitzer administration; Authority appointees, compensation paid to senior officers at KeySpan and the recommended compensation for the CEO position, as prepared at LIPA's request by the Hay Group, October 2006.

Trustee Elovich stated that the Hay Group recommended a proposed base salary for the CEO of between \$276,000 and \$414,000 before consideration of any incentive compensation, and with a median salary of \$345,000. He continued that they also recommended a continuation of LIPA's current incentive compensation structure, which would be added to the recommended base salary to determine

the total cash compensation. He added that the Personnel and Compensation Committee believes that it is recommending a conservative, but fair total cash compensation amount for the President and CEO.

CEO Kessel stated that with the appointment of Kevin Law as President and CEO, effective Monday, October 8th, he will be resigning. He continued that he is extraordinarily qualified and well deserving of the position, and he will do a fantastic job. He indicated that the compensation as President and CEO is appropriate, and it is unfair to compare Chairman Law's compensation to his own. He noted that he took a lower salary years ago because of the controversy at the time regarding the former Chairman of LILCO.

CEO Kessel stated that you have to pay quality compensation to quality people and this salary is appropriate. He indicated that he has been offered a raise in his salary many times, and had it been raised, it would probably be at the same amount as his successor. He added that he fully supports this resolution and he wishes Kevin Law well.

Deputy Chairman Steinberg stated that he would like to read the resolution into the record. (The resolution is read into the record).

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

831. APPOINTMENT TO OFFICES OF PRESIDENT AND CHIEF EXECUTIVE OFFICER

RESOLVED, that Kevin S. Law be, and hereby is, appointed to the Offices of President and Chief Executive Officer, at an annual salary of \$295,000, effective October 8, 2007, until the earlier of his resignation or removal; and be it further

RESOLVED, that the incumbent of the Offices of President and Chief Executive Officer shall be an officer of the Long Island Power Authority ("Authority") and its subsidiary, LIPA, within the meaning of the Authority's enabling legislation (Chapter 517 of the Laws of 1986), as amended,

Deputy Chairman Steinberg stated that on behalf of the Board, Chairman Law has the full confidence and support of the Board, and that he will do a great job as President and CEO. He indicated that they all look forward to working with him.

Chairman Law stated that he thanks the Board for its vote of confidence, and he will not let them down. The Chairman further stated that he looks forward to working with them in their new capacity, in terms of both the environmental community, the business community and the ratepayers.

Chairman Law stated that with respect to the wind project, he had previously indicated that LIPA was going to scrap it because the costs were too

high, which led to a whirlwind of discussion and debate. The Chairman continued that he does hold himself out as an environmentalist and he practiced environmental law for many years, he served on the Board of the Nature Conservancy, and he is a believer in renewable energy. He indicated that he wants to do a renewable energy project, and he has committed to working with the Long Island Wind Works Coalition to find a project that does it from an environmental perspective and economic and ratepayer prospective.

CEO Kessel stated that Chairman Law and he have worked well together, and this is the only issue where they do not completely agree, but they do not completely disagree either. He further stated that he thinks that the offshore wind project is the right project for Long Island, but having said that, he shares Chairman Law's concerns about the costs. He indicated that he certainly believes that Chairman Law is dedicated to renewable energy which is not the issue.

CEO Kessel stated that a renewable energy project of that size and scope will cost more than a traditional energy project, like a gas or an oil-fired plant, and you have to be willing to pay up front for what you're going to get in the future. He continued that while it will cost Long Islanders an extra two-and-a-half dollars a month to begin to reduce our dependence on oil, oil companies and OPEC, he believes that most Long Islanders will be willing to pay it. He indicated that he believes that the wind project should be held in abeyance, and that LIPA should issue an RFP for a large scale renewable project of the same size and scope,

which would mean one that is approximately 140 MW or serving 45,000 customers. He added that if a project comes in that is cheaper, that works and that is suitable, LIPA should accept that, and if not, that this project should be looked at or bid out again.

CEO Kessel stated that people do not understand that by 2013, LIPA has to get 25 percent of its electricity from renewables, and he wanted to see that LIPA met the goal from genuine renewable projects on Long Island. He indicated that if we believe in our future, our children, future generations and the environment it needs to happen on Long Island. He added that he does not know how the deadline will be met if people do not want to pay for it.

CEO Kessel stated that he understands Chairman Law's concerns, but before LIPA does anything, it should see what else is out there, and if LIPA is not serious about it, then LIPA should indicate that it cannot meet the 2013 deadline. He indicated that he believes in renewables, and LIPA should not completely abandon the concept, until LIPA knows what else is out there.

Trustee Nugent stated that with respect to the big public policy issues, when she looks at this particular situation, it is really about a particular project with a certain company going from point A to point Z, and the unaffordability factor increased only because this particular project took off from a point where

LIPA was willing to pay more for that type of renewable energy, but now it is too much.

Chairman Law took public comment with regard to the proposed wind project, after which, the meeting was adjourned at 2:41 p.m.

Respectfully submitted,

Lynda Nicolino