

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 193rd MEETING

HELD ON OCTOBER 23, 2008

Pursuant to notice dated October 20, 2008, the Long Island Power Authority (the "Authority") was convened for the one hundred and ninety third time at 11:08 AM at the Omni Teleconference Center, in Uniondale, NY.

The following Trustees of the Authority were present:

**James Larocca, Chairman
Howard Steinberg, Vice Chairman
Michael Affrunti
Laurence Belinsky
Anthony Bonomo
Cristofer Damianos
Lawrence Elovich
John Fabio
Michael Fragin
Susan Gordon Ryan
Jonathan Sinnreich
Suzette Smookler**

The following Trustees of the Authority were absent:

**Harriet Gilliam
James Herrmann**

Representing the Authority were Kevin S. Law, President and Chief Executive Officer; Lynda Nicolino, General Counsel and Secretary; and Elizabeth McCarthy, Senior Vice President and Chief Financial Office. Also present were Michael Deering, Vice President-Environmental Affairs; Edward Dumas, Vice President-Communications; Bruce Germano, Vice President-Retail Services; and Sam Lee, Acting Department Head of Power Markets.

Chairman Larocca addressed the audience and called the meeting to order.

The Chairman stated that this is the October meeting of the Long Island Power Authority pursuant to notice duly given and then led the Board in the Pledge of Allegiance.

Chairman Larocca made a motion to accept the minutes of the September 23rd meeting of the Board of Trustees. He asked if there were any changes or deletions. He noted that there were none.

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

888. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE SEPTEMBER 23, 2008 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on September 23, 2008 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

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Chairman Larocca stated that today, the Board is coming together during the midst of one of the most extraordinary fiscal periods in many decades, if not in American history, in the sense that a lot of things are happening and the interconnectedness of those things around the world is unprecedented. He continued that it is remarkable how much disagreement there is among very smart people and very knowledgeable institutions about the scope, meaning, and strategic response to all of these things. He noted that for every single municipal entity in the Country there are implications from these events, and that LIPA is not exempt from any of those.

Chairman Larocca stated that part of what is occupying LIPA's attention during this uncertain financial time is that task of managing itself on behalf of the ratepayers. He continued that with all of the current economic and fiscal conditions, there has been an impact to the economy in which everyone lives and works and in which LIPA delivers its services. He added that it is important to note that the Long Island Power Authority will reflect the economy that it is in,

and that there will be a period of time that requires a heightened awareness and a heightened attention to the conditions of the economy and the necessity of thinking strategically and carefully about the implications of all of the relevant matters over time.

Chairman Larocca stated that the first Committee report this morning will address some of the financial implications of the current economic environment. He continued that LIPA is sound and is reacting to the environment. He added that no one should be under any illusion that LIPA or any other institution is exempt from the conditions that are in the world, in the Country, in the credit market, in the fiscal environment, or in the economy of which LIPA is a part.

Chairman Larocca stated that all of the measures at which LIPA looks for the condition of the economy are concerning. He continued that all of them are emotional - from job creation to unemployment, to housing starts, to all kinds of expressions of credit, as well as credit behavior on the part of people. He noted that all of these things are happening as the Board meets. He added that this, by every projection, will continue to be the case for some extended period of time, and that over the coming months, LIPA will continue to adjust and adapt to this continuously changing, very volatile environment. Chairman Larocca added that it is LIPA's hope that it would be part of the process that also responds to the economy, as it has always been part of the process that seeks to assist

ratepayers and to help generate new economic activity. He indicated that this will all go forward, but we are in a very changed world and a very changed environment.

Chairman Larocca stated that the President and CEO would now give his report.

President Law reported that as usual, it has been an interesting month since the last Board meeting. He continued that last week was his one year anniversary on the job, and he felt as though anything that could have happened during his first year probably did. He added that it had been an interesting year, whether it was storms, Albany issues, or volatility in the fuel markets. He expressed that while it was a crazy year, it was also a fun year, and he is still excited about working with the Board to help LIPA meet the challenges that it faces.

President Law reported that the financial crisis, which Chairman Larocca reported on earlier, is impacting everything that LIPA does. He continued that LIPA is spending a lot of time trying to address the issues that the crisis is creating.

President Law reported that LIPA is in the midst of preparing its budget for next year. He continued that the economic crisis is creating challenges in that

regard too. He added that LIPA is preparing the 2009 budget right now and will be sharing it with the Board in the month of November.

President Law reported that he has been involved in many activities since the last Board meeting in September. He continued that he gave a speech at the Independent Power Producers of New York (“IPPNY”). He added that a lot of their members do business with LIPA, and that they are always looking for new opportunities to help LIPA meet its energy demands.

President Law reported that he spoke at the Northeast and Mid-Atlantic Governor’s Conference on Renewable Energy, which was hosted by Governor Paterson. He noted that Governor Corzine was there as well. He continued that all involved were trying to coordinate renewable energy efforts between the Northeast and Mid-Atlantic states.

President Law reported that he had the interesting pleasure of accompanying the Solar Energy Association to ring the bell at NASDAQ, although it was on the day that the stock market crashed 777 points. He continued that the group also met with Bloomberg News and Dow Jones News where he talked about LIPA’s renewable programs.

President Law reported that he sits on the Advanced Energy Research Board, which oversees a center that is being constructed at SUNY Stony Brook.

He continued that it is an exciting venture, and that they are having a conference on November 19 and 20 in Hauppauge. He added that LIPA staff will send out information on the conference to the Board because some members may wish to attend.

President Law reported that as he had mentioned last month, LIPA has been conducting a school efficiency program with Long Island school districts. He continued that LIPA held a meeting in Nassau County in September as well as in Suffolk County on October 3rd. He noted that the meetings were well attended, and as per Trustee Fragin's comments, LIPA is reaching out to schools in the Rockaways in hopes of having a meeting in New York City in November.

President Law reported that he spoke before the East End Supervisors' and Mayors' Association. He added that he and Mr. Hervey are also part of a Transmission Owner's Committee that is comprised of all of the utilities in the downstate region that own transmission lines. He continued that they attended a meeting to discuss a plan that is underway with the New York Independent System Operator ("ISO") to do transmission planning for the State. He stated that this is important to LIPA if it is ever going to tap Canadian hydropower or access any upstate wind power. He noted that the only way this energy will get to Long Island is with better and more transmission lines, so LIPA will be playing a role in that process.

President Law reported that two days ago he attended an energy sub-cabinet meeting in Albany, along with the heads of NYPA, NYSEERDA, and the PSC. He continued that LIPA will continue to coordinate all of its efforts with the other state agencies in the energy field. He noted that it is a really good team, and that he was at the meeting with his colleague and old friend Richard Kessel, who now heads up NYPA.

President Law reported that LIPA's RFP for administering the low-income senior citizen program produced two responses. He continued that LIPA is evaluating those responses and will be making a recommendation to the Board in December on the implementation of that program.

President Law stated that as he had previously reported, he called for an audit of LIPA's fuel and purchased power charge. He continued that LIPA is working out a memorandum of understanding (MOU), which it has shared with the Public Service Commission, to try and address the issue. He added that this is one of the issues that led to the PSC legislation that Governor Paterson vetoed recently. He stated that people had concerns and made allegations that what LIPA has done is put certain components into the fuel and purchased power charge that do not belong there and which should otherwise be in the base rate. He noted that to help reach an answer to this question, he called for working out an MOU with the PSC, and that LIPA should have the process underway and

concluded by the end of the year, with a consultant on board to do the work by the beginning of next year.

President Law reported that as he had mentioned at the last meeting, LIPA received 28 proposals from companies in response to the RFP issued for 300 megawatts of solar power. He continued that LIPA is continuing to evaluate the responses and should be in a position to make a recommendation to the Board at the December meeting.

President Law reported that as discussed in the New York Times and other periodicals this week, the current economic crisis is going to impact the ability of renewable energy companies to finance their deals. He added that with the cost of fuel coming down, it may actually make some of the proposed projects less attractive. He noted that the lower cost of fuel is temporary, and that LIPA needs to look at the big picture and increase the diversity of its fuel portfolio. He stated that he hopes LIPA will be in a position to make a recommendation to the Board in December.

President Law reported that back around June, LIPA received some criticism of its Clean Energy Program. He continued that he called for audits by the in-house auditing team at National Grid. He added that LIPA has draft audits, which should be finalized in about a week. He noted that nothing spectacular was discovered in terms of the protocols and procedures in place.

President Law reported that he also asked for the preparation of the annual report, which should have been done earlier. He continued that LIPA has not yet drafted it, but that he is going to recommend that he delegate that to Chris Damianos, as chair of the Energy Efficiency and Environmental Committee, for review in December, and then the Board will have it at the December meeting along with the results of the audits. He added that perhaps Chris could call a meeting of the Energy Efficiency and Environmental Committee to review the report and then it could be distributed to the Board at the December meeting.

Trustee Affrunti questioned on what day the December Board meeting would be held.

Chairman Larocca confirmed that the meeting is December 11, 2008 at 11:00 a.m. He explained that the meeting is held earlier in December so as to avoid the holiday period, as well as to move it closer to November since there is no meeting in November.

President Law reported that he was in New York City the other day for the meeting with the Transmission Owner's Committee that was held at Con Ed. He continued that LIPA held its first meeting with LIPA and Con Ed engineers to explore the feasibility of offshore wind. He added that LIPA staff will keep the Board abreast of how those meetings go. He noted that LIPA is not hiring any

consultants, and that it will be looking at this internally with both companies' engineers.

President Law concluded his report.

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

Hearing no questions, Chairman Larocca stated that the next item on the agenda is the Finance Report to be delivered by Ms. McCarthy.

Ms. McCarthy reported that for the nine months ended September 30th, revenues of \$2.8 billion were \$64 million, or two percent, below budget for the period, \$43 million of which was due to milder than normal weather, with the remainder due to lower-than-budgeted growth and average consumption. She continued that overall, sales for the period were 2.4 percent below budget, and that fuel and purchase power costs were 3 percent, or \$47 million, over budget. She added that the impacts of lower sales on energy costs were fully offset by higher-than budgeted net commodity costs.

Ms. McCarthy reported that fuel and purchased power costs for the period also included the beneficial effects of LIPA's energy commodity hedging program of \$238 million. She continued that from a fuel hedging perspective, at October

21, 2008, LIPA had hedges for 81 percent of its expected oil, natural gas, and power consumption for the remainder of 2008. She added that LIPA's hedged position for these three commodities for 2009, 2010, and 2011 were 53 percent, 36 percent, and 17 percent respectively.

Ms. McCarthy reported that O&M expenses for the period were \$17 million, or 3 percent, below budget primarily due to lower-than-budgeted billed sales and timing differences. She continued that these positive variances were offset by higher than budgeted storm restoration costs in the period. She added that also reflected in the period results was a \$6 million non-cash gain resulting from the termination of two offsetting interest rate swap agreements and a \$4 million extraordinary non-cash charge related to the early redemption of \$200 million of insured auction rate securities.

Ms. McCarthy reported that interest rate expense for the period was \$5 million, or 2 percent, under budget despite some of the recent disruptions seen in the credit markets. She continued that for the remainder of the year, LIPA can expect interest expense to be effectively on budget.

Ms. McCarthy reported that overall, for the nine months ended September 30, 2008, LIPA had an excess of revenues over expenses of \$35 million. She continued that it is currently projected that LIPA will end the year within the lower end of its financial reserve target of \$25 million to \$125 million.

Ms. McCarthy reported that at September 30, 2008, LIPA had cash and cash equivalents on hand of \$287 million. She continued that these are invested in a variety of instruments with 79 percent of that cash on hand having maturities of three months or less.

Ms. McCarthy reported that from a financial market's perspective, as she had previously reported, LIPA completed a portion of its 2008 plan of finance last week. She continued that LIPA completed a \$605 million fixed rate financing, with approximately \$200 million of net proceeds of that to be used to replenish treasury for LIPA's ongoing capital spending program and \$375 million to be used to redeem a portion of LIPA's insured auction rate securities. She noted that there is an agenda item with respect to the financial markets, which she will discuss later.

Ms. McCarthy thanked her staff for all of their hard work to get the financing done during this difficult time. She added that everyone worked long hours, and that she is appreciative of that. Ms. McCarthy concluded her report.

Vice Chairman Steinberg stated that on behalf of the Finance and Audit Committee, he wanted to reiterate that Ms. McCarthy and her staff deserve great credit for their really extraordinary efforts in doing the \$600 million financing during a difficult time in the credit markets. He noted that the timing was just perfect and a great deal of hard work went into doing it. He continued that it is a

very critical part of LIPA's fundraising efforts, and to be able to do a \$600 million issue when virtually nothing is being done around the country is extraordinary. He expressed that a great deal of credit and thanks is due to Ms. McCarthy and her staff.

Vice Chairman Steinberg reported that he had a comment on the hedging program, which was just discussed at the Finance and Audit Committee meeting. He continued that it is worth repeating that the hedging program that has been undertaken at LIPA and administered by Ms. McCarthy and her staff has been hugely successful. He added that it has resulted in a net benefit to LIPA's ratepayers of over \$600 million, which is very meaningful in terms of being able to hold rates down in the current environment. He noted that the program is actively managed and is being reviewed on a daily basis in light of the volatility of the markets.

Chairman Larocca stated that he would like to also compliment Ms. McCarthy and the staff on managing through the last thirty days, including getting to market in a very necessary and timely way, which a lot of institutions were not able to do. He continued that ratepayers will benefit greatly from her finding that window and successfully getting through it.

Chairman Larocca stated that with respect to the hedging program, there is an article in today's or yesterday's paper that does a very good job of distilling

this very complicated subject. He continued that last spring, LIPA had a projection of oil prices reaching \$200 a barrel by Labor day. He added that the price dropped to under \$70 on October 9, down \$66 and change, less than half of what it would have been trading at during the summer.

Chairman Larocca stated that LIPA is in a very volatile environment throughout the economy, and a big component of that, the fuel markets, affects LIPA's day-to-day business. He continued that while the Board usually focuses on the price of a barrel of oil, there are corresponding considerations with regard to the price of natural gas, which is supplied to LIPA for power plant supply as well as to National Grid, LIPA's gas partner for retail business on Long Island.

Chairman Larocca stated that the fuel markets are very complicated and that they are managed aggressively at LIPA in order to protect the ratepayers from volatility. He continued that despite the fact that nobody's projections for the year have been anywhere near where anyone might have expected, in the year ahead, LIPA will be positioned against higher prices, which will result in millions of additional savings to ratepayers. He continued that as the Finance Chairman said, the net effect to ratepayers over the course of time has been very substantial in the neighborhood of some \$600 million.

Chairman Larocca stated that the fuel market volatility will continue to occupy LIPA's attention, and that hopefully, in everyday terms, the public will

recognize that LIPA deals with projections, which are just predictions, and nobody can predict the future with absolute certainty. He continued that he thinks the net effect of the hedging program has been very good even in this current difficult period. He added that there is no protection against the downside without protecting against the upside, so that sometimes, LIPA does not get the full benefit as it otherwise would when prices drop. He noted that LIPA also gets protection from prices going too high. He stated that this dynamic is the result of buying fuel out into the future.

Chairman Larocca stated that he also wanted to extend thanks to the staff who have managed the hedging program. He continued that as the Board members might recall, there was a presentation at an earlier Board meeting on the hedging program. He added that it is a very dry subject, but very important to LIPA, and he is thankful for that.

Trustee Fragin stated that he wanted to make a comment with regard to the budget. He continued that LIPA faces extraordinary structural issues with regard to its budget and cash position, huge debt load, many inherited issues with regard to PILOT payments, etc. He commended President Law and Ms. McCarthy for controlling the discretionary aspects of the budget year after year, and particularly this year. He noted that LIPA has done an extraordinary job at controlling those costs, when you look at actual versus budgeted results, and

that he does not want the public to be misled to think that the Board and staff are running anything but a lean operation and will continue to do so.

Trustee Fragin stated that as the Board looks at next year's budget in preparation for the next meeting, everyone needs to keep in mind the pressures that LIPA will be under, particularly vis-à-vis the potential of decreased revenues. He continued that on the one hand, he wants to praise the staff, but on the other hand, he wants to warn them that the future is not looking all that great and that everything must be on the table.

Chairman Larocca thanked Trustee Fragin. Hearing no further questions, Chairman Larocca turned the floor over to Bruce Germano to present the Operating Report.

Mr. Germano stated that he will waive giving the actual operating report, and will instead walk the Board through a presentation on LIPA's collection performance. He continued that what he is going to talk about is essentially what LIPA has been doing in the collections arena, including performance over the last few years, and then talk about some of the initiatives that LIPA has undertaken to advance what it has been doing in terms of its collections. He added that he has been involved in collections since 2006, along with Francine DeMaio, LIPA's Director of Customer Relations, and Arthur Abbate, LIPA's Manager of Collections at National Grid. He noted that staff has been extremely focused on

all of the initiatives that LIPA wants to undertake in terms of what it is doing with collections and collections performance.

Mr. Germano stated that there are a number of key initiatives that LIPA undertook and that it continues today. He continued that it began in 2006 when LIPA started to take an even harder look than it had in the past, at what was being done with large customers and large customer arrears. He added that they focused not only on how to manage what those issues were, but LIPA's strategies on what it was going to pursue related to collections with those customers.

Mr. Germano reported that in 2007, the focus had been primarily on the organization; that is, how LIPA ensures that the organization is performing at its optimum levels by making sure there is consistency in the practices that it undertakes in terms of collections. He continued that in 2008, the focus was not only on continuing that level of performance, but also looking for opportunities to enhance the performance of the collections and the collections area.

Mr. Germano reported that he would give a brief overview of the history of where LIPA is with collections from 2006 to today, both from an overall perspective as well as a market segment perspective. He continued that in terms of overall arrears as of today, the arrears are at \$118 million absent the Long Island Railroad issues, representing a total of 213,000 customers in arrears. He

added that LIPA's overall arrears remain generally consistent year after year. He noted that he thinks LIPA has been doing very well given the economic conditions and the changes in its rates over the years. He further noted that from an overall performance perspective both on a dollar value basis as well as on a number of customers in arrears basis, LIPA has been steady in managing its arrears.

Mr. Germano reported that the residential customers and the residential customer arrears make up a larger portion of the total arrears, which makes sense when only 100,000 of LIPA's 1.1 million customers are commercial. He continued that LIPA's residential arrears are \$83 million with 190,000 customers in arrears. He added that again, LIPA is staying generally consistent in terms of its performance in that area.

Mr. Germano reported that in 2008, LIPA has been looking at how it can enhance performance in the organization. He continued that one of the areas that it has been trying to further improve on is its performance in the customer call center by increasing its overall bill collections. He added that the outbound call collection process that LIPA has been enhancing in that particular area has achieved some real benefit. He noted that performance in that particular area is expected to rise by about 45 percent over the year prior, which means that on a projected basis, collections will probably increase to about \$12.5 million.

Mr. Germano reported that LIPA ramped-up the outbound call collections in May of this year and is already starting to see a change in the paradigm of the year-over-year performance. He continued that arrears typically peak in the September time frame, but what is happening with the work that LIPA is doing with the field collectors, as well as the outbound calls, is that the number of customers actually peaked in August. He added that he is hopeful and pretty certain that what LIPA is doing now is starting to have an effect in terms of trying to change the paradigm. He noted that the graphs reflect this change, and that it is going to be very helpful in what LIPA is trying to do in terms of going forward.

Mr. Germano reported that in terms of the commercial arrears, year-over-year performance between 2006, 2007, and 2008 is consistent. He continued that the 2008 numbers are starting to drop down in terms of performance, there are less arrears in the commercial market than compared to 2006 and 2007. He added that between January and August of this year, LIPA has been doing very well in terms of its collections, particularly given the issues that have been talked about already, namely the economic conditions. He noted that in general terms, the high attention that LIPA has been paying to the commercial market, the actions it is starting to take and have been taking as it relates to the residential market, show that LIPA is doing very well in terms of overall collections.

Mr. Germano reported that LIPA's goals are to continue what it has been doing in terms of collections and to enhance its field collection work in terms of

what it wants to do to increase that performance. He continued that LIPA is also starting to look at its credit analysis and review function. He added that LIPA wants to continue to grow that function as it has recently put an enhanced function in place. He noted that the goal is to start looking on the credit side of LIPA's business and see where it is with that.

Mr. Germano reported that in terms of large commercial customers' credit work, LIPA is focusing on large commercial individual customers who have annual electric revenues of \$100,000 or more. He continued that LIPA is also looking at customer market segments that have annual electric revenues of less than \$100,000. He noted that the goal and the vision is to assess the financial situation of these customers and then obtain appropriate security where risk is evident.

Mr. Germano reported that in total, from his vantage point, LIPA has a very good start on where it is with collections. He continued that LIPA staff is staying on top of this, and that it is something that LIPA manages on a continuing basis. He noted that he thinks LIPA is very much in front of where it needs to go on this whole issue. Mr. Germano concluded his report on the collection process and called for any questions.

President Law stated that he would like to make a couple of points. He continued that over 80 percent of LIPA customers do pay their bills on time, and it

is only about 19 percent who do not and in varying degrees of thirty, sixty, and ninety days. He added that there are true hardship stories, and LIPA is sensitive to the fact that people are hurting, whether there is a family illness or loss of a job, and LIPA works with these customers to come up with payment plans. He further added that there are others who would like to use LIPA as a bank, paying LIPA last, after taking care of all of their other bills, so LIPA is being a bit more aggressive with those customers. He noted that the good news is that over 80 percent of customers pay their bills on time, and that Mr. Germano and staff are doing a good job of trying to stay on top of the situation while realizing that people are hurting today.

Vice Chairman Steinberg asked about the amount that LIPA writes off annually on bad debts.

Mr. Germano responded that the percentage is .46 percent of LIPA's total revenue.

Vice Chairman Steinberg asked Ms. McCarthy if LIPA has a reserve.

Ms. McCarthy stated that LIPA has a reserve of about \$19 million.

Chairman Larocca asked to translate that number to dollars from the percent.

Mr. Germano stated that .46 percent on about \$4 billion in revenues would be about the same, just slightly less than \$19 million.

President Law stated that the reserve is comparable.

Chairman Larocca stated that it was closely tied to the projected number.

Chairman Larocca stated that over the years of watching these kinds of numbers, there are a lot of anomalies and behaviors that one sees. He continued that sometimes the matter of arrears actually rises in better times, when people go out and spend more on other things, leaving less for the utility bill. He added that it does not always just follow that there is a direct trigger between the squeezed-down behaviors. He noted, however, that it is prudent for LIPA to require a higher level of attention and management as the economy contracts, which is what is happening.

Trustee Belinsky asked that when comparing the level of LIPA's arrears and the types of people who are in arrears with other regional utilities in our area like Con Edison and PSEG, how does LIPA benchmark.

Mr. Germano reported that he has tried to do that. He continued that the qualitative answer that he has received is that LIPA is in a favorable position. He noted, however, that he does not have any way of quantifying it.

Trustee Affrunti asked at what point LIPA considers an account non-collectable.

Mr. Germano stated that when it is well past 180 days due. He continued that at that point the debt will be written off and then assigned to a collection agency to try and get that money, or a portion of that money, back.

Hearing no other questions, Mr. Germano concluded his report.

Chairman Larocca thanked Mr. Germano and stated that the first item on the agenda is consideration of approval of modifications to LIPA's tariff for the Southampton Visual Benefits Assessment. After requesting a motion on the matter, which was seconded, the Chairman indicated that the matter would be presented by General Counsel, Ms. Nicolino.

Ms. Nicolino stated that the Trustees are being requested to approve a resolution adopting modifications to the Long Island Power Authority's tariff that will implement a Southampton Visual Benefits Assessment to recover the costs associated with undergrounding a portion of the Southampton to Bridgehampton transmission line from certain customers within the Town of Southampton (the "Town"). She continued that in connection with LIPA's Southampton to Bridgehampton transmission line upgrade, LIPA has incurred incremental costs for the burying of an approximate additional 45 percent of the transmission line,

which was initially planned to be overhead, in response to requests by the Town and its residents.

She added that an Article 78 proceeding was initiated by the Town regarding this matter in Suffolk County Supreme Court, which was settled pursuant to a “so-ordered” Stipulation. She noted that under the Stipulation, LIPA agreed to bury the entire transmission line and seek recovery of all of the actual incremental costs for burying that additional portion of the line, including all associated costs related to implementing a Visual Benefits Assessment (“VBA”) – currently estimated to be in the range of \$10 to \$12.5 million dollars – from customers located within the designated boundaries within the Town.

Ms. Nicolino stated that the proposed VBA would be applicable to all metered accounts in the benefited area and would be collected from the affected customers over a 20-year period. She continued that the VBA would be established as a uniform cents-per-kilowatt hour charge for the total energy used by each affected account in each billing period. She added that the VBA would appear separately on LIPA’s bills and be due and payable at the same time all other charges are due.

Ms. Nicolino stated that for customers who are subject to the VBA, all payments received would be first applied to all other charges on the customer’s account. She continued that any remaining payments would be applied to the

VBA. She added that unpaid charges for the VBA would be tracked on each customer's account and presented on the bill. She noted that to the extent the customers have not paid any or all of the VBA or any associated charges by the end of the calendar year, LIPA would be reimbursed for such costs under the Stipulation.

Ms. Nicolino stated that LIPA staff estimates that an average Southampton residential customer – that is one using approximately 12,386 kilowatt hours per year – would pay between \$30 and \$40 per year. She continued that an average Southampton commercial customer using 36,903 kilowatt hours per year would pay about \$120 per year.

Ms. Nicolino stated that public hearings on this matter were held on September 17, 2008 in both Nassau and Suffolk counties. She continued that 47 residents, business owners, and municipal officials offered comments at the hearings and/or submitted timely written comments. She summarized the comments stating that, essentially, there were no comments objecting to LIPA's burial of the incremental portion of the line or the collection of the associated incremental costs. She added that many individual comments indicated that burying the line was an important step toward preserving the scenic heritage of the Town and the South Fork of Long Island.

Ms. Nicolino reported that 37 commenters supported the collection of the VBA on a consumption basis as proposed. She continued that many of these commenters also noted that a consumption-based surcharge would encourage energy conservation in the Town and would be the fairest way for LIPA to cover such costs. She added that of those 37 commenters, one resident commented that public institutions should be charged a lower rate. She noted that the Southampton Chamber of Commerce and one additional resident commented that LIPA's cost recovery should be on a flat, per customer basis.

Ms. Nicolino reported that six commenters suggested that the benefited area be extended to the entire Town of Southampton, the neighboring Town of East Hampton, or possibly to the entire County. She continued that one of the six commenters suggested that customers located within the site of the route should be assessed a higher charge than the remaining affected customers. She added that three commenters requested further review and disclosure of the construction costs related to the VBA.

Ms. Nicolino reported that the public comments indicate that there is substantial support for implementing the VBA as proposed. She continued that based on the nature and extent of the comments received seeking to modify the proposed tariff, LIPA staff does not believe any modification is warranted at this time. She added that the proposed tariff is consistent with the Stipulation and

reflected a usage-based collection methodology, which is favored by a majority of the commenters.

Ms. Nicolino reported that the proposed tariff also supports the Town's energy efficiency goals and equitable cost allocation between large and small users in the benefited area. She continued that the few comments received seeking to expand the benefited area did not provide a sufficient basis for LIPA to unilaterally extend the recovery mechanism to customers outside the area currently designated by the Town. She added that in that regard, should the Town choose to expand the benefited area, LIPA would likewise expand its collection of the VBA to include such additional customers. She noted that LIPA has used good faith estimated costs thus far in the process, but intends to fully disclose the actual incremental costs associated with the VBA, including the construction costs, once such costs are finalized.

Ms. Nicolino stated that based on the above, LIPA staff is recommending approval of the above requested action by adoption of a resolution to adopt the tariff as proposed. She then asked for any questions.

Chairman Larocca expressed a special thanks to Ms. Nicolino and the people, including outside counsel, who worked on this, including work done with the Town, the Village, and the elected officials, as well as for managing this process through with the public.

Chairman Larocca then allowed for public comment to be heard on the VBA issue. At that time, two people addressed the Board; one urging adoption of the tariff in the form proposed, the other seeking adoption of the VBA through a flat fee.

After the conclusion of the public comments, Trustee Fabio asked for someone to address the issue of identifying the specific surcharge on accounts other than residential accounts.

Mr. Germano stated that LIPA will be putting the charge on the bills probably in the April timeframe. He continued that staff is currently working on the programming of all of this work, and that the actual charge on the bill will be based on the final costs. He added that right now, LIPA staff is going through all of the final costs with the contractors that did the construction work on the project, and that there is a range of \$10 million to \$12.5 million for the total project at this time. He noted that staff is working to try and bring those numbers down in terms of discussions with the contractor on some of the costs, but that is not yet finalized. He expressed that the goal is to have the costs identified and then sit down with the Town to review the costs.

Chairman Larocca clarified that what Mr. Germano described in terms of the protocol and the format is as it was negotiated and developed with the Town and elected officials.

Mr. Germano concurred.

Trustee Fabio asked the Chairman and General Counsel to comment on LIPA's protections regarding recovering the surcharge costs or arrears.

Ms. Nicolino stated that LIPA heavily negotiated the resolution of the litigation with the Town of Southampton. She continued that extensive research was done with respect to the indemnity provision with the Town, and that LIPA believes it to be valid and enforceable, as does the Town. She also noted that the Stipulation, including the indemnity provision, was reviewed and discussed in Court by many attorneys for a long period of time, and that LIPA would not have entered into the agreement if it was not believed to be enforceable and legal. She further noted that LIPA stands by that position, and that while people's opinions may differ on the issues related to it, LIPA is prepared to defend its actions in any challenge put forward.

Trustee Fabio asked whether it was true that LIPA has a Stipulation agreed to by the Supreme Court memorializing the agreement.

Ms. Nicolino stated that this was true. She added that the Court-ordered Stipulation provides for indemnity, which was reviewed by the Court and stands active.

Trustee Fragin stated that there was an article in one of the most recent issues of The Southampton Press that quoted Assemblyman Thiele as saying that LIPA had agreed to cap the costs of the project at \$10 million, and that he is going to look into anything above that amount to be on LIPA's dime as opposed to the ratepayer or the VBA. Trustee Fragin continued that he would like someone to comment on that. He added that he thought that this was not going to affect the ratepayers outside of the affected area. He noted that if LIPA is capping the cost at \$10 million, there is the potential that other ratepayers would be affected as well.

President Law stated that he spoke to Assemblyman Thiele yesterday. He explained that the number of \$10 million emanates from one of the first meetings at Senator Ken LaValle's office where the preliminary estimates were between \$8 million and \$10 million. He continued that there was a request that LIPA make sure that the cost did not go higher than \$10 million. He added that he brought this back to the Board, and the Board was adamant that if LIPA went along with this plan, the rest of the LIPA ratepayers could not incur any costs. He noted that based on the Board's position, as well as the litigation that ensued, and now the Stipulation, any talks about a cap were preliminary and are not part of the current equation.

Chairman Larocca summarized that all of the previously mentioned history

came together in an agreement, that was blessed by the Court. He added that in this final agreement, there is no cap.

Trustee Fragin then responded to the comment regarding the usage-based fee versus a flat fee. He explained that a Visual Benefits Assessment affects every ratepayer equally, and therefore wondered what the genesis of the usage-based fee was. He stated that he wanted to hear some justification for that decision.

Ms. Nicolino stated that this was a component part of the settlement negotiations with the Town. She continued that the Town felt strongly that a usage-based fee was the fairest and most equitable way to address the cost issue. She added that LIPA complied with the Town's request, since the Town was going to be responsible for collecting whatever LIPA could not collect, and was thus, best situated to determine what methodology should be imposed for those customers. Ms. Nicolino further noted that the Town also felt that the usage-based fee was consistent with its energy conservation goals, and that there was a tremendous amount of support for a usage-based charge as opposed to a flat fee charge.

Chairman Larocca recalled that LIPA deferred or agreed with many of the parameters with which the Town and elected officials came forward, including the designation of what the affected area would be. He continued that earlier, there was an argument for the entire Town to be included, including the entire South

Fork, which was refined and changed a number of times. He added that the end result was the one that was proffered by the Town, both as to the matter of structuring the usage charges and the territory to be affected. He noted that LIPA agreed, and even though LIPA may have had a different view, LIPA deferred to the community on that.

Trustee Fragin noted that he is hearing that there is a high likelihood of some sort of lawsuit on this. He asked, with regard to the indemnification by the Town for the VBA, if that was going to be on a rolling basis if customers decide not to pay. He further asked, at what point the Town would be responsible to LIPA and how much would LIPA potentially have to outlay if this gets tied up in court for several years.

Ms. Nicolino stated that the Stipulation provides for an annual reconciliation period. She continued that within a very short period of time, after LIPA's failure to recover, it will be presenting those costs to the Town for their reimbursement. She noted that the Town will be bearing all of the costs related to the delayed payment as well, and that this will be done on an annual basis.

Trustee Fragin clarified that LIPA would have the potential of fronting the charges for twelve months or more.

Ms. Nicolino responded that the Town would be reimbursing LIPA for the carrying costs as well.

Vice Chairman Steinberg asked, on a related issue, where things were regarding an undergrounding policy that had previously been circulated to the Trustees.

President Law stated that it was his hope to have that policy for the Board at the same time as this decision, but because of the credit crisis, he has not had time to finalize the policy, which staff had submitted to him. He assured Chairman Larocca that LIPA would not do another one of these until a policy was in place.

Chairman Larocca then allowed a question from one member of the public concerning the number used to estimate the monthly impact to customers. Mr. Germano responded that the estimated number set forth in the tariff proposal was \$11.3 million, but the final number is still being determined.

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

889. APPROVAL OF TARIFF REVISIONS CREATING A VISUAL BENEFITS ASSESSMENT FOR CERTAIN CUSTOMERS IN THE TOWN OF SOUTHAMPTON

WHEREAS, the Long Island Power Authority (LIPA) staff issued a Proposal to add provisions to LIPA's Tariff for the creation of a Visual Benefits Assessment to recover the actual, incremental costs of undergrounding a portion of a new 69 kilovolt transmission line between the Southampton and Bridgehampton substations in the Town of Southampton (the "Town") from customers in a certain area designated by the Town (the "Benefited Area"), based on electric usage; and

WHEREAS, this Proposal is presented to the Trustees in accordance with a So-Ordered Stipulation of Settlement between LIPA and the Town (the "Stipulation") which resolved litigation commenced by the Town against LIPA in Supreme Court, Suffolk County related to the new transmission line; and

WHEREAS, pursuant to the Stipulation, the Town provided written notice to each residential and commercial customer in the Benefited Area, as well as each owner of undeveloped land, if any, informing them of the proposed tariff implementation process under the State Administrative Procedure Act; and

WHEREAS, additional public notice of the tariff process was afforded through publication in the State Register on July 9, 2008, as well as on LIPA's web site; and

WHEREAS, following such notice, two public hearings were held on September 17, 2008, in Nassau and Suffolk Counties, and the public was afforded the opportunity to submit written comments by September 22, 2008; and

WHEREAS, for all the reasons set forth in the attached Memorandum, the oral comments received at the hearings and the written comments received after the hearings do not warrant modification to the proposed Tariff at this time:

NOW, THEREFORE, BE IT RESOLVED, that the Proposal is hereby adopted and approved; and be it further

RESOLVED, that the attached Tariff leaves reflecting our action herein are approved.

Chairman Larocca stated that the next item on the agenda is consideration of approval of a resolution authorizing the issuance of bonds. After requesting a motion on the matter, which was seconded, the Chairman indicated that the matter would be presented by Ms. McCarthy.

Ms. McCarthy stated that the Trustees are being requested, upon recommendation from the Finance and Audit Committee, to authorize the President and Chief Executive Officer, or his designee, to proceed with the issuance of up to \$900 million aggregate principal amount Electric System Revenue Bonds for the purpose of refunding certain outstanding bonds and lowering the risk associated with the marketability of certain variable rate bonds, funding the cost of system improvements, funding costs incurred in connection with certain Financial Contracts, and funding the cost of issuance.

Ms. McCarthy stated that the Trustees are also being requested to authorize the execution, delivery, termination, assignment or amendment of one or more interest rate swaps or basis swaps, the issuance of notes in anticipation of the issuance of the Authorized Bonds, and the execution and delivery of interest rate swap agreements in the aggregate notional amount of up to \$500 million with any single counterparty, but only after discussion and consultation with the Finance and Audit Committee. She continued that each of the bonds, which may be refunded, is secured by a bond insurance policy or other credit

enhancements. She added that as mentioned previously, there have been some activities and recent downgrades with respect to these credit enhancers.

Ms. McCarthy stated that these actions, together with the general instability of the current variable rate bond market, have had the effect of increasing the interest rates at which some of LIPA's insured auction and variable rate demand bonds have been resetting. She continued that therefore, after consultation with LIPA's financial advisor, PFM, it was determined to be prudent to refund some or all of the insured variable rate bonds with either fixed or variable rate bonds backed solely by either LIPA's credit or secured by a bank letter of credit or insurance by unaffected insurers.

Ms. McCarthy stated that they have concluded that it is also advisable to obtain authority to execute documents permitting the removal of any credit facility on any of LIPA's outstanding variable rate bonds and to make any related changes needed to the applicable supplemental resolutions so that there will be greater flexibility in the future to respond to changing market conditions.

Ms. McCarthy stated that this authorization would be in addition to the remaining authorization of \$370 million. She continued that the Board is being asked to provide the authorization, as set forth, to give maximum flexibility to react to the changing and volatile market environment. Ms. McCarthy concluded her presentation.

Vice Chairman Steinberg stated that he would like to make a comment on behalf of the Finance and Audit Committee, which reviewed this issue and resolution. He continued that LIPA has a large debt portfolio of about \$6.5 billion dollars, most of which was inherited at the inception of LIPA and the Shoreham issues. He added that it is very important, particularly in this difficult credit environment, to actively manage LIPA's portfolio and to be nimble so that when markets permit, and we have to do financing for capital programs and other expenditures, we are able to get to the markets in a timely fashion, which is what we recently did with respect to the \$600 million raised. He noted that on behalf of the Finance and Audit Committee, he thinks that this is a prudent authorization for additional capital raising, which will allow the flexibility to get into the markets on a timely basis.

Vice Chairman Steinberg stated that there is \$200 million of new money, and as Chairman Larocca pointed out in recent meetings, LIPA continues to have a need to raise new money for capital programs and other uses. He continued that the issue of the size of LIPA's debt is very much on the minds of the Trustees and LIPA's CEO. He added that everyone would very much like to see a robust program to reduce the size of LIPA's debt, but that this is not the time, given the credit conditions, to do something like that, but that it is something we are focused on for the longer term.

After hearing no further questions, Chairman Larocca called for a vote on the motion, which was approved unanimously:

890. AUTHORIZATION RELATING TO THE ISSUANCE OF ELECTRIC SYSTEM GENERAL REVENUE BONDS AND BOND ANTICIPATION NOTES FOR THE PURPOSES OF REFUNDING ALL OR A PORTION OF CERTAIN OUTSTANDING AUTHORITY BONDS AND FUNDING COSTS OF SYSTEM IMPROVEMENTS, AND THE EXECUTION, TERMINATION, ASSIGNMENT OR AMENDMENT OF ONE OR MORE INTEREST RATE SWAP AGREEMENTS

WHEREAS, Long Island Power Authority (the "Authority") is authorized by the Long Island Power Authority Act (the "Act") to issue its bonds and notes for any purposes authorized thereby and to adopt bond resolutions establishing the contract with its bond and note holders; and

WHEREAS, on May 13, 1998 the Authority adopted its Electric System General Revenue Bond Resolution (the "General Resolution"), which, consistent with the Act, authorizes bonds, notes or other evidences of indebtedness of the Authority, such bonds to be designated as "Electric System General Revenue Bonds" (the "Bonds"), as special obligations of the Authority in accordance with the terms thereof for, among other purposes, refunding other Bonds, notes and other obligations of the Authority and funding Costs of System Improvements (as defined in the General Resolution); and

WHEREAS, notes, including bond anticipation notes, are permitted to be issued under the General Resolution either as Bonds or as Subordinated Indebtedness (as defined in the General Resolution) in furtherance of the corporate purposes of the Authority; and

WHEREAS, the Authority may sell Bonds or notes on a negotiated basis to one or more underwriters for resale to the public or by private placement to one or more investors at such price or prices as the Authority shall determine; and

WHEREAS, Section 205 of the General Resolution requires that the issuance of each series of Bonds by the Authority shall be authorized by a supplemental resolution or resolutions of the Authority adopted at or prior to the time of issuance, subject to further delegation to certain officers to establish the details of the terms of such Bonds; and

WHEREAS, the Authority wishes to authorize the issuance of (i) Bonds (the "Refunding Bonds") for the purpose of refunding all or a portion of the Authority's outstanding variable rate senior and subordinated bonds (the "Specified Bonds"), (ii) Bonds (the "New Money Bonds" and collectively with the

Refunding Bonds, the “Authorized Bonds”) for the purpose of funding Costs of System Improvements and for various related purposes, which Authorized Bonds shall be in an aggregate principal amount not to exceed \$900,000,000, of which no more than \$210 million shall be New Money Bonds, and (iii) notes (the “Bond Anticipation Notes”) in anticipation of the issuance of the Authorized Bonds in an aggregate outstanding principal amount not to exceed the lesser of \$900,000,000 or the principal amount of unissued Authorized Bonds; and

WHEREAS, in order to achieve such purposes there has been prepared and submitted to the Trustees a form of Fourteenth Supplemental Resolution (the “Fourteenth Supplemental General Resolution”); and

WHEREAS, the General Resolution permits the Authority to enter into Financial Contracts (as defined therein), which include interest rate caps or collars and forward rate, future rate and certain swap agreements with Qualified Counterparties (as defined therein); and

WHEREAS, the Authority has determined that the use of such swap agreements is appropriate in certain circumstances but recognizes that certain risks can arise in connection with their use and the Authority has adopted guidelines (the “Guidelines”) for the use of such agreements in order to assure that such agreements are used for appropriate purposes and to assure that the risks potentially associated with such agreements are effectively managed and minimized; and

WHEREAS, under current market conditions the Authority has determined that it may achieve debt service savings by entering into one or more such interest rate swap agreements in an aggregate notional amount of up to \$500,000,000 with any single counterparty relating to all or a portion of the Authorized Bonds, the Specified Bonds or any of the Authority’s outstanding variable rate bonds pursuant to which the Authority and the counterparties thereto would agree to make payments to one another based principally upon certain indices, formulae or methods to be specified therein; and

WHEREAS, the Authority has entered into interest rate swap agreements relating to certain of the Authority’s outstanding variable rate bonds (including the Specified Bonds) and, to the extent that such Specified Bonds are refunded, it is anticipated that such interest rate swap agreements will either be reallocated to other bonds or notes of the Authority, assigned to or assumed by other counterparties, terminated or to the extent not so allocated or terminated, keep such agreements in effect kept in effect and offset by new interest rate swap agreements, as determined by the President or Senior Vice President and Chief Financial Officer; and

WHEREAS, the decision as to which specific strategy or strategies to be employed in connection with such new or existing interest rate swap agreements

and the indices, formulae or methods to be used in calculating payments to be made to the Authority or the counterparties will be made by the President or Senior Vice President and Chief Financial Officer, taking into account market conditions and the advice of the Authority's Financial Advisor, with the intention of lowering the effective rate of interest payable in connection with the Authority's indebtedness consistent with interest rate and other risk considerations;

WHEREAS, some of the Authority's outstanding variable rate bonds are secured by a bond insurance policy or other credit enhancement the issuers of which are financially troubled, which has had the effect of increasing the interest rates at which some of the Authority's insured auction rate and variable rate demand bonds have been resetting;

WHEREAS, the Authority has determined that, depending on market conditions, it may be advisable to execute documents permitting the removal of credit facilities from some or all of the Authority's outstanding variable rate bonds;

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The Fourteenth Supplemental General Resolution, in the form presented to this meeting and made a part of this resolution as though set forth in full herein, is hereby approved and adopted. The President of the Authority is hereby authorized to deliver the Fourteenth Supplemental General Resolution to The Bank of New York, as the Trustee for the Bonds, with such amendments, supplements, changes, insertions and omissions thereto as may be approved by the President, which amendments, supplements, insertions and omissions shall be deemed to be part of such resolution as approved and adopted hereby.

2. The President and the Senior Vice President and Chief Financial Officer of the Authority are, and each of the them hereby is, authorized to sell all Bonds and Bond Anticipation Notes issued either on a negotiated basis (i) to one or more underwriters for resale to investors or (ii) by private placement to one or more investors at such price or prices as they shall determine to be the most cost effective and advantageous for the Authority.

3. Each Authorized Representative (as defined in the General Resolution) is hereby authorized with respect to each series of the Authorized Bonds or Bond Anticipation Notes, to execute and deliver a Bond Purchase Agreement in substantially the form of the bond purchase agreement executed by the Authority in connection with the issuance of the Authority's Electric System General Revenue Bonds, Series 2008A, with such modifications thereto as any Authorized Representative of the Authority, upon the advice of counsel to the Authority, approves, which approval shall be conclusively evidenced by the execution thereof by such Authorized Representative.

4. Each Authorized Representative is hereby authorized and directed to execute and deliver any and all documents, including but not limited to the execution and delivery of one or more official statements or other disclosure documents and instruments and to do and cause to be done any and all acts necessary or proper for carrying out each Bond Purchase Agreement and any agreement entered into in connection with the private placement of the Bonds or Bond Anticipation Notes, the issuance, sale and delivery of the Authorized Bonds and for implementing the terms of each Bond Purchase Agreement, and the transactions contemplated thereby, the Fourteenth Supplemental General Resolution and this resolution.

5. The President and the Senior Vice President and the Chief Financial Officer of the Authority, after consultation with the Finance and Audit Committee, are, and each of them hereby is, authorized to enter into interest rate swap agreements in an aggregate notional amount of up to \$500,000,000 with any one counterparty relating to the Authorized Bonds with such Qualified Counterparties (as defined in the General Bond Resolution) as such officers may select in accordance with the Guidelines, which agreements shall (i) relate to a notional amount of not more than \$900,000,000 in the aggregate, provided that, in applying such aggregate limit, basis swaps entered into in connection with or after entering into other interest rate swaps shall not be taken into account, (ii) commence on such date or dates as the President or Senior Vice President and Chief Financial Officer specifies, (iii) have a term ending on or prior to the anticipated final maturity of the bonds to which they relate, as the President or Senior Vice President and Chief Financial Officer specifies, (iv) provide for payments to the Authority determined based upon such index, formula or method as may be approved by the President or Senior Vice President and Chief Financial Officer, and (v) otherwise be in accordance with the Guidelines and substantially in the form of interest rate swap agreements entered into by the Authority in relation to other interest rate swap transactions, with such changes and additions to and omissions from such form as such authorized executing officer deems in his discretion to be necessary or appropriate, such execution to be conclusive evidence of such approval. In connection with the authorizations herein set forth, the Authority has determined, after consideration of the risks inherent in the use of interest rate swap agreements, including those outlined in the memo submitted to the Trustees relating thereto and the advice of the Authority's financial advisor relating to the use of the proposed interest rate swap agreements, that (a) the use of such interest rate swap agreements will, in the judgment of the Authority, result in lowering the effective rate of interest payable in connection with the Authority's indebtedness, (b) the risks of the proposed interest rate swap agreements are both manageable and reasonable in relation to the potential benefits; and (c) the proposed interest rate swap agreements are necessary or convenient in the exercise of the power and functions of the Authority under the Act.

6. As and to the extent that Refunding Bonds are issued for the purpose of refunding Specified Bonds with respect to which there are existing interest rate swap agreements, the President and Senior Vice President and the Chief Financial Officer of the Authority are, and each of them hereby is, authorized to allocate such interest rate swap agreements to such other outstanding Authority bonds or notes, to terminate such agreements, or, to the extent not so allocated or terminated, keep such agreements in effect in whole or in part and offset such agreement by new interest rate swap agreements, as such officer may determine appropriate so as to permit the Authority to obtain the benefit of such interest rate swap agreements or to minimize the cost associated with the refunding and to the extent that such agreements are terminated, some or all of the costs of such termination may be funded with the proceeds of the Refunding Bonds, as determined by such officer. Any such officer is also hereby authorized to arrange for the assignment and assumption of any existing interest rate agreement to another counterparty or the amendment of any such agreement, to the extent determined to be advisable.

7. As and to the extent that the President or the Senior Vice President and Chief Financial Officer of the Authority determine that it would be advantageous in current market conditions to issue Bond Anticipation Notes, such officer is hereby authorized to determine whether such Bond Anticipation Notes shall be issued as "Bonds" or "Subordinated Indebtedness" as defined in the General Resolution. In the event that Bond Anticipation Notes are issued as Subordinated Indebtedness, the details thereof shall be incorporated in a Note Certificate executed by such officer and delivered to the trustees under the General Resolution and the Authority's Electric System General Subordinated Revenue Bond Resolution, along with a copy of this resolution. Such Note Certificate may include such amendments and modifications to the provisions of this resolution as such officer shall determine necessary and appropriate to effectuate such determinations and details. A copy of such Note Certificate also shall be filed with this resolution into records of the Authority and, upon such filing, shall be deemed to be a part of this resolution as if set forth in full herein.

8. As and to the extent that the President or the Senior Vice President and Chief Financial Officer of the Authority determine that it would be advantageous in current market conditions to remove a credit facility securing the Authority's outstanding variable rate bonds, such officer is hereby authorized to execute and deliver any and all documents required to achieve such removal including, among others, any amendments needed to the applicable supplemental resolution.

8. Each Authorized Representative (as defined in the General 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 and implementing the terms of, and the transactions

contemplated by the proposed interest rate swap agreements and this resolution and each of the documents authorized thereby and hereby.

9. This resolution shall take effect immediately.

Chairman Larocca stated that next on the agenda is a series of five short items with memos associated with each which will be summarized. He stated that the first item up for consideration is the approval of engagement of a law firm to provide disclosure counsel services. After requesting a motion on the matter, which was seconded, the Chairman indicated that the matter would be presented by Ms. Nicolino.

Ms. Nicolino stated that LIPA's current engagement for disclosure counsel services expires at the end of the year. She continued that in September, a competitive RFP was issued, seeking firms to provide services to LIPA going forward for a four-year period starting in January 2009.

Ms. Nicolino reported that eight firms responded to the RFP, and after the evaluation of the written proposals and interviews, it was determined that the law firm of Squire, Sanders & Dempsey is best suited to serve LIPA's disclosure counsel needs. She continued that the firm's strengths include extensive experience in the field of public finance, multiple current engagements as disclosure counsel, including serving as disclosure counsel for other state

entities, prior experience with public-power financing, and a good understanding of LIPA's needs going forward. She noted that on that basis, it is recommended that the firm be engaged at this time.

Chairman Larocca asked if there were any comments. He stated that the disclosure function is separated out and that LIPA benefits from the independent eye of separate counsel. After noting that there were no comments, the Chairman called for a vote on the motion. Upon motion duly made and seconded, the following motion was approved unanimously:

891. ENGAGEMENT OF FIRM TO PROVIDE DISCLOSURE COUNSEL SERVICES

RESOLVED, that the President and Chief Executive Officer or his designee be, and hereby is, authorized to engage Squire, Sanders & Dempsey, L.L.P. to provide Disclosure Counsel services to the Authority and LIPA, with the contract terms to be four years.

Chairman Larocca stated that the next couple of matters are combined, and that he asked that they all go up on the table together. He stated that these matters are related to governance and the By-laws that are currently in the process of being updated and harmonized. He added that the first matter is a motion on the approval of an amendment related to governing documents of the Long Island Lighting Company, LIPA's predecessor.

After requesting a motion on the matter, which was seconded, the Chairman introduced the second motion, which is a related amendment to the By-laws of LIPA. After requesting a motion on that matter, which was seconded, the Chairman indicated that the matters would be presented together by Ms. Nicolino.

Ms. Nicolino stated that the Trustees are being requested to adopt resolutions authorizing actions related to the Long Island Power Authority's wholly-owned subsidiary, the Long Island Lighting Company, doing business as LIPA. She continued that more specifically, the Board is being asked to amend the LILCO Restated Certificate of Incorporation, amend the By-laws, elect officers and directors of LILCO, and waive, by unanimous written consent, a meeting of the shareholders. She added that under the Plan and Agreement of the Merger providing for the Authority's acquisition of the Long Island Lighting Company back in 1998, the Authority acquired all of the common stock of LILCO, after which LILCO became the wholly-owned subsidiary of the Authority.

Ms. Nicolino reported that LILCO owns substantially all of the Authority's electric transmission and distribution assets and liabilities, and is counterparty to several material contracts related to the T&D system. She continued that unlike the Authority, LILCO is a business corporation incorporated under the New York State Business Corporation Law and is governed by By-laws separate and apart from the Authority. She added that from time to time, the Authority, acting as LILCO's sole shareholder, has taken corporate action on behalf of and in the

name of LILCO, and further has elected LILCO's officers and directors by written consent signed by Authority officers, which is permissible both under the Business Corporation Law and LILCO's By-laws .

Ms. Nicolino stated that as part of its review of certain governance practices and documents related to the Authority and its subsidiary, the newly formed and staffed Governance Committee of the Authority has undertaken a review of LILCO's Certificate of Incorporation and By-laws. She continued that based on this review, and the advice of outside counsel, the Governance Committee has determined that in order to accurately reflect current corporate governance practices, LILCO's Certificate of Incorporation and By-laws should be amended to specifically provide that LILCO's sole shareholder, that is the Long Island Power Authority, rather than LILCO's Board of Directors, shall have the authority to direct the management of LILCO's business and affairs.

Ms. Nicolino stated that section 620 of the Business Corporation Law expressly authorizes a corporation to have its shareholders direct the management of its business and affairs in place of the Board of Directors. She continued that additionally, it is recommended that the By-laws of LILCO, which were adopted last in 1998, be amended to bring them up to date and where appropriate, made consistent with the Authority's By-laws.

Ms. Nicolino noted that under the Public Authorities Accountability Act, as long as the Authority's Trustees and the members of the LILCO Board of Directors are the same individuals, LILCO will be exempt from the Accountability Act's requirements. She added that it is therefore not necessary to incorporate the Act's requirements into LILCO's By-laws.

Ms. Nicolino further noted that under the LILCO By-laws, the Authority, as LILCO's sole shareholder, is to nominate and elect the LILCO directors, who in turn, are to nominate and elect the senior executive officers. She continued that the LILCO directors must also approve the amendment to LILCO's Restated Certificate of Incorporation. She added that action by the LILCO directors is proposed to be taken by unanimous written consent in lieu of a meeting which, subject to approval by the Board now, will be circulated for the written signatures of the Trustees once this meeting concludes.

Ms. Nicolino stated that based on the foregoing, both staff and the Governance Committee, which met early this morning and adopted a resolution, are recommending that these modifications be made with respect to the subsidiary at this time.

Chairman Larocca stated that the Trustees were briefed during the briefing calls. He added that the Governance Committee reviewed this matter this morning. He continued that this resolution will harmonize the governance history

here, and these are necessary steps to bring the governance up-to-date. He noted that the Board of the Authority, in effect, operates with their LIPA hats on as well as their old corporate hats of the subsidiary that the Authority acquired.

After hearing no further comments or questions, Chairman Larocca called for a vote on the motion, which was approved unanimously:

892. APPROVAL OF AMENDMENT TO RESTATED CERTIFICATE OF INCORPORATION OF THE LONG ISLAND LIGHTING COMPANY D/B/A LIPA

WHEREAS, the Long Island Lighting Company d/b/a LIPA (“LILCO”) has determined it is appropriate to amend its Restated Certificate of Incorporation dated May 28, 1998 to reflect certain changes in the governance requirements and practices and to more accurately reflect the current management and operation by the Long Island Power Authority (the “Authority”):

NOW THEREFORE BE IT RESOLVED, that the Trustees on behalf of the Authority, as the sole shareholder of LILCO, hereby approve and adopt the Certificate of Amendment to the Restated Certificate of Incorporation of the LILCO in the form presented at this meeting; and be it further

RESOLVED, that the President and Chief Executive Officer of LILCO be and hereby is authorized and directed to file such Certificate of Amendment with the Secretary of State of the State of New York and take any and all such action as they may consider necessary, appropriate or advisable to carry out the foregoing.

893. APPROVAL OF AMENDED BY-LAWS OF THE LONG ISLAND LIGHTING COMPANY d/b/a LIPA

WHEREAS, the Long Island Lighting Company d/b/a LIPA (“LILCO”) is the wholly-owned subsidiary of the Long Island Power Authority (the “Authority”) and has adopted By-laws dated May 3, 1998 for the regulation and management of the affairs of LILCO; and

WHEREAS, LILCO has determined that it is appropriate to revise its existing By-laws to reflect certain changes regarding governance requirements and practices and to more accurately reflect the current management and operation of LILCO:

NOW THEREFORE BE IT RESOLVED, that the Trustees of the Long Island Power Authority, acting as LILCO's sole shareholder, hereby approve and adopt the "By-laws of the Long Island Lighting Company d/b/a LIPA (as amended October 23, 2008)" in the form presented at this meeting; and be it further

RESOLVED, that such By-laws of LILCO are to be effective with respect to the regulation and management of the affairs of the subsidiary as of October 23, 2008.

894. APPROVAL OF ELECTION OF DIRECTORS OF THE LONG ISLAND

RESOLVED, that the Long Island Power Authority (the "Authority"), as the sole shareholder of the Long Island Lighting Company d/b/a LIPA ("LILCO"), hereby nominates and elects the following individuals as directors of LILCO until the next Annual Shareholder meeting of LILCO and until his or her successor has been elected or until his or her resignation as a Trustee of the Authority:

**Michael J. Affrunti
Laurence S. Belinsky
Anthony J. Bonomo
Cristofer X. Damianos
Lawrence Elovich
John Fabio
Michael. A. Fragin
Harriet A. Gilliam
James C. Herrmann
James L. Larocca
Susan Gordon Ryan
Jonathan Sinnreich
Suzette Smookler
Howard E. Steinberg**

895. UNANIMOUS WRITTEN CONSENT OF DIRECTORS IN LIEU OF MEETING

WHEREAS, the undersigned are all the Directors of the Long Island Lighting Company d/b/a LIPA (“LILCO”) and wish to take the following actions by unanimous written consent in lieu of a meeting pursuant to Section 708 of the New York Business Corporation Law:

NOW, THEREFORE, BE IT RESOLVED, that the following individuals are hereby nominated and elected as officers of LILCO to hold the offices set opposite their names until his or her successor has been elected or until his or her resignation as a Trustee or officer of the Authority:

| <u>NAME</u> | <u>OFFICE</u> |
|-----------------------|---------------------------------------|
| James L. Larocca | Chairman |
| Kevin S. Law | President and Chief Executive Officer |
| Elizabeth M. McCarthy | Chief Financial Officer |
| Lynda Nicolino | General Counsel and Secretary |

BE IT FURTHER RESOLVED, that the Amended and Restated Certificate of Incorporation of LILCO be further amended by the Certificate of Amendment in the form attached hereto.

Michael J. Affrunti

Laurence S. Belinsky

Anthony J. Bonomo

Cristofer X. Damianos

Lawrence Elovich

John Fabio

Michael A. Fragin

Harriet A. Gilliam

James C. Herrmann

James L. Larocca

Susan Gordon Ryan

Jonathan Sinnreich

Suzette Smookler

Howard E. Steinberg

Chairman Larocca stated that the next item on the agenda is consideration of approval to amend the By-laws of the Authority to address attendance requirements. He indicated that this matter would be presented by Ms. Nicolino.

Ms. Nicolino stated that earlier this morning, the Governance Committee met and adopted a resolution recommending to this Board that an attendance requirement be included in the Authority's By-laws at Article 2 Section 1, which would provide that a Trustee would be deemed resigned in the event that he or she misses six consecutive meetings or 50 percent or more of the meetings held in a consecutive 12-month period. She continued that the Governance Committee determined that such a mechanism would be appropriate and consistent with good governance practices and would provide further accountability for the Trustees. She noted that this has been reviewed, and the Committee believes it is appropriate and not inconsistent with the LIPA Act or any other provision of law.

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

896. APPROVAL OF AMENDED BY-LAWS OF THE LONG ISLAND POWER AUTHORITY

WHEREAS, the Long Island Power Authority (the "Authority") has adopted By-laws dated January 24, 2008 for the regulation and management of the affairs of the Authority; and

WHEREAS, the Authority wishes to amend its existing By-laws at Article II, Section 1, to include an attendance requirement for the Trustees:

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby approve and adopt the “By-laws of the Long Island Power Authority (as amended October 23, 2008)” 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 23, 2008.

Chairman Larocca stated that the final item on the agenda is consideration of approval of guidelines regarding property disposition and property acquisition contracts. After requesting a motion on the matter, which was seconded, the Chairman indicated that the matter would be presented by Ms. Nicolino.

Ms. Nicolino stated that the Authority has separate guidelines for the disposition and acquisition of property. She continued that the disposition guidelines are required by the Public Authorities Accountability Act to be reviewed by this Board on an annual basis. She noted that the acquisition guidelines are not.

Ms. Nicolino stated that despite this distinction, this amendment addresses both of these guidelines at this time based on LIPA’s annual review. She continued that specifically, the Board is being asked to authorize, in the name of further accountability and transparency, the addition of the President and Chief

Executive Officer as one of the required approvals for property disposition and acquisition contracts valued at less than or equal to \$250,000, and the approval of the Trustees for property disposition and acquisition contracts valued at more than \$250,000. She noted that this is a substantial change and lowering of the threshold from the existing guidelines, where Trustee approval is only required for such contracts valued at more than \$750,000. She further noted that the guidelines are being updated to designate the Vice President of Operations in place of the Chief Operating Officer as the contracting officer in charge of overseeing property disposition and acquisition matters, which more accurately reflects the Authority's current management structure.

Ms. Nicolino stated that based on the foregoing, LIPA staff is recommending that both guidelines be amended to reflect those changes at this time.

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

897. APPROVAL OF LONG ISLAND POWER AUTHORITY GUIDELINES REGARDING PROPERTY DISPOSITION AND ACQUISITION CONTRACTS

WHEREAS, the Long Island Power Authority (the "Authority") is required by Section 2896 of the Public Authorities Law to adopt by resolution comprehensive guidelines, to be annually reviewed and approved by the Trustees of the

Authority, regarding the use, awarding, monitoring and reporting of contracts for the disposal of real and personal property;

WHEREAS, the Authority has existing guidelines regarding the use, awarding, monitoring and reporting of contracts for both the disposition and the acquisition of real and personal property; and

WHEREAS, the Authority has determined, as set forth in the attached memorandum, that it is desirable to amend such existing guidelines to lower the threshold levels requiring certain approvals of the Authority and appoint the Vice President of Operations as the Contracting Officer who is responsible for the supervision and direction over the custody, control and disposition or acquisition of property and compliance with, and enforcement of, both guidelines:

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves and adopts the “Long Island Power Authority Guidelines Regarding Property Disposition Contracts” and the “Long Island Power Authority Guidelines Regarding Property Acquisition Contracts” in the forms presented at this meeting; and be it further

RESOLVED, that the Contracting Officer for the Guidelines Regarding Property Disposition Contracts and Guidelines Regarding Property Acquisition Contracts shall be the Authority’s Vice President of Operations; and be it further

RESOLVED, that such Guidelines Regarding Property Disposition Contracts and Guidelines Regarding Property Acquisition Contracts are to be effective with respect to the use, awarding, monitoring and reporting of all Property Disposition Contracts and Property Acquisition Contracts, as defined in such Guidelines Regarding Disposition Contracts and Guidelines Regarding Property Acquisition Contracts, respectively, entered into after the date hereof.

Trustee Fabio stated that he had one more question. He continued that it was his understanding that the Governor recently vetoed a piece of legislation that would have mandated keeping call centers within the service territory. He questioned if that was in fact the case, and how it might impact LIPA’s call center.

President Law responded that it does not apply to LIPA. He added that LIPA has an agreement with National Grid that requires LIPA's call centers to be kept on Long Island.

Mr. Germano stated that President Law was correct, and that the contracts with National Grid require that the call centers remain on Long Island.

Trustee Fabio clarified that the legislation would not affect LIPA.

President Law stated that this was correct.

Chairman Larocca stated that next Board meeting of the Long Island Power Authority would be held on December 11, 2008 at 11:00 a.m. in Uniondale.

Chairman Larocca then moved to the public portion of the meeting and entertained public comment. After the conclusion of all public comments, Chairman Larocca called for a motion to enter executive session to discuss a property acquisition matter. Upon motion duly made and seconded, the following motion was approved unanimously:

898. 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 property acquisition.

*** * ***

At approximately 12:50 p.m. the open session of the Board of Trustees was temporarily adjourned and an Executive Session of the Board of Trustees was convened.

After noting that no votes were taken in the Executive Session, Chairman Larocca entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 1:58 p.m.

Respectfully submitted,

Lynda Nicolino