

**LONG ISLAND POWER AUTHORITY**

**MINUTES OF THE 202<sup>nd</sup> MEETING**

**HELD ON OCTOBER 22, 2009**

The Long Island Power Authority (the "Authority") was convened for the two-hundred-and-second time at 11:09 AM at the Omni Teleconference Center, in Uniondale, NY, pursuant to legal notice given on September 19, 2009, verbal notice given by the Acting Chairman at the September 24, 2009 meeting of the Board of Trustees, and electronic notice posted on the Authority's website annually.

The following Trustees of the Authority were present:

**Howard Steinberg, Acting Chairman  
Laurence Belinsky  
David Calone  
X. Cristofer Damianos  
John Fabio  
Michael Fragin  
James Herrmann  
Susan Gordon Ryan  
Suzette Smookler  
Lawrence Waldman  
Diana Weir**

The following Trustees of the Authority were absent:

**Christopher Hahn  
Lawrence Elovich**

Representing the Authority were Kevin S. Law, President and Chief Executive Officer; Lynda Nicolino, General Counsel and Secretary; and Herbert L. Hogue, CFO. Also present were Michael Deering, Vice President-Environmental Affairs; Michael Hervey, Vice President-Operations; Bruce Germano, Vice President-Retail Services; and Paul DeCotis, Vice President-Power Markets.

*Acting Chairman Steinberg welcomed everyone to the 202<sup>nd</sup> meeting of the Long Island Power Authority Board of Trustees. He led the Board in a moment of silence to honor the men and woman serving our country, followed by the Pledge of Allegiance.*

*Acting Chairman Steinberg made a motion to accept the minutes of the September 24, 2009 meeting of the Board of Trustees which was seconded. He asked if there were any additional changes or deletions. Upon hearing none, the resolution was adopted, with Trustee Fragin abstaining:*

**952. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE SEPTEMBER 24, 2009 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY**

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**RESOLVED**, that the Minutes of the meeting of the Authority held on September 24, 2009 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

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*The Acting Chairman next remarked on the following items:*

- *The budgeting process; and*
- *LIPA's ongoing strategic review of its business model alternatives for the future.*

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

*The President reported on the following items:*

- *The 2010 budget;*

- *The \$144 million bill credit;*
- *The low-income senior citizen program;*
- *Moving LIPA's charge for efficiency and renewable programs out of the delivery charge and into a separate assessment;*
- *LIPA's recent public hearings on the separate assessment for efficiency and renewable programs as well as the temporary tax imposed by the State;*
- *His participation in a meeting with the Large Public Power Council;*
- *The analysis that Lazard is currently undertaking regarding LIPA's future;*
- *LIPA's decision not to purchase generation units from National Grid;*
- *LIPA's Request for Information regarding the MSA and future Request for Proposals;*
- *The independent report prepared by Liberty Consulting, related to LIPA's Power Supply Charge, and changes LIPA has made in response to recommendations in the report;*
- *The State Comptroller's review of the administration of LIPA's various agreements with National Grid;*
- *LIPA hosting an energy roundtable with State Senator Darrel Aubertine, Chairman of the Energy and Telecommunications Committee;*
- *The status of LIPA's applications for stimulus funds;*
- *LIPA using Twitter and Youtube as another way to communicate with customers;*
- *Items for the December Board Meeting;*
- *The addition of LIPA employees, including Fred Pollert (VP of Administration) and Vanessa Baird-Streeter (Executive Director of Communications);*
- *The retirement of Sam Lee (Assistant Vice President of Power Markets) and*
- *His invitation by Senator Baucus and Senator Kerry's Committee to testify next week*

*on the Climate Change Bill and to serve on several panels that will be testifying as well.*

*The President concluded his report.*

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

*Mr. Hervey presented the operating report, which included reporting on weather related events and various reliability metrics.*

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

*Acting Chairman Steinberg stated that next on the agenda is a report on certain rate and billing matters, which would be presented by Mr. Germano.*

*Mr. Germano presented his report, which focused on the difference between standard rates and time of use rates, as well as customers' options regarding both..*

*Acting Chairman Steinberg stated that next on the agenda is the financial report, which would be presented by Mr. Hogue.*

*Mr. Hogue presented the financial report, including reporting on the actual versus budgeted results for the nine months ended September 30, 2009 and the September 30, 2009 balance sheet.*

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

*Acting Chairman Steinberg stated that the next item on the agenda is the consideration of the approval of modifications to the governing policy for energy risk management. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Mr. Hogue.*

*Mr. Hogue presented the following action item:*

## **Requested Action**

The Trustees are being requested to adopt a resolution approving proposed modifications to the “Long Island Power Authority Governing Policy for Energy Risk Management” (the “ERM Policy”) to 1) secure authorization for the use of a heat rate swap structure to mitigate volatility of purchased power costs; 2) clarify language in the ERM Policy regarding options; and 3) add clarifying language related to transmission hedges.

## **Background**

The Long Island Power Authority (“LIPA”) purchases approximately \$1.5 billion annually of natural gas and oil needed to produce electricity at the generation plants under contract to LIPA, as well as power that is imported to Long Island over several undersea transmission cables. Fuel and power commodities are generally purchased on the spot market and the ultimate mix of purchased power, natural gas and oil varies depending on their relative costs and availability, environmental restrictions on their use, and other factors. The price of these commodities is volatile, resulting in certain energy price risk to LIPA’s ratepayers. In order to mitigate the risk associated with these purchases and to obtain customer price stability, on November 25, 2002, the Trustees adopted, and later amended, the ERM Policy to govern the activities related to LIPA’s comprehensive energy risk management program. Among other things, the ERM Policy governs what hedging instruments may be used, such as “swaps” and “options,” and allows LIPA to financially hedge its fuel and purchased power risk up to three years in advance of when customer load is actually served. The ERM Policy is administered by LIPA’s Executive Risk Management Committee (“ERMC”), which is comprised of several senior staff members at LIPA, including the Chief Financial Officer.

Given the addition of both the Neptune and Cross Sound undersea transmission cables to LIPA’s resource portfolio, lower cost power can now be delivered to LIPA from different off-island markets. As a result, the amount of purchased power imported onto Long Island to serve the needs of LIPA’s customers has increased significantly and become a larger component of LIPA’s overall fuel and purchased power market exposure. Currently, the ERM Policy allows for the effective use of both “swaps” and “options” to mitigate fuel hedging exposure, but for purchased power exposure, only “swaps” are available. In light of LIPA’s changing resource mix and its recent experience with falling markets, it is desirable to further protect LIPA’s purchased power market exposure by adding an additional hedging instrument.

Accordingly, after consultation with Pace Global Energy Risk Management, LLC, LIPA’s energy risk management advisor, the ERMC has determined that the ERM Policy should be modified to provide for the use of “heat rate swaps,” to be combined with fuel swaps for the purpose of hedging purchased power. The heat rate swap, which represents the fixing of the regional generator fuel efficiency, would be combined with a natural gas price swap to create a purchased power price hedge. Options on natural gas can then be effectively used to mitigate downside exposures currently associated with a power swap hedge in a falling market environment, consistent with LIPA’s well-established practice.

In addition, the ERMC proposes modifying Section 2.03 (b) of the ERM Policy (“Permissible Instruments”) to clarify certain terminology used regarding permissible financial and physical hedging instruments. First, it is proposed that a specific reference to “collars,” which have been authorized under the ERM Policy since the inception of the Energy Risk Management program, be included to more clearly reflect the use of this instrument to limit potential downside risk to LIPA. Second, it is proposed that a reference to “Financial Transmission Rights (FTRs),” the term used for transmission hedges in the PJM market, be added to more accurately reflect the terminology difference between its counter-part in the New York market, “Transmission Congestion Contracts.” Since LIPA participates in both the PJM and New York markets, it is appropriate to specifically include FTRs.

Mr. Hogue noted that by resolution adopted prior to this meeting, the Finance and Audit Committee of the Board has reviewed the ERMC’s proposal to modify the ERM Policy and has determined it to be reasonable, appropriate and in the best interest of LIPA’s customers and recommends its adoption by the full Board.

### Recommendation

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

*After a discussion by the Trustees, the following resolution was then unanimously adopted by the Trustees:*

### 953. APPROVAL OF THE MODIFICATIONS TO THE LONG ISLAND POWER AUTHORITY GOVERNING POLICY FOR ENERGY RISK MANAGEMENT

WHEREAS, the Long Island Power Authority (“LIPA”) adopted the Long Island Power Authority Governing Policy for Energy Risk Management (the “ERM Policy”) on November 25, 2002, as amended on January 24, 2007, to govern LIPA’s hedging transactions related to fuel and purchased power and establish the policies, philosophy, framework, and delegation of authorities necessary to govern such hedging activities; and

WHEREAS, as set forth in the accompanying memorandum, in order to improve the efficiency and effectiveness of the fuel and purchased power hedging program, the Executive Risk Management Committee (the “ERMC”) proposes to modify the ERM Policy to 1) authorize the use of “heat rate swaps” as an additional instrument to hedge purchased power; and 2) add certain clarifying language in Section 2.03 (b); and

WHEREAS, the Finance and Audit Committee of the LIPA Board of Trustees has reviewed the ERMC’s proposed modifications to the ERM Policy and finds them to be in all respects reasonable, appropriate and in the best interests of LIPA’s customers:

**THEREFORE BE IT RESOLVED**, that the Trustees hereby approve and adopt the “Long

Island Power Authority Governing Policy for Energy Risk Management (October 22, 2009)” in the form presented at this meeting, to be effective immediately.

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*Acting Chairman Steinberg stated that the next two items on the agenda are the consideration of adoption of a negative declaration under the State Environmental Quality Review Act for the Nine Mile Point Unit 2 Extended Power Project and the consideration of the approval authorizing the participation in the Nine Mile Point Unit 2 Extended Power Project. After requesting a motion on the first matter, which was seconded, the Acting Chairman requested a motion on the second matter, which was seconded. The Acting Chairman indicated that the two matters would be presented by Mr. Hervey.*

*Mr. Hervey presented the following action item:*

#### **Requested Action**

The Trustees are being requested to adopt a resolution approving, among other things, (1) the determination that the Long Island Power Authority’s (“LIPA”) participation in the construction and operation of the Nine Mile Point Nuclear Station Unit 2 Extended Power Uprate Project (the “EPU Project”) will not have a significant adverse impact on the environment and will not require the preparation of an environmental impact statement; and (2) the issuance of a Negative Declaration with respect to such action.

#### **Background**

The Nine Mile Point Nuclear Station (“Nine Mile”) is located in the northwest corner of Oswego County, on the south shore of Lake Ontario in the Town of Scriba, and consists of two separate generation facilities, Unit 1 and Unit 2. LIPA owns approximately 18% of the Nine Mile Point Nuclear Station Unit 2 (“NMP2”) and a subsidiary of Constellation Nuclear, LLC (“Constellation”) owns the remaining 82%. LIPA’s share of the NMP2 output comprises approximately 8% of LIPA’s annual energy needs and is the lowest cost energy in LIPA’s portfolio. Constellation operates NMP2 on LIPA’s behalf pursuant to an Amended and Restated Operating Agreement (the “Operating Agreement”) that governs major issues between the owners including, among other things, life extension and expansion of the unit and cost allocation.

The proposed action for New York State Environmental Quality Review Act (“SEQRA”) purposes involves a desire by LIPA to participate in the proposed EPU Project. The operational goal of the proposed EPU Project is to modify NMP2 to increase the electrical

output of the unit from 1,211 megawatts-electric (“MWe”) to up to 1,369 MWe (an incremental increase of up to 158 MWe). Modifications to the unit would involve the replacement of a high-pressure turbine rotor, as well as other minor alterations, and would occur during the next two scheduled refueling outages in Spring 2010 and Spring 2012. No new construction is planned outside of existing facilities and no expansion of buildings, roads, parking lots, equipment storage areas, or transmission facilities would be required to support the proposed EPU Project. In addition, the incremental increased output from the plant would be accomplished with no change in the amount of water drawn from Lake Ontario. The proposed EPU Project also involves increasing the licensed core thermal level of NMP2 from 3,467 megawatts-thermal (“MWt”) up to 3,988 MWt, or approximately 15 percent above the current licensed thermal power. This change in core thermal level would require the Nuclear Regulatory Commission (“NRC”) to amend the unit’s operating license.

Because the EPU Project would require the NRC to amend the facility’s operating license, a Supplemental Environmental Report (“SER”) as required by NRC regulations (10 CFR 51.41) in compliance with the National Environmental Policy Act (“NEPA”) was performed. The SER is supported by prior environmental reviews for this site, including: 1) the May 1985 Final Environmental Impact Statement Related to the Operation of NMP2; 2) the March 1995 Environmental Assessment and Finding of No Significant Impact (60 FR 11689-11692) for a 4.3% increase over the licensed core thermal power; and 3) the May 2006 Supplement 24 of the Generic Environmental Impact Statement for the License Renewal of Nuclear Power Plants that addressed the license renewal of Units 1 and 2. Prior to amending the Nine Mile operating license, the NRC is expected to issue a “Finding of No Significant Impact” pursuant to NEPA for this Project. With regard to SEQRA, LIPA has prepared the attached Environmental Assessment, including the long-form Environmental Assessment Form (pursuant to 6 NYCRR § 617.20), which incorporates and attaches the NEPA SER. The Environmental Assessment concludes that the proposed EPU Project would not result in any significant adverse impacts to the environment.

The proposed action provides Constellation and LIPA with the ability to increase the potential electrical output of NMP2 to supply low-cost, reliable, and efficient electrical generation to New York State and the region, including LIPA’s customers. The anticipated additional 158 megawatts of electricity would be enough to power approximately 174,000 homes and would contribute to meeting the goals and recommendations of the New York State Energy Plan for maintaining a reserve margin and reducing greenhouse gas emissions.

## Recommendation

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

*After a discussion by the Trustees, the following resolution was then unanimously adopted by the Trustees:*

**954. APPROVAL OF NEGATIVE DECLARATION FOR THE NINE MILE POINT NUCLEAR STATION UNIT 2 EXTENDED POWER UPRATE PROJECT UNDER THE STATE ENVIRONMENTAL QUALITY REVIEW ACT**

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WHEREAS, the Long Island Power Authority (“LIPA”) and the Nine Mile Point Nuclear Station, LLC, a wholly-owned subsidiary of Constellation Nuclear, LLC (“Constellation”), have entered into an Amended and Restated Operating Agreement for Nine Mile Point Unit 2 Nuclear Generating Facility dated November 2001; and

WHEREAS, Constellation has proposed an Extended Power Uprate for Nine Mile Point Unit 2 that would result in an approximate 15 percent increase in the currently licensed thermal power from the plant, thereby increasing the electric output from the plant by up to 158 Megawatt-electric (“MWe”) (the “EPU Project”); and

WHEREAS, because the EPU Project requires the issuance of an operating license amendment, Constellation prepared a Supplemental Environmental Report (“SER”) pursuant to the Nuclear Regulatory Commission regulations and the National Environmental Policy Act (“NEPA”); and

WHEREAS, in anticipation of LIPA’s participation in the EPU Project for the benefit of its customers, LIPA prepared an Environmental Assessment Form (“EAF”) pursuant to the State Environmental Quality Review Act (“SEQRA”); and

WHEREAS, the Environmental Assessment, which consists of both the NEPA SER and SEQRA EAF, finds that no significant adverse environmental impacts will result from the proposed EPU Project and, accordingly, that no environmental impact statement is required under SEQRA:

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby (a) approve and adopt the Environmental Assessment for the proposed EPU Project dated October 2009, and (b) determine that, for the reasons set forth in and on the basis of such Environmental Assessment: (1) LIPA’s participation in the construction, operation and implementation of the EPU Project at the Nine Mile Nuclear Station site in the Town of Scriba will not have a significant adverse effect on the environment and (2) an environmental impact statement need not be prepared in connection with such proposed action; and be it further

RESOLVED, that the President and Chief Executive Officer, or his designee, is directed to prepare and file a Negative Declaration for such proposed action, effective immediately, in

accordance with the requirements of SEQRA, 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 ensure that the foregoing is carried out.

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*Mr. Hervey presented the following action item:*

### **Requested Action**

The Trustees are requested to approve and adopt a resolution authorizing the President and Chief Executive Officer, or his designee, to take such actions as may be reasonably necessary to allow the Long Island Power Authority (“LIPA”) to participate in the Nine Mile Point Nuclear Station Unit 2 Extended Power Uprate Project (the “EPU Project”) pursuant to or consistent with the terms provided in the Amended and Restated Operating Agreement for Nine Mile Point Unit No. 2 Nuclear Generating Facility, dated November 2001 (the “Operating Agreement”) between LIPA and Nine Mile Point Nuclear Station, LLC, a wholly-owned subsidiary of Constellation Nuclear, LLC (“Constellation”).

### **Background**

As more fully set forth in the accompanying memorandum regarding LIPA’s review of the EPU Project under the New York State Environmental Quality Review Act, LIPA staff has determined that it is desirable to participate in the EPU Project proposed by Constellation to increase the electrical output of Nine Mile Point Unit 2 (“NMP2”) by approximately 158 megawatts-electric (“MWe”). Currently, LIPA’s 18% ownership share of the output of NMP2 comprises approximately 207 MWe or 8% of LIPA’s annual energy needs and is by far, the lowest cost energy in its portfolio. LIPA’s participation in the EPU Project would provide for an incremental 28.4 MWe of additional low-cost and efficient energy for its customers from NMP2.

It is expected that LIPA’s participation in the proposed EPU Project would be governed by the Operating Agreement, which among other things, defines the cost allocation between the owners in connection with an uprate to the unit. LIPA’s projected share of the cost for participating in the EPU Project over the anticipated five-year implementation period is approximately \$37 million, with 80% of the benefit derived in the first year of implementation, 2010. LIPA believes that this investment would provide a net present value benefit to its customers in the amount of \$117-145 million over LIPA’s twenty-year resource planning period. Mr. Hervey noted that total benefits during the remaining license period for NMP2, which currently extends to October 31, 2046, would be even greater.

### **Recommendation**

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

*After a discussion by the Trustees, the following resolution was then unanimously adopted by the Trustees:*

**955. APPROVAL OF PARTICIPATION IN NINE MILE POINT NUCLEAR STATION UNIT 2 EXTENDED POWER UPRATE PROJECT**

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WHEREAS, the Long Island Power Authority (“LIPA”) and the Nine Mile Point Nuclear Station, LLC, a wholly-owned subsidiary of Constellation Nuclear, LLC (“Constellation”), have entered into an Amended and Restated Operating Agreement for Nine Mile Point Unit No. 2 Nuclear Generating Facility dated November 2001 (“the Operating Agreement”); and

WHEREAS, Constellation has proposed an Extended Power Uprate for Nine Mile Point Unit 2 that would result in an increase in the currently licensed thermal power from the plant by up to approximately 15 percent, thereby increasing the electric output from the plant by up to 158 Megawatt-electric (“MWe”) (the “EPU Project”); and

WHEREAS, it is expected that the terms provided for in Section 13.3 of the Operating Agreement would govern LIPA’s participation as a part owner of the EPU Project, including the payment of its 18% share of the costs, which are currently projected to be approximately \$37 million; and

WHEREAS, LIPA believes that this investment would provide a net present value benefit to its customers in the amount of \$117-145 million over LIPA’s twenty-year resource planning period; and

WHEREAS, for the reasons set forth in the accompanying memorandum, LIPA staff has concluded that it is in LIPA’s best interest to participate in the EPU Project and provide the additional clean and cost-effective electricity to its customers that will become available if the proposed uprate to NMP2 is carried out; and

WHEREAS, on this date, by separate resolution, the Trustees have determined that the EPU Project will not have any significant adverse environmental impacts and, accordingly, adopted a Negative Declaration for such Project:

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby approve LIPA’s participation in the proposed EPU Project pursuant to or consistent with terms provided in the Operating Agreement and authorize the President and Chief Executive Officer, or his designee, 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 ensure that the foregoing is carried out; and

**BE IT FURTHER RESOLVED**, that in the event any material modification to the Operating Agreement is required in connection with this authorization, or in the event a new agreement providing for LIPA's participation in the EPU Project in place of the Operating Agreement is necessary, further approval of the Trustees will be sought.

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*Acting Chairman Steinberg stated that the next item on the agenda is the consideration of the approval of the acquisition of certain leased property. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Mr. Hervey.*

*Mr. Hervey presented the following action item:*

#### **Requested Action**

The Trustees are being requested to adopt a resolution approving the acquisition of, and authorizing the President and Chief Executive Officer or his designee to execute, a lease agreement with the County of Suffolk (the "County") for the Yaphank Substation property.

#### **Background**

The Long Island Power Authority's ("LIPA") Yaphank Substation is currently located on a 1.6 acre parcel owned by the County. This property is part of the Suffolk County Farm Cooperative (formerly known as Suffolk County Honor Farm) in the Town of Brookhaven, subject to certain restrictive covenants that prohibit any further development on the property without a public referendum. This substation provides for the transmission and distribution of electricity for various facilities in the area, including several owned by the County. LIPA's predecessor, LILCO, occupied the property pursuant to a lease dated May 1, 1973, which provided for a \$1200 annual rental payment. Although the 1973 lease expired in 1998, LIPA has continued to pay the County the \$1200 annual rental amount, and has otherwise followed its provisions.

Over the last few years, LIPA and the County have been negotiating the terms of a new lease, in order to secure LIPA's right to remain on the property. Recently, LIPA and the County were able to reach agreement on the terms of a new twenty-year lease, which would provide for more favorable terms to LIPA than the 1973 lease, and a rental amount that more accurately reflects the current market for this type of property (the "Lease"). The new rental price would be \$17,500 per year for the first two years with a 3% escalation each year thereafter, for a total rental commitment over the life of the Lease of \$433,526.50. The lease would reflect a term commencing on November 1, 2005, when negotiations began, and expiring after twenty years, on October 31, 2025

LIPA staff believes that the new lease arrangement is beneficial to its customers. The new lease gives more rights to LIPA than the expired lease, including the right to upgrade the substation without the prior written consent of the County and a right of first refusal in the event the County intends to offer to sell the property to a third party. In addition, LIPA was able to negotiate a rental value that reflects the lower of two appraisals obtained by the County and LIPA, the higher appraisal having determined the value of the first year's rent to be \$24,000. Mr. Hervey noted that at LIPA's request, National Grid's Real Estate Unit has reviewed the appraisals and advised LIPA that the proposed cost of the Lease is reasonable and comparable to prices paid for other substation properties.

### **Recommendation**

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

*After a discussion by the Trustees, the following resolution was then adopted by the*

*Trustees with Trustee Calone abstaining:*

### **956. AUTHORIZATION TO APPROVE AND EXECUTE LEASE AGREEMENT FOR THE YAPHANK SUBSTATION PROPERTY**

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**WHEREAS, the Long Island Power Authority's ("LIPA") Yaphank substation is currently located on a 1.6 acre parcel owned by the County of Suffolk ("County"); and**

**WHEREAS, this substation provides for the transmission and distribution of electricity for various facilities in the area, including several owned by the County; and**

**WHEREAS, LIPA has been occupying the County property pursuant to an expired lease; and**

**WHEREAS, LIPA and the County have been negotiating a new lease for several years to secure LIPA's right to remain on the property; and**

**WHEREAS, as more fully set forth in the accompanying memorandum, LIPA and the County have reached agreement on the terms of a new twenty-year lease that LIPA staff believes to be reasonable and appropriate (the "Lease"); and**

**WHEREAS, the total rental price to be paid by LIPA over the twenty-year life of the Lease is \$433,526.50; and**

**WHEREAS, in light of the dollar value of this transaction, approval by the Trustees is required pursuant to LIPA's "Guidelines Regarding Property Acquisition Contracts":  
NOW, THEREFORE, BE IT RESOLVED, that the acquisition of the Lease with a total commitment of \$433,526.50 is approved; and**

**BE IT FURTHER RESOLVED**, that the President and Chief Executive Officer, or his designee, is authorized to execute and effect the Lease for the Yaphank Substation property, and to perform such further acts as may be necessary, convenient or appropriate, in the judgment of the President and Chief Executive Officer, or his designee, to acquire the Lease.

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*Acting Chairman Steinberg stated that the next item on the agenda is the consideration of the approval of the acquisition of a permanent easement for the Canal Substation Project. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Ms. Nicolino.*

*Ms. Nicolino presented the following action item:*

#### **Requested Action**

The Trustees are requested to adopt a resolution approving the acquisition of, and authorizing the President and Chief Executive Officer or his designee to execute, an easement agreement with the New York State Department of Transportation (“DOT”) in the amount of \$690,000 to finalize the Canal Substation Project (the “Project”).

#### **Background**

In order to meet the existing and future electricity needs of the Long Island Power Authority’s (“LIPA”) customers on the eastern end of Long Island, on May 26, 2004, LIPA’s Board of Trustees authorized the construction and implementation of the Canal Substation Project (the “Project”). Over the next two years, the Canal Substation was constructed on an 8.35 acre parcel owned by DOT and located within its Hampton Bays maintenance facility, east of the Shinnecock Canal in the Town of Southampton. As part of the Project, it was contemplated that LIPA would acquire the parcel from DOT through a permanent easement; in the interim, LIPA has occupied the property pursuant to a permit issued by DOT.

Since the time that the Project was authorized, LIPA’s “Guidelines Regarding Property Acquisition Contracts” were modified, lowering the threshold dollar values for transactions that require Board approval from \$750,000 to \$250,000. As noted above, the easement price recommended to be paid to DOT for this parcel is \$690,000, thus requiring Board approval at this time. Ms. Nicolino noted that in determining the value of the easement, three appraisals were obtained; one by LIPA and two by DOT, with appraised values ranging from \$3.05 to \$4.33 per square foot (psf). The total easement value was arrived at by averaging the appraised values (\$3.60 psf), and then applying that value, or a

discounted portion thereof, to the total square footage of the parcel, based on LIPA's use of the property. At LIPA's request, National Grid's Real Estate Unit has reviewed the appraisals and advised LIPA that the proposed value of the easement is reasonable and consistent with prices paid for other comparable substation properties. LIPA's staff has reviewed the appraisals and the recommendation from National Grid, and believes that the easement price is in all respects reasonable and appropriate.

### **Recommendation**

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

*After a discussion by the Trustees, the following resolution was then unanimously adopted by the Trustees:*

#### **957. AUTHORIZATION TO APPROVE AND EXECUTE EASEMENT AGREEMENT FOR THE CANAL SUBSTATION PROJECT**

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**WHEREAS** in order to meet the existing and future electricity needs of the Long Island Power Authority's ("LIPA") customers on the eastern end of Long Island, in May 2004, LIPA's Board of Trustees authorized the construction and implementation of the Canal Substation Project (the "Project"); and

**WHEREAS**, following this approval, the Canal Substation was constructed on an 8.35 acre parcel owned by the New York State Department of Transportation ("DOT") and located within DOT's Hampton Bays maintenance facility, east of the Shinnecock Canal in the Town of Southampton, Suffolk County; and

**WHEREAS**, as part of the Project, it was contemplated that LIPA would acquire the parcel from DOT through a permanent easement, which DOT is now ready to finalize; and

**WHEREAS**, for the reasons set forth in the accompanying memorandum, LIPA staff has determined that the easement price of \$690,000 is reasonable and appropriate; and

**WHEREAS**, in light of the dollar value of this transaction, approval by the Trustees is required pursuant to LIPA's "Guidelines Regarding Property Acquisition Contracts":

**NOW, THEREFORE, BE IT RESOLVED**, that the acquisition of the easement property from DOT in the amount of \$690,000 is approved; and

**BE IT FURTHER RESOLVED**, that the President and Chief Executive Officer, or his designee, is authorized to execute and effect an agreement for the acquisition of the permanent easement and to perform such further acts as may be necessary, convenient or

appropriate, in the judgment of the President and Chief Executive Officer, or his designee, to acquire the easement.

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*Acting Chairman Steinberg stated that the next item on the agenda is the consideration of the approval of the modification to coverage under the New York State Health Insurance Program. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Ms. Nicolino.*

*Ms. Nicolino presented the following action item:*

### **Requested Action**

The Trustees are requested to approve and adopt a resolution authorizing the President and Chief Executive Officer, or his designee, to modify the Long Island Power Authority's ("LIPA") existing coverage under the New York State Health Insurance Program ("NYSHIP") to include domestic partnerships.

### **Background**

LIPA currently participates in the NYSHIP for the provision of health care benefits to its eligible employees, their spouses and dependent children. To date, LIPA has not recognized domestic partners of LIPA employees as eligible for such health care benefits. The NYSHIP defines "domestic partnership" as one in which both partners are 18 years of age or older; unmarried and not related by blood or marriage in a way that would bar marriage; residing together; involved in a committed (lifetime) relationship, and mutually interdependent financially. The partners must be each other's sole domestic partner and must have been involved in the domestic partnership for a period of not less than six months. The NYSHIP requires that an employee submit specific documentation to demonstrate satisfaction of these criteria.

In order to better meet the needs of its employees and to make LIPA's health insurance plan consistent with many other State and local governmental entities, including the New York State Comptroller's Office, the Office of the Attorney General, the New York Power Authority and the Counties of Nassau and Suffolk, LIPA staff believes modifying its existing health insurance plan to cover domestic partners is both reasonable and appropriate at this time.

To implement this coverage, LIPA would hold an open-enrollment period to allow eligible employees the option to register their domestic partners and provide the necessary supporting documentation. The cost to LIPA for providing this coverage would be the same as the cost of extending family coverage to its eligible employees, approximately

**\$1,000 per month, per employee. For those employees already enrolled in a family policy to provide coverage for children, there will be no additional cost to LIPA to cover their domestic partners.**

**Recommendation**

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

*After a discussion by the Trustees, the following resolution was then unanimously adopted by the Trustees:*

**958. AUTHORIZATION TO MODIFY HEALTH INSURANCE PROGRAM BENEFITS TO INCLUDE DOMESTIC PARTNERSHIPS**

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**WHEREAS, the Long Island Power Authority (“LIPA”) currently participates in the New York State Health Insurance Program (“NYSHIP”) for the provision of health care benefits to its eligible employees, their spouses and dependent children; and**

**WHEREAS, to date, LIPA has not recognized domestic partners of LIPA employees as eligible for such health care benefits; and**

**WHEREAS, the cost to LIPA for providing this coverage would be the same as the cost of extending family coverage to its eligible employees, approximately \$1000 per month, per employee; and**

**WHEREAS, in order to better meet the needs of its employees and to make LIPA’s health insurance plan consistent with other similarly situated State and local government entities, LIPA staff believes modifying its existing health insurance plan to cover domestic partners, as defined by NYSHIP, is both reasonable and appropriate at this time:**

**NOW, THEREFORE, BE IT RESOLVED, that the President and Chief Executive Officer, or his designee, is authorized to modify LIPA’s health insurance plan to include coverage for the eligible domestic partners of LIPA employees.**

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*The Acting Chairman then allowed public comment to be heard, after which he announced that the next Board meeting is scheduled for December 17, 2009 at 11:00 a.m. in*

*Uniondale.*

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

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

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

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*At approximately 12:29 p.m. the open session of the Board of Trustees was temporarily adjourned on motion into Executive Session, which commenced at 12:50 p.m.*

*After noting that no votes were taken in the Executive Session, Acting Chairman Steinberg entertained a motion to adjourn, which was duly made and seconded, after which the meeting ended at 2:32 p.m.*

**Respectfully submitted,**

**Lynda Nicolino**