

**LONG ISLAND POWER AUTHORITY
MINUTES OF THE 171st MEETING
HELD ON OCTOBER 6, 2005**

Pursuant to notice dated September 29, 2005, the Long Island Power Authority (the "Authority") was convened for the one hundred and seventy-first time at 10:10 AM at the LIPA Assembly Center, in Uniondale, NY.

The following Trustees of the Authority were present:

**Richard M. Kessel, Chairman
Patrick Foye, Deputy Chairman
Michael Affrunti
Nancy A. Akeson
John Fabio
Edna Gerrard
James Hermann
Robert Maimoni
Nancy Nugent
James M. Shuart
Jonathan Sinnreich**

Also representing the Authority were Stanley Klimberg, General Counsel, Edward Grilli, Chief of Staff, Seth Hulkower, Chief Operating Officer, Elizabeth McCarthy, Chief Financial Officer, Richard Bolbrock, Vice President – Power Markets, Bert Cunningham, Vice President – Communications, Kenneth Kane, Controller, and Kathleen Stella, Secretary to the Board of Trustees.

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

Chairman Kessel stated that the first item on the agenda is the adoption of the minutes of the Board's last meeting held on June 23, 2005.

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

748. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JUNE 23, 2005 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 23, 2005 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

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Chairman Kessel stated that this is the first Board meeting since devastating hurricanes hit the Gulf Coast, including Hurricane Katrina, which was a tremendous tragedy. The Chairman continued that many Americans lost their lives, and it is appropriate to take a moment of silence in their memory. (A moment of silence was held.)

Chairman Kessel stated that he had the opportunity to travel to New Orleans, Louisiana, with Mr. Hulkower, Mr. Cunningham and Mr. William

Haugland, the head of Hawkeye Construction. The Chairman continued that LIPA released Hawkeye and Asplundh to send crews to the Gulf Coast. He stated that LIPA has approximately sixty contractor crews working throughout New Orleans. He continued that many of the crews are from Long Island, and they are a dedicated group of people who have for the most part left their families to help restore service.

Chairman Kessel stated that he remembers Hurricane Gloria, which was the last hurricane to directly hit Long Island. The Chairman indicated that Hurricane Gloria was a Category 1 hurricane with winds of approximately 90 miles per hour, and it caused three-quarters of a million outages, extensive tree damage and beach erosion. He added that when you look at the damage in New Orleans in comparison to Gloria, it is stunning. Chairman Kessel stated that almost every structure in New Orleans is damaged in some way, and there are watermarks on every house in the Garden District. The Chairman continued that there are trees down on homes, and roofs and windows are gone. He indicated that every business was hit in some way, and all of the malls are boarded up and closed down. He added that unless one sees how devastating the storms were to the Gulf Coast and, specifically, New Orleans, one cannot imagine it.

The Chairman stated that less than 30 percent of electric service has been restored in New Orleans after five weeks. He stated that it has been a pole-to-pole effort to restore service, and it appears that one out of every three poles was completely destroyed. The Chairman continued that in many instances, poles

had to be put back or completely replaced, and then grounded, before all of the equipment could be put back. He noted that service was not yet being dropped into the homes.

Chairman Kessel stated that the Hurricane Katrina disaster allowed LIPA to observe what impact a devastating storm may have on Long Island. The Chairman continued that Long Island is not ready for anything like this, and the damage from this type of storm would remain with the Island for years. He added that LIPA estimates that a Category 3 or 4 hurricane would have the same impact as a Category 5 hurricane in New Orleans, and customers would be without lights and electricity for months. He stated that flooding may surge as far north as the Southern State Parkway or beyond, and beach erosion would be devastating.

Chairman Kessel stated that as a result of the hurricane, LIPA has put together a group consisting of himself, County Executives Suozzi and Levy, and Chairman Catell from KeySpan. He indicated that LIPA will begin an Island-wide hurricane drill next June, and LIPA will ask that the public reduce their electric consumption between noon and 3:00 PM. The Chairman continued that the drill will be expanded and jointly sponsored by Nassau, Suffolk, LIPA and KeySpan. He added that it will not be a table-top exercise, and the participants will include utility personnel, police officers, other agencies and the public.

Chairman Kessel stated that LIPA needs to educate the public about responding to a catastrophic event, since our lives will be changed and things we are used to will no longer exist. The Chairman indicated that it is not a question

of whether it will happen, but when. He further indicated that the Board, in cooperation with Nassau, Suffolk and KeySpan will have to take a hard look at what needs to be done to prepare for this eventuality. The Chairman stated that everyone needs to look closely at the climatic changes and recent severity of the weather. He continued that it is now October 6th, but the temperature has recently been in the eighties. He added that he believes it is the result of a new climatic cycle, and possibly global warming.

Chairman Kessel reported that LIPA set usage records this summer, including new peak loads each month from June through September. The Chairman continued that LIPA will probably also set a peak record for October. He noted that the record for LIPA set in July was broken a month later when LIPA hit an all-time high peak of 5,267 MW.

Chairman Kessel stated that when LIPA took over LILCO in 1998, the engineers advised LIPA that the 5,000 MW peak load mark would not be reached for another five years, but LIPA routinely reaches that mark on an average summer day. He noted that on most summer days, LIPA's peak load was between 6,000 and 6,100 MW. He added that LIPA hit 5,140 MW on a Saturday in August, which was only 127 MW lower than the peak load record set on a weekday, and which broke the old weekend record by 714 MW. The Chairman stated that usage on the South Fork has been extraordinary. He continued that eight of the top ten peaks on the South Fork occurred this year. The Chairman indicated that on the date that LIPA set its record weekend peak of 5,140 MW, the

South Fork had a record peak of 217 MW, and peak records were also set on Fire Island.

Chairman Kessel stated that despite the record demand, this is the first summer that LIPA had more than enough power supply to meet demand. He indicated that even on the peak day, LIPA had an excess of approximately 700 MW. The Chairman continued that this was due to the fact that the Board has added 1,111 MW of supply in the last few years, including approximately 800 MW of generation and 300 MW from the Cross-Sound Cable.

Trustee Nugent asked whether a survey has been done on the consumption of electricity, which may show some startling numbers and indicate where consumption may be cut back. Chairman Kessel responded that much of the consumption is weather-related, and there were more than twenty days when the temperature was greater than ninety degrees. The Chairman continued that it was hot, but not extraordinarily so, which may have resulted in typical daily demand of 5,500 to 5,600 MW. He added that LIPA will take a look at the load.

Chairman Kessel stated that many customers were shocked by the amount of their recent LIPA bills, but in almost every instance it was not because LIPA raised its charges, but because of usage. The Chairman continued that this was driven by, among other things, air conditioning, home expansion and new appliances. He added that he commends KeySpan for doing an excellent job in operating the generating plants, which ran at 99 percent of capacity during the summer, and some delivered power one hundred percent of the time.

Chairman Kessel stated that Long Island is experiencing new weather patterns, and demand for electricity is going through the roof. The Chairman continued that last summer was cooler than normal, but this summer was hotter than normal, which has contributed to the higher bills.

Chairman Kessel stated it is important that LIPA continue to add resources to keep the lights on. The Chairman indicated that LIPA was prescient to add resources throughout the service territory, which put LIPA in a position to keep the lights on. He commended Mr. Grilli and the developers who worked on these projects. Chairman Kessel stated that LIPA can fall behind again very quickly if it does not continue to add resources.

Chairman Kessel indicated that recently he had to announce that LIPA has increased its bills on an annual basis by 5.5 percent, which was probably the most difficult announcement he has ever made. He stated that it is a painful increase, especially due to the difficult economic times.

Chairman Kessel stated that LIPA's fuel costs are over budget by approximately \$280 million, and the 5.5 percent annual increase translates to approximately \$130 million. The Chairman continued that LIPA has decided not to pass through all of its costs to customers, which would have resulted in an 11.5 percent increase, or approximately \$55 to \$60 per month, as opposed to \$24 per month. He stated that such an increase would have been devastating to Long

Island. He indicated that the average cost to fill a mid-size car with gas has increased by approximately \$20, and these fill-ups may occur four times a month.

Chairman Kessel stated that gas prices initially rose by more than 60 percent, and they are now in the range of between 30 to 40 percent higher than earlier this summer. The Chairman continued that heating prices this year will be devastating, and the industry is hoping increases will be less than 50 percent. He added that KeySpan estimates that its gas prices may increase by more than 25 percent.

Chairman Kessel stated that the oil and gas price increases are due to a number of circumstances, and they are not the fault of the oil dealers, KeySpan or LIPA. The Chairman continued that Hurricane Katrina had a devastating impact on the nation's energy infrastructure. He added that he believes the oil companies and natural gas producers have exploited this in order to squeeze excess profits, which is shameful.

Chairman Kessel stated that LIPA paid approximately \$7 per decatherm for natural gas in June of this year, and by last week the price had more than doubled to nearly \$15 per decatherm. The Chairman continued that the current price of oil is approximately \$63 per barrel, compared to \$15 per barrel in 1998 when LIPA took over LILCO. He added that the increased costs are passed to LIPA, and LIPA passes a portion of those costs to its customers.

Chairman Kessel stated that if LIPA absorbed the entire amount, LIPA would quickly become insolvent. The Chairman continued that LIPA would have its bonds downgraded by the rating agencies, and LIPA would suffer the same fate as Nassau County several years ago, when they were downgraded to junk bonds. He added that Nassau was rescued only because the State, specifically the Governor and the Legislature, gave Nassau \$100 million in special transitional aid. He stated that no one will bail out LIPA, so while it is painful, there are no alternatives. The Chairman continued that LIPA has shielded its customers from worse potential damage. He added that it is important that public officials be honest about any bad news.

Chairman Kessel stated that LIPA does not sneak increases through. The Chairman continued that LIPA is not required to announce such increases, but LIPA voluntarily holds public hearings, because LIPA is a public agency, and LIPA believes in being open and honest. He added that LIPA held a public hearing regarding the fuel surcharge, but only four people attended.

Chairman Kessel stated that LIPA is considering a four-point plan to deal with the fuel surcharge. The Chairman indicated that, first, LIPA will work to see if there is any way to adjust bills downward early next year, which will be difficult. He added that projections for fuel costs going into next year are higher than current levels. He stated that LIPA will look at some of its major contracts to find ways to reduce the surcharge, especially during the peak of the winter heating season. The Chairman continued that LIPA will not defer any costs. He added

that to defer costs from today to tomorrow will make tomorrow bleak, especially because there is no foreseen long-term respite from higher oil prices.

Chairman Kessel stated that, second, it is time that LIPA looked at restructuring its bills on a revenue-neutral basis, by raising base rates but lowering the fuel surcharge. The Chairman continued that LIPA's base rates have remained basically unchanged since LIPA took over LILCO in 1998. He added that at that time, oil was \$15 per barrel and natural gas prices were 500 percent less than today.

Chairman Kessel stated that LIPA must be more realistic, because fuel prices have risen significantly since LIPA set its rates in 1998. The Chairman continued that he has asked Ms. McCarthy, Mr. Grilli and LIPA's staff to work through a request that LIPA would make to the Public Service Commission that would restructure LIPA's bills so that the rates for electric service would go up, but the fuel surcharge would go down. He added that it would be a revenue-neutral change, unless another extraordinary event happens, or fuel costs rise or fall significantly.

Chairman Kessel stated that, third, LIPA will take a look at a change in the fuel cost pass-through process, so that rather than evaluate the surcharge once or twice per year, LIPA would evaluate it on a month-to-month basis. The Chairman continued that this may eliminate some of the energy price spikes. He indicated that had LIPA done this during the current year, there would not have

been a \$24 increase, but there would have been higher bills during the summer, when people are using more electricity.

Chairman Kessel stated that, fourth, LIPA will look at changing its net income target at the end of the year from \$20 million. The Chairman continued that at the end of the year, LIPA needs to be \$20 million in the black. He indicated that it was a reasonable number when the fuel market was not so volatile. He stated that LIPA will look at raising the net income target because that will remove some of the pressure and volatility. The Chairman continued that he does not know how much the target should be, but the initial \$20 million number is not viable in these difficult times. He indicated that he hopes to come back to the Board by the December meeting to report on the first three items, and possibly to present a new net income target for fiscal year 2006.

Chairman Kessel stated that he believes honesty is the best policy. The Chairman continued that LIPA could sneak the fuel increases through like the other companies, but this is not the way LIPA should operate. He added that customers are not happy with the increase, but few blame LIPA for it.

Deputy Chairman Foye stated that LIPA is passing all or part of the fuel increases along to customers, and LIPA will have to pass along all of the increases in the future. He continued that this is because otherwise there may be a rating downgrade and financial instability at LIPA. Deputy Chairman Foye continued that it is an important goal of the Board to ensure financial stability for LIPA. He stated that the ultimate goal is to protect ratepayers, because if LIPA

does not pass along fuel increases, LIPA will be borrowing and paying interest for an operating expense, namely LIPA's fuel expense. He indicated that this would be unsustainable, and in the long term it would result in even higher bills on Long Island.

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

Mr. Hulkower reported that LIPA's year-to-date added load, as of August, is 22.6 MW, against a goal of 20.33. He continued that LIPA's Coincident Peak Reduction is 11.026 MW, against a goal of 7.48 MW, and energy savings are also running ahead of the year-to-date goal. He indicated that these results largely come from HVAC and Commercial Construction.

Mr. Hulkower reported that enrollment in LIPA's Manage My Account program, in which customers can see their account on-line, is on target at 108,340, against a goal of 108,000. He continued that LIPA is seeing some fall-off in the area of Balanced Billing. He indicated that currently there are 384,000 balanced billing accounts, which is down from last year. He stated that when balanced bills change by more than ten percent, there is an adjustment, which has occurred more frequently than customers are accustomed to. He stated that as people see these adjustments due to higher prices and increased consumption, many decide not to participate in balanced billing.

Deputy Chairman Foye asked whether the Manage My Account customers pay on-line. Mr. Hulkower responded that many do, but not all. He indicated that LIPA is trying to encourage this as much as possible, and LIPA is also trying to encourage participation in the Direct Pay program. He added that LIPA has increased the number of Direct Pay customers from 27,000 to 41,000, but LIPA is not yet on target to reach its year-end goal of 65,000.

Chairman Kessel stated that the next item on the agenda is the Finance Report, to be delivered by Ms. McCarthy.

Ms. McCarthy reported that for the eight-month period ended August 2005, LIPA had a deficit of approximately \$39 million, which was \$45 million below budget, and driven primarily by higher fuel and purchased power costs. She continued that revenues were ahead of budget by \$65 million or three percent for the period, driven by higher sales and the increase in the fuel surcharge in June. She added that fuel and purchased power costs were above budget by \$92 million or nine percent for the period, driven by higher commodity prices.

Ms. McCarthy reported that LIPA's operations and maintenance expenses were above budget by \$16 million or four percent, due primarily to timing of LIPA's management services payments to KeySpan, as well as the mix of capital and operating expenses. She stated that Payments in Lieu of Taxes ("PILOT") were over budget by \$4 million or 4 percent, due to higher school and property taxes, and LIPA expects an approximate \$5 million overage for the full year. She

added that LIPA's PILOTs were higher for power plants under contract with KeySpan.

Ms. McCarthy reported that Other Income and Deductions was \$5 million for the period, due to incremental sales and emissions credits. She continued that LIPA had \$622 million in cash at the end of August, with \$250 million in LIPA's rate stabilization fund and the remainder in LIPA's operating funds.

Deputy Chairman Foye asked whether LIPA's fuel cost was approximately \$120 million lower than it would have been absent LIPA's hedging program. Ms. McCarthy answered that is correct. Deputy Chairman Foye asked whether LIPA expects that through the end of the year, LIPA's fuel cost will be approximately \$200 million lower than it would be absent LIPA's hedging program. Ms. McCarthy again responded that is correct.

Deputy Chairman Foye thanked Ms. McCarthy and her staff for briefing Board Members prior to the meeting and via a conference call. He indicated that a thorough briefing was given, including hedging and the results of operations through the eight-month period.

Chairman Kessel stated that the next item on the agenda is the approval and adoption of a lead agency findings statement for the Caithness Long Island Energy Center under the New York State Environmental Quality Review Act ("SEQRA"). The Chairman continued that the Trustees are being requested to approve a resolution approving and adopting the Lead Agency Findings

statement for the Caithness Long Island Energy Center and authorizing the Chairman or his designee to file and distribute the Findings Statement as required under SEQRA. He added that LIPA recognizes the need for additional power to be generated on Long Island and/or transmitted to the Island from off-Island sources in order to serve LIPA's increasing load requirements.

Chairman Kessel stated that Caithness proposes to permit, construct, own, operate and maintain a combined cycle generation project with a total generating output of approximately 326 MW on a 15-acre site within a 96-acre parcel in the Town of Brookhaven's Empire Development Zone in Yaphank. The Chairman continued that the project would include state-of-the-art combustion and emission control technology and air-cooled condensers, and would be fueled by natural gas, with a liquid fuel supply serving as back-up. He added that in view of the size and magnitude of the project, the Trustees in November 2004 approved the issuance of a Positive Declaration, which is a determination that the project might result in one or more significant impacts to the environment, and authorized the preparation of a Draft Environmental Impact Statement ("DEIS") for the project under SEQRA.

Chairman Kessel stated that in early December 2004, LIPA released for public review a Draft Scope of Work, describing the types of studies that LIPA as lead agency would conduct in order to prepare the DEIS. The Chairman continued that LIPA held a public meeting on the Draft Scope on January 5, 2005 and accepted written comments through January 12, 2005. He indicated that the Final Scope for the DEIS was released on January 26, 2005.

Chairman Kessel stated that based on the Final Scope, Caithness prepared, with the assistance of LIPA staff and its consultants, a DEIS in March 2005, which was approved by the Trustees with respect to its scope and content for the purpose of commencing public review under SEQRA. The Chairman continued that LIPA staff distributed the DEIS and provided public notice of its availability, which commenced the public comment period. He indicated that a public hearing was held on April 20, 2005 and the public comment period was extended at the request of the Town of Brookhaven and other interested parties.

Chairman Kessel stated that LIPA staff and Caithness then prepared a final Environmental Impact Statement (“FEIS”), which included a new chapter that responded to all comments regarding the DEIS. The Chairman continued that the FEIS concluded that the operation of the project based on a maximum capacity of 350 MW would not, either individually or cumulatively with other LIPA-sponsored projects or nearby sources, have a significant adverse impact on the environment. He added that the Trustees accepted the FEIS on June 23, 2005, and it was then made available to involved agencies and the public for review for a period well in excess of the required ten calendar days, and no comments were received.

Chairman Kessel stated that Caithness has also filed applications with the New York State Department of Environmental Conservation, the New York State Department of Public Service, the U.S. Environmental Protection Agency and the Town of Brookhaven for approval to construct and operate the project. The

Chairman continued that public hearings on one or more of these applications are expected to be held this fall at a location near the proposed facility.

Chairman Kessel stated that several groups have raised the issue of environmental justice concerning this project, which would not be built or owned by LIPA, but by Caithness in cooperation with LIPA. The Chairman stated that LIPA must take a hard look at the issue, and LIPA has been very sensitive to this. He added that he asked LIPA staff to prepare a factual report on the compliance with environmental justice requirements with respect to the Caithness project and all of the plants installed in LIPA's service territory in connection with LIPA's Powering Long Island project.

Chairman Kessel stated that it would be terribly wrong to place all or a preponderance of power projects in areas of poverty or minority communities. The Chairman continued that the most important conclusion in the report is that LIPA has had a number of generating plants built that have been spread out across the service territory, from Far Rockaway to Greenport. He added that they have been placed in wealthy communities, high/middle income communities, middle income communities and low income communities, without giving preference to any particular group.

Chairman Kessel stated that the report indicates that in most instances, low income communities have not been impacted by the construction of these facilities. The Chairman continued that it is important to note that in not one instance did any plant violate, in any way, the requirements of environmental

justice included in the SEQRA process. He indicated that for the Caithness project and others, LIPA has had studies undertaken that go beyond the requirements.

Chairman Kessel stated that for the Caithness project there were no communities of concern within a one-mile radius, primarily due to the fact that there is a low population density in the area. The Chairman continued that LIPA then decided to take a look beyond the required one-mile radius, to a two-mile radius, and found there were three minority and two low-income populations, but no disproportionate impacts on them with respect to air quality, traffic, noise, visual and other areas. He added that for the other power projects there were no communities of concern, other than in Edgewood and Bethpage, and some facilities such as Glenwood and Port Jefferson are sited in affluent areas.

Chairman Kessel stated that this does not mean there should not be concerns, and anyone who opposes the siting of a project should be heard. The Chairman continued that a distinction must be made between not wanting a power plant, and saying that LIPA is dumping a project in a low-income, minority area, which is completely untrue.

Chairman Kessel invited any members of the public to present comments on the proposed resolution. In response, several members of the public expressed concerns about the proposed Caithness plant with respect to air quality; sensitivity of the site given existing nearby refuse and recycling facilities, other power plants in Brookhaven, vehicular traffic and planned affordable

housing; the need to consider repowering, conservation and renewable energy to reduce dependence on fossil fuel-burning plants; the need for more public outreach, education and expert assistance; and a question regarding segmentation under SEQRA between the proposed Caithness plant and the intended fuel supply.

Chairman Kessel indicated that in light of community concerns, the Caithness agenda item presented today will be tabled until the next Board meeting. He further indicated that consideration of a proposed power purchase agreement for the Caithness project will also be deferred until the next Board meeting. The Chairman continued that LIPA will hold a community forum before that time in order to gather additional information. He stated that he would like Caithness representatives to be present with LIPA staff at the forum, so that they can also listen to the public. Chairman Kessel also indicated that LIPA will have an independent expert perform an air quality test regarding the Caithness project. He continued that it is important to vote the Caithness project either up or down soon because, without alternatives, there could be a big power problem on Long Island if this plant is not operable in 2008.

Chairman Kessel stated that he has heard ideas concerning repowering, but he noted that repowering cannot be done until there is sufficient capacity. The Chairman continued that repowering sounds like a great idea in theory, but it involves a lot of challenges that LIPA must look at.

Trustee Sinnreich stated that he was delighted to see that LIPA went through the effort of preparing an environmental justice report, because LIPA does take this subject very seriously. He continued that he would like to see the report rewritten to address the fact that all of the other plants mentioned in the report were basically under 79.9 MW, and most were located at existing sites of plants or other major facilities. He indicated that it is not complete to report on this issue without taking into account the size and uniqueness of the Caithness plant. Chairman Kessel stated that LIPA will do that. The Chairman further stated it is important to point out that while the Caithness project is the largest of the plants, it is also the cleanest, and there are tradeoffs.

Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution to approve and adopt the extension of LIPA's Commercial Paper Program for five years pursuant to the authority granted in Section 2.03 of the Third Supplemental Subordinated Resolution dated December 12, 2001. The Chairman continued that the original arrangement under the Third Supplemental Subordinated Resolution proved to be beneficial to the Authority in that it provided short-term financing at economical rates and liquidity, and therefore the Authority wants to extend it for an additional five years.

Chairman Kessel stated that the Trustees have been furnished with the original form of Third Supplemental Subordinated Resolution authorizing an aggregate principal amount not to exceed \$300 million outstanding at any one time. He indicated that by the adoption of the extension of the Commercial Paper program under the Third Supplemental Subordinated Resolution, the Trustees

would approve the extension of the issuance and sale of the Commercial Paper Notes subject to certain parameters set forth therein.

Chairman Kessel stated that the proceeds of the commercial paper notes will be applied to pay or reimburse capital costs incurred in connection with the improvement of the transmission and distribution system, to pay any amounts due under any financial contracts entered into in connection with the Commercial Paper Notes, to refund Commercial Paper Notes, to pay fees and expenses incurred, and for any other purposes as may be specified by subsequent Authority resolution. The Chairman continued that the extension of this Commercial Paper Program under the Third Supplemental Subordinated Resolution would continue to authorize certain authorized representatives of the Authority to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts necessary or advisable to carry out the issuance, sale and delivery of the Commercial Paper Notes and the implementation of the terms of the agreements.

Trustee Fabio stated that this is basically a line of credit that LIPA may draw upon.

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

749. ADOPTING THE EXTENSION OF THE COMMERCIAL PAPER PROGRAM AND APPROVING CERTAIN RELATED AGREEMENTS AND INSTRUMENTS

WHEREAS, the Long Island Power Authority (the “Authority”) was created by the Long Island Power Authority Act (the “Act”), constituting Title 1-A of Article 5 of the Public Authorities Law of the State of New York; and

WHEREAS, the Act empowers the Authority, among other things, to issue its bonds and notes for any purposes authorized thereby and to adopt resolutions establishing the contract with its bond and note holders; and

WHEREAS, on December 12, 2000 the Authority adopted its Third Supplemental Subordinated Resolution (the “Supplemental Resolution”), which, consistent with the Act, authorizes the issuance of Commercial Paper Notes of the Authority (as defined in the Supplemental Resolution, hereinafter “Commercial Paper Note(s)”) in accordance with the terms thereof for any lawful purpose; and

WHEREAS, the Supplemental Resolution limited the term of any Commercial Paper Note to the fifth anniversary of the date of issuance of the first Commercial Paper Notes (i.e., June 28, 2006); and

WHEREAS, Section 2.03 of the Supplemental Resolution allows, by subsequent Authority resolution, the extension of the term of any Commercial Paper Note beyond the fifth anniversary of the date of issuance of the first Commercial Paper Notes; and

WHEREAS, the Authority hereby wishes to extend the Commercial Paper program for another five years such that the term of any Commercial Paper Note shall not extend beyond the tenth anniversary of the date of issuance of the first Commercial Paper Notes (i.e., June 28, 2011) except as may be authorized by subsequent Authority resolution;

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

1. The extension of the Commercial Paper Note program for another five years such that the term of any Commercial Paper Note shall not extend beyond the tenth anniversary of the date of issuance of the first Commercial Paper Notes (i.e., June 28, 2011), except as may be authorized by subsequent Authority resolution, is hereby approved and adopted.

2. Each Authorized Representative (as defined in the General Subordinated Bond Resolution) is hereby authorized and directed to execute and deliver any and all documents and instruments and to do any and all acts necessary or proper for carrying out the issuance, sale and delivery of the Commercial Paper Notes and for implementing the terms of, and the transactions contemplated by the Supplemental Resolution and this resolution and each of the documents authorized thereby and hereby, including, without limitation, the delivery of Certificates of Determination (as defined in the Supplemental Resolution).

3. This resolution shall take effect immediately.

Chairman Kessel stated that when Governor Pataki created LIPA in 1998, \$1 million was set aside to create a Long Island Power Authority advisory council or board that would not oversee or regulate LIPA, but would advise LIPA. The Chairman continued that LIPA has looked at this issue for a number of years. He added that several months ago he asked several of LIPA's Trustees, including Trustees Akeson, Gerrard and Nugent, to look at this issue to consider how LIPA might fulfill the Governor's objective to create an advisory board to LIPA and ensure citizen participation on a more formal level. The Chairman stated that back in the days of LILCO, there was no formal participation, but the world has changed a lot. He continued that LIPA receives comments from people on individual issues, but having an advisory board would give LIPA more information.

The Chairman requested that Trustee Akeson make a brief presentation to the Trustees on what LIPA has looked at concerning an advisory board.

Trustee Akeson stated that as Chairman Kessel has noted, since its inception, LIPA has agreed in principle to create a citizens advisory board. She continued that it has not yet been determined what will be the composition of the board, its actual duties and the parameters of its authority. She added that the

Chairman has asked her, as well as Trustees Gerrard and Nugent, to form a committee and work with LIPA staff to examine the possibilities so that LIPA can present the best solution for not only the ratepayers, but also LIPA.

Trustee Akeson stated that the process has begun, and the team has done much work in examining what other authorities in New York State have done in connection with creating oversight boards. She thanked Ms. Nicolino of Mr. Klimberg's staff for researching the statutes that created the MTA Advisory Board, the Long Island Railroad Commuter Council, the Metro North Commuter Council and the New York City Transit Council. She added that the committee examined the relevant statutes to understand the provisions on advisory boards for each public authority, and the committee also looked at the Assembly bills that are proposing to establish a Long Island Utility Public Oversight Board.

Trustee Akeson stated that the committee is trying to come to grips between two choices, an advisory board like the MTA and LIRR uses versus an oversight board being considered in a bill currently before the Assembly. She indicated that LIPA will also bring to bear its own considerations, since LIPA is a unique entity. Trustee Akeson stated that upon reviewing all of the information, the committee's goal is to come to the Board and the Chairman to discuss recommendations on what the best solution would be. She added that a citizen's advisory board is necessary, and LIPA needs to find the best possible structure for it.

Chairman Kessel stated that he hopes to have a discussion or a formal proposal at the Board's December meeting, and to subsequently vote on it. The Chairman continued that he thinks LIPA is looking for a structure that gives the advisory board information, some funding and independence, but does not place it in a regulatory oversight position, where it could interfere with operations or take away LIPA's ability to make decisions. He added that this would adversely affect LIPA's bond rating.

Chairman Kessel stated that some have suggested that the Public Service Commission ("PSC") should regulate LIPA. The Chairman continued that the PSC regulated LILCO, and there was still a mess created. He added that if LIPA cannot make its own decisions, especially about rates and charges, LIPA will certainly face problems with the rating agencies.

Chairman Kessel stated that he suggests that the committee meet through the next couple of months, and then recommend what the size, structure and function of an advisory board should be. The Chairman continued that LIPA may then hold a public hearing, and ultimately establish a board in the first quarter of next year if the majority of the Board of Trustees believes it to be a good idea. He added that he believes it is a good idea, and Governor Pataki wanted to see this since the time that he brought about the LIPA takeover of LILCO.

Trustee Akeson stated that LIPA has not only factually researched the issue, but the LIPA staff has also spoken to members of these councils and the employees of the railroad. She continued that Mr. Klimberg and Ms. Nicolino have done a lot of work in gathering the practical information that will be helpful to LIPA.

Chairman Kessel 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:

750. 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 12:25 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 12:46 p.m. the executive session was adjourned and the open session was reconvened.

After noting that no votes were taken in the executive session, Chairman Kessel entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 12:47 p.m.

Respectfully submitted,

Stanley B. Klimberg