

**LONG ISLAND POWER AUTHORITY
MINUTES OF THE 172nd MEETING
HELD ON DECEMBER 15, 2005**

Pursuant to notice dated December 8, 2005, the Long Island Power Authority (the "Authority") was convened for the one hundred and seventy-second time at 2:15 PM at the Omni Teleconference Center, in Uniondale, NY.

The following Trustees of the Authority were present:

**Richard M. Kessel, Chairman
Patrick Foye, Deputy Chairman
Howard Steinberg, Deputy Chairman
Michael Affrunti
Nancy A. Akeson
Harvey Auerbach
John Fabio
James Hermann
Robert Maimoni
Nancy Nugent
James M. Shuart**

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

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

Chairman Kessel stated that the first item on the agenda is the adoption of the minutes of the Board's last meeting held on October 6, 2005.

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

751. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE OCTOBER 6, 2005 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on June 23, 2005 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

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Chairman Kessel announced that Mr. Lou Tomson is present for the Board meeting. The Chairman continued that LIPA would not have acquired LILCO without the effort of Mr. Tomson, who was the architect of the deal. He indicated that both Mr. Tomson and former LIPA Chairman, Frank Zarb, were instrumental in putting the agreement together that resulted in lower bills and refunds to customers, and bill stability.

Chairman Kessel stated that you cannot thank enough people such as the LIPA Trustees who give their time to serve the public for no compensation. He added that Mr. Tomson also did an extraordinary job in putting together the recent deal with KeySpan. The Chairman continued that Mr. Tomson was also instrumental in extending LIPA's option to purchase the KeySpan plants. He indicated that it is in Mr. Tomson's honor that the Cross-Sound Cable, which is one of the most important projects ever done for Long Island, connects with Long Island at Shoreham, the site of the decommissioned LILCO nuclear plant. He added that the converter station for the Cross-Sound Cable at Shoreham is named in his honor.

Chairman Kessel stated that in honor of the extraordinary amount of work that Mr. Tomson has done for LIPA, he is presenting Mr. Tomson with a plaque inscribed with his name and a picture of Shoreham that shows the layout of the plant and the converter station. The Chairman continued that the plaque he is presenting on behalf of LIPA, the Authority and the Board reads: "Cross-Sound Cable, Tomson Converter Station, Shoreham, New York, placed in operation August 8, 2002". He added that Mr. Tomson has performed an awesome amount of work for the people of the State and Long Island, and he wants to thank Mr. Tomson again on behalf of the LIPA Board.

Mr. Tomson stated that approximately ten years ago Governor Pataki said that he wanted to be responsible for having LILCO stop serving Long Island, and that he wanted William Catacosinos to leave. He continued that he informed the Governor of the difficulty in negotiating with someone after informing them that

you want them gone. He added that thanks to Mr. Zarb, Chairman Kessel and a lot of others, eventually they were successful.

Mr. Tomson stated that it is wonderful to see that a group of citizen volunteers, who serve for no pay and out of dedication, has made good on all of the wonderful promises, including reducing rates, ending the real property suits and building a stronger utility on Long Island. He continued that LIPA has been a success thanks to people such as the Trustees, who do the job out of a conviction that public service is worthwhile. He thanked everyone present for honoring him.

Chairman Kessel stated that yesterday Governor Pataki joined with the KeySpan Chairman, Robert Catell, a number of public officials, environmental leaders and himself in announcing an agreement between LIPA and KeySpan. The Chairman continued that the agreement reached with KeySpan is historic in nature, and it is a win for everyone. He added that the deal is good for LIPA's customers, the business community, LIPA, KeySpan and for the long term future of Long Island.

Chairman Kessel stated that the deal is good because it addresses two critical issues: the ability to have a reliable and clean supply of electricity from diversified sources well into the future; and to begin to bring down, control and stabilize LIPA's bills and costs. The Chairman continued that for the last two years, at the request of Governor Pataki, LIPA has been reviewing what the best structure should be for LIPA going forward. He indicated that LIPA must decide

whether to remain as an authority in a public/private partnership with KeySpan, whether to take over the rest of the electric utility system and the employees, or whether to sell its transmission and distribution system and take the government out of the electric business on Long Island.

Chairman Kessel stated that LIPA has done a careful review and concluded that the current structure works best, but only if it is enhanced. The Chairman continued that LIPA looked carefully at privatization, which has some very good advantages, including taking LIPA out of the political system and running it separately as a \$3.7 billion business, possible efficiencies in costs, and greater ability to attract personnel and pay salaries competitive with other utilities.

Chairman Kessel stated that LIPA ultimately concluded that the economics were such that privatization was not feasible, considering the tax exempt nature of the outstanding Shoreham related debt held by LIPA, which was inherited from LILCO. The Chairman continued that privatization may be an option in the future, but it cannot happen at this time.

Chairman Kessel stated that LIPA also looked at municipalization and found it to be very complicated and costly. The Chairman continued that adding thousands of new people to the State authority payroll and having to deal with contractual obligations now separate from the State would be very difficult. He added that LIPA would have to hire a whole new group of people to help manage a much larger system, which makes the idea of municipalization very problematic.

Chairman Kessel stated that in the end, LIPA centered on the current relationship with KeySpan and how it can be improved. The Chairman continued that the result was a negotiated settlement, which deals with the generation purchase option and other matters. He indicated that the option that has been in effect to purchase all of the KeySpan generation at fair market value to be determined later would potentially expose LIPA's customers to a big hit, given that the difference between LIPA's and KeySpan's estimate of fair market value is more than \$1 billion.

Chairman Kessel stated that the generation purchase option, as rewritten, would allow LIPA to purchase two plants that are best suited for repowering, namely the E.F. Barrett plant in Island Park and the Far Rockaway plant. The Chairman continued that the plants would be purchased for book value which is approximately \$75 million. He added that LIPA will have one year from January 1, 2006 to conduct due diligence, and assuming that due diligence is positive, LIPA may purchase one or both of the plants and be able to repower them in the short term.

Chairman Kessel stated that the ability to purchase those plants and possibly to repower them using LIPA's low cost tax-exempt financing capabilities, plus the accompanying environmental benefits, are a major step in the right direction. The Chairman continued that LIPA and KeySpan will also look at reducing emissions and cleaning up the facilities at some of the other plants,

such as Northport and Port Jefferson. He added that this agreement allows for certainty as to who owns what, and that is a major accomplishment.

Chairman Kessel stated that in addition to Governor Pataki, he wishes to compliment Senator Schumer and the environmental groups for their input towards getting LIPA to focus more on repowering, because it is an important part of LIPA's future. The Chairman continued that LIPA cannot currently repower, due to the lack of capacity needed to be able to take the plants offline that would have to be repowered. He indicated that during the summer, LIPA may not be able to keep the lights on with reduced capacity, but in the future repowering will be very valuable.

Chairman Kessel stated that the Management Services Agreement would be extended for five years, subject to the approvals of the Board, the KeySpan Board, the Office of the New York State Comptroller and the New York State Attorney General. The Chairman continued that if there were no extension, LIPA would have to start a bidding process for a new manager in January 2006, in order to allow enough time for that process and to transition to a new manager. He added that this new contract is more manageable, and it reduces costs by approximately ten percent or \$34 million per year. Chairman Kessel indicated that the reduced costs will help LIPA manage its own costs better, and will ultimately benefit LIPA's ratepayers. The Chairman continued that it will also help LIPA absorb some additional fuel costs if prices increase in the future.

Chairman Kessel explained that the new contract is more manageable than the old one, which was cost plus in nature and involved constant billing disputes involving millions of dollars. He indicated that the new contract price is mainly based on how many kilowatt hours LIPA sells and whether KeySpan achieves specific performance metrics. He continued that if KeySpan performs poorly, they will get penalties.

He continued that as a result of a settlement agreement, LIPA has resolved a number of financial disputes with KeySpan and will get \$120 million. The Chairman continued that LIPA will be able to establish a \$75 million fuel cost reserve fund that will allow LIPA to freeze its bills, including the surcharge, for the next two years, absent a disaster such as Hurricane Katrina. He stated that should fuel prices exceed LIPA's budget, LIPA will be able to take funds out of the \$75 million reserve to cover the excess as opposed to increasing the fuel surcharge to customers.

Chairman Kessel stated that the cash from the settlement will also be utilized to pay down the Shoreham debt, and provide rebates or other bill relief to LIPA's customers. The Chairman continued that on January 10, 2006, LIPA staff will announce to the Board and to the public a plan concerning how to distribute this money. He added that LIPA will hold a public hearing concerning how LIPA should apply the money. He indicated that LIPA wants to give the public an opportunity to be heard, since this is their money. The Chairman further stated that he disagrees with the notion expressed in Newsday that none of the money should go back to the customer. He indicated that the customer has faced huge

increases in their LIPA bills because of higher oil prices, and the customers should get some of the money back.

Chairman Kessel stated that the deal must first be reviewed and approved by the Board. The Chairman continued that LIPA wants to answer all of the questions of the Board and public before voting on this matter. He reiterated that it must also be approved by the Board of Directors at KeySpan, the Office of the New York State Comptroller and the New York State Attorney General.

Chairman Kessel requested that Ms. McCarthy offer a report concerning the key terms of the agreement in principle with KeySpan.

Ms. McCarthy reported that the proposed agreement with KeySpan has three primary terms. She continued that the first is the new purchase option for the two units that LIPA has identified as the best candidates for repowering, namely the Barrett units in Island Park and the Far Rockaway unit. She added that LIPA would have the option exercisable in 2006 to purchase either or both at book value, which is approximately \$75 million at this time.

Ms. McCarthy reported that if LIPA were to exercise the option, it would enter into an agreement with KeySpan to continue to operate those units until either 2013 or until the units are retired or taken out of service as a result of repowering. She continued that the terms of the operating agreement are consistent with the terms of the current power supply agreement, so LIPA will get the benefit of the continued high level of service and availability of having the

KeySpan workforce continue to operate the units. She added that LIPA will have the opportunity to look to third parties to potentially develop the new repowered sites.

Ms. McCarthy stated that the next piece of the agreement in principle is the settlement of some longstanding financial disputes between LIPA and KeySpan related to the existing KeySpan agreements. She continued that the settlement will result in \$120 million for LIPA's benefit, consisting of \$69 million in cash and \$51 million in retained amounts in LIPA's possession that were withheld from KeySpan. She added that LIPA will put together a proposal concerning how to apply the \$69 million, and LIPA will combine the \$51 million with some reserves or payables that are no longer needed and create the \$75 million reserve fund to protect against changes in fuel prices for the next two years.

Ms. McCarthy reported that the settlement agreement will take care of all open disputes with KeySpan retroactively. She continued that the new contract deals with KeySpan prospectively. She indicated that LIPA will have gotten issues behind it at what LIPA believes is a fair price.

Ms. McCarthy reported that the final piece of the agreement in principle is a restructured and extended management services agreement substantially different from the existing contract. She continued that LIPA currently has a cost plus contract, and LIPA will move to a service contract with performance metrics. She indicated that there is no performance incentive in the new contract, only penalties.

Ms. McCarthy stated that there are eighteen performance metrics that KeySpan has to achieve. She continued that if KeySpan performs outside the allowed band of performance, they will incur a penalty. She added that penalties are capped at a maximum of \$7 million per year. She indicated that there are two penalty mechanisms, one related to reliability, and one related to customer satisfaction, which can trigger default under the contract if they are missed for consecutive periods. She continued that the price will be calculated on a per kilowatt hour basis, so LIPA will have price predictability. She added that KeySpan will also have the ability to benefit from load growth and cost savings, and noted that KeySpan would already be delivering savings to LIPA.

Ms. McCarthy reported that on a net present value basis, the new contract is a \$34 million per year savings for LIPA, which will be phased in over three years. She continued that KeySpan will have greater operational and financial transparency, which will enable LIPA to better position itself for in the future. She added that the contract also contains a termination provision in the event that LIPA ever wanted to pursue privatization.

Chairman Kessel stated that the generation purchase option expires at midnight, and although this deal replaces that option, it is not legally in effect until it is formally approved. The Chairman continued that if this deal is not approved, LIPA would lose the option without some other agreement. He indicated that he has executed a letter agreement with KeySpan to extend that

generation option through the approval process, and if the agreement is not approved, LIPA will have a ninety-day window to exercise the old option.

Trustee Fabio asked if Ms. McCarthy would clarify how the \$75 million reserve fund will be constructed. Ms. McCarthy responded that LIPA will use a combination of the \$51 million that LIPA has withheld from KeySpan and some other accruals or payables with respect to which LIPA will not be required to pay KeySpan. She continued that LIPA can utilize the \$75 million reserve fund if fuel costs rise above what has been budgeted, before taking any action with respect to the fuel and purchased power cost adjustment mechanism. Trustee Fabio asked whether it will be a rolling reserve that will be replenished after LIPA draws down from the \$75 million. Ms. McCarthy answered that it would just draw down from the \$75 million.

Chairmen Kessel asked what would happen to the fund after the two-year period if there were no draw down. Ms. McCarthy answered that at that time LIPA would decide whether to keep the fund as a cushion against potential increases in the future or whether to credit it back to LIPA's customers.

Deputy Chairman Foye asked what the annual savings from the amendments to the MSA are on a recurring basis. Ms. McCarthy answered that it is \$34 million in terms of net present value, due to the savings being phased in over three years. She continued that there will be \$18 million in the first year, \$28 million in the second year and \$38 million in the third year. Deputy Chairman Foye asked whether it is approximately 1.3 percent of LIPA's rates. Ms. McCarthy

answered that it is 1.3 percent of LIPA's rates, but noted that it is approximately 12 percent of what LIPA pays under the MSA. Deputy Chairman Foye asked whether or not the budget that has been presented to the Board for consideration takes into account the cost savings from the amendment to the MSA. Ms. McCarthy indicated that the budget does not include the cost savings.

Deputy Chairman Foye asked whether one of the firms that had advised LIPA on this matter will offer an opinion or advice as to the fairness of it. Ms. McCarthy answered that a report will be made available to the Board, which will address the fairness issue.

Chairman Kessel stated that it is important to note that the budget does not reflect the agreement in principle, because the budget must start January 1, 2006. The Chairman continued that obviously it will change things, but LIPA had to move forward on the budget.

Deputy Chairman Steinberg stated that he wishes to thank Ms. McCarthy, Mr. Grilli and LIPA's negotiating team for their hard work and an outstanding job. He asked whether LIPA has received any reaction from the rating agencies with respect to the agreement in principle with KeySpan, given LIPA's \$7 billion of outstanding debt. Ms. McCarthy answered that LIPA briefed all three rating agencies and they reacted favorably. She continued that there are a lot of credit positives to this agreement in principle by virtue of cleaning up the uncertainty over whether or not LIPA would try to purchase all of the generators. She added that LIPA has an option at a very reasonable price for the assets that have value

for repowering and LIPA has better price predictability and lower costs going forward. Deputy Chairman Steinberg asked whether one of the favorable consequences for not exercising the option for generating capacity is that LIPA is not increasing its debt load. Ms. McCarthy answered, that is correct.

Trustee Auerbach asked whether it is LIPA's intent to enter into an agreement with a private party to do the repowering if LIPA were to exercise its right to purchase the Far Rockaway and E.F. Barrett plants. Chairman Kessel answered that LIPA will look at several possible options. The Chairman continued that there could be significant cost advantages in having LIPA involved in the repowering because of LIPA's ability to use tax exempt debt. He added that LIPA may not want to get into the generation business for the long term, and LIPA may bring in a partner to repower.

Chairman Kessel stated that the agreement indicates that LIPA intends to purchase the two plants, pending due diligence, but the purchase option expires on December 31, 2006. The Chairman continued that LIPA does not know how long the approval process will take, and the expiration of the purchase option is not affected by when the agreement is approved. He added that LIPA needs to start due diligence regarding the plants and repowering in January 2006.

Chairman Kessel stated that LIPA does not want to be pressured into a small time frame by waiting for approvals before starting its due diligence. The Chairman continued that LIPA intends to start immediately so it can be wrapped up in a three or four month time frame. He added that LIPA will look at the

different options as to how to handle a purchase, and LIPA will explore the tax and cost consequences, among other things.

Trustee Akeson stated that she has been part of one of the committees that has helped review what LIPA's future structure should be, and the process has been ongoing for at least two years. She continued that she applauds the LIPA staff, because they put this negotiation together quite well, and it went as smoothly as possible. She added that she feels very comfortable with what has been negotiated, and she looks forward to the Board meetings and public hearings to find out what LIPA should do with the monies.

Trustee Akeson asked how LIPA came up with the price it will pay per kilowatt hour to KeySpan. Ms. McCarthy answered that LIPA started with what it paid in 2005 and LIPA evaluated that pricing against what LIPA thought its peers are paying in connection with similar costs. She continued that LIPA then negotiated to get a price that LIPA thought was in line with its peers. She added that to get the price per kilowatt hour, you divide the reduced price by LIPA's sales. Trustee Akeson asked if this was worked on between LIPA's staff and its consultants. Ms. McCarthy answered that LIPA's consultants helped its staff to conduct the peer review.

Deputy Chairman Foye asked whether the \$75 million includes any disputed receivables or amounts. Ms. McCarthy answered that there are no disputed amounts, as all are resolved in the \$120 million settlement.

Trustee Akeson asked how LIPA selected the Barrett and Far Rockaway plants for repowering. Ms. McCarthy answered that LIPA conducted different levels of reviews of its opportunities for repowering. She continued that these two sites were identified as the best sites for repowering, both from a space perspective and with respect to the impact on the rest of the transmission capability and the cost. Trustee Akeson asked whether LIPA knows the price at which it would purchase the Barrett and Far Rockaway plants. Ms. McCarthy responded that LIPA worked on establishing a known and predictable price which was book value and LIPA believes that it approximates fair value for these units.

Chairman Kessel stated that for the first time LIPA will have a full-time senior executive working in the electric business unit at KeySpan, which is important since both companies will be able to coordinate the daily operation of the electric system without having to run back and forth and argue over things. The Chairman continued that it will be a senior executive chosen by LIPA and paid by LIPA, with access to all decision making. He added that LIPA will have two persons assigned full time to the planning department at KeySpan, so that there is a combining of planning efforts around the clock.

Chairman Kessel stated that this agreement contains a specific prohibition on KeySpan identifying itself publicly as an electric company on Long Island. The Chairman continued that LIPA has neither objections nor prohibition against KeySpan in the financial community communicating the services that it provides for LIPA. He noted that the agreement makes it very clear that LIPA is the electric

company, and KeySpan is the gas company. He added that there are significant penalty provisions if KeySpan violates the prohibitions.

Chairman Kessel stated that LIPA has completed detailed term sheets on the agreement. He indicated that he has asked LIPA's staff and consultants to prepare definitive agreements, because while the term sheets can be submitted to the Comptroller and the Attorney General, they will not act until there is an approved agreement.

Chairman Kessel stated that this negotiation took an extraordinary team effort. The Chairman continued that Ms. McCarthy and Mr. Grilli were LIPA's two point people for this, and without them this agreement never would have happened. He added that Ms. McCarthy is an extraordinary talent, who could have made a lot more money at a private utility, but she wanted to serve the public. He stated that Ms. McCarthy was tough, but fair, and she did a wonderful job. The Chairman continued that Mr. Grilli was also instrumental, and the two performed extraordinarily. He added that LIPA's staff, including Mr. Hulkower and Mr. Klimberg, and LIPA's consultants also did an outstanding job, and LIPA appreciates their effort.

Deputy Chairman Foye asked if there will be a later Board meeting at which this will be discussed. Chairman Kessel answered yes. The Chairman added that LIPA plans to hold public hearings and come back to the Board for further review and decision in January.

Chairman Kessel thanked LIPA's special committee for its help, including Trustees Auerbach, Akeson, Affrunti and Shuart, as well as former Trustee Polimeni, who worked as an advisor to LIPA on this matter. The Chairman also thanked Suffolk County Executive Levy, who took an important leadership role.

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

Mr. Hulkower reported that for Balanced Billing accounts, LIPA has 384,717 enrolled accounts, against a goal of 450,000. He continued that the number has stabilized after LIPA saw erosion this year. He added that LIPA decided to intercede to keep customers enrolled in the program.

Mr. Hulkower reported that arrears at the end of November reached \$95 million. He indicated that arrears over 180 days as a percentage of 12 month revolving revenue continues to fall within the same band of between .45 and .5 percent.

Deputy Chairman Foye asked whether a customer that goes bankrupt is still counted in arrears. Mr. Hulkower answered that it becomes a write-off, although LIPA is still trying to collect from some customers that have gone into bankruptcy. Deputy Chairman Foye asked whether a bankruptcy impacts arrears over 180 days as a percentage of 12 month revolving revenue, particularly if there are two or three large commercial bankruptcies during the second half. Mr. Hulkower answered that LIPA has not seen those through yet, because the

arrears are not at 180 days. Deputy Chairman Foye indicated that a Suffolk County hospital has been in bankruptcy for some time, and asked if it is included in LIPA's arrears calculation. Mr. Hulkower responded that there has been a write-off in that case. Chairman Kessel added that LIPA is actively engaged in these bankruptcy proceedings.

Mr. Hulkower reported that LIPA's System Average Interruption Frequency Index (SAIFI) for this November was much better than last November. He continued that there were 20 percent fewer interruptions than November 2004, but LIPA is still above the 5-year average. He added that LIPA expects to finish the year with a SAIFI of 14.1 months and LIPA's CAIDI, which measures average outage duration in minutes, has moved from the mid-seventies to 66 minutes.

Deputy Chairman Steinberg stated that LIPA's statistics are terrific, but the real experience of a number of LIPA's customers is sometimes at variance with the statistics. He indicated that LIPA needs to remain vigilant. He asked whether it is money or another issue that stands in the way of LIPA making a significant improvement in its reliability. Mr. Hulkower answered that LIPA is looking at revisiting some of its reliability programs, and he intends to report back to the Board on this.

Chairman Kessel stated that experience always varies from statistics, but it is important to note that LIPA is first in the State for reliability among overhead utilities, which is important. He added that LIPA has invested more than \$1.5 billion in system improvements.

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

Ms. McCarthy reported that, with regard to actual versus budgeted results for the ten months ended October 31, 2005, LIPA has a deficit of \$15 million, which is \$53 million or 140 percent below budget. She continued that revenues are \$156 million or 6 percent higher than budget, driven by a combination of changes in LIPA's Fuel and Purchased Power Cost Adjustment mechanism over the years, and higher than projected sales on account of weather. She added that LIPA continues to see lower than projected commercial customer growth.

Ms. McCarthy reported that fuel and purchased power costs are approximately 14 percent or \$183 million above budget for the ten-month period, driven by higher commodity prices. She continued that there is a slight impact from higher sales, which have been offset somewhat by application of credits.

Ms. McCarthy reported that Operation and Maintenance (O&M) expense is approximately 4 percent above budget. She continued that this has resulted from a combination of changes in the mix of LIPA's capital and O&M spending under the MSA, and some higher costs under the Power Supply Agreement, driven mostly by higher property taxes and capital investments in the generating units.

Ms. McCarthy reported that another area of high variance is other income and deductions, which are \$7.5 million or 19 percent above budget, due to higher

gains on the sale of emission credits this year. She continued that as of October 31, LIPA had approximately \$700 million in cash on the balance sheet, with approximately 79 percent having a maturity of one month or less. She added that LIPA expects to meet its annual target of \$20 million in excess of revenues over expenses.

Trustee Akeson noted that LIPA had a productive finance and audit committee meeting, which involved reviewing the budget, LIPA's hedging program and all the other financial matters related to the negotiation of the KeySpan deal. She indicated that it is always an interactive meeting where the committee members participate with the staff.

Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution to approve the 2006 Operating Budget and 2006 and the 2007 Capital Budgets for the Long Island Power Authority and its subsidiary, LIPA. The Chairman continued that these budgets present LIPA's revenue forecasts and planned operating expenses for 2006 and capital expenses for 2006 and 2007.

Chairman Kessel stated that the budgets incorporate the continuation of current operation and maintenance programs, as well as initiatives planned for 2006 to accommodate system growth and to further improve levels of service provided to LIPA's customers. He continued that revenues are forecasted at \$3.7 billion or 14 percent over the projected level for 2005, which reflects higher sales

and the recovery of the significantly higher fuel and purchased power costs that LIPA still experiences.

Chairman Kessel stated that despite higher costs, LIPA's proposed operating budget includes a reduction in the Fuel and Purchased Power Cost Adjustment by one percent or \$24 million, effective January 1, 2006. The Chairman continued that the proposed 2006 Operating Budget reflects modifications that LIPA plans to make to its tariff to provide for the recovery of the portion of LIPA's excess fuel and purchased power costs sufficient to achieve a targeted level of revenues over expenses of \$75 million, plus or minus a tolerance band of \$50 million. He indicated that the present targeted level is \$20 million with no tolerance band.

Chairman Kessel stated that LIPA conducted a public hearing on the proposed budgets in Melville on November 29, 2005.

Chairman Kessel stated that capital expenditures, comprised primarily of construction and removal projects, are budgeted at \$276 million for 2006, which is a \$1.4 million or .5 percent decrease from 2005. The Chairman continued that the capital budget for 2007 is \$276.6 million, which is an increase of \$.7 million or .2 percent from the proposed 2006 budget. He added that the proposed expenditure levels reflect the funding requirements for new power supply projects planned for Long Island for the budget years and beyond.

Chairman Kessel stated that transmission and distribution (T&D) projects, which total \$262.5 million for 2006 and \$249.9 million for 2007, net of cost sharing and other contributions, include the construction of new supply transmission interconnections and related substation and transmission system upgrades. The Chairman indicated that the remaining T&D system projects are designed to maintain system reliability and meet the requirements of normal load growth. He added that five-year projections of revenues and expenses, and sources and uses of cash, reflect LIPA's focus on long term financial planning.

Trustee Fabio asked whether a revised budget reflecting the new MSA is anticipated. Chairman Kessel answered that there will be a plan presented to the Board reflecting those savings, and if the plan is approved, there will be some change in expenses and revenues. The Chairman indicated his suggestion that once the agreements are approved, LIPA staff would present the Board with some kind of financial statement that indicates what LIPA intends to do with the savings, what LIPA budgeted and what LIPA intends to do with the difference.

Deputy Chairman Foye asked what the assumed prices for fuel are in the budget. Ms. McCarthy answered that the fuel prices in the budget are based on the ten-day average price of the forward price curve or strip as of September 29, 2005, which reflects the impacts of Hurricanes Katrina and Rita. She continued that the average price across a one-year period assumed for one percent fuel oil is \$53.48 and for natural gas is \$11.45, and both prices are slightly below the current strip.

Deputy Chairman Foye asked whether there is a seeming inconsistency between the one-percent reduction in the fuel surcharge and the expansion of the band. Ms. McCarthy answered that the proposed expansion of the financial target from \$20 million to \$75 million is designed to mitigate price volatility for LIPA's customers. She continued that LIPA will not change the fuel surcharge, so long as LIPA is within the tolerance band. She indicated that as presently forecast, LIPA is able to move the target from \$20 million to \$75 million and still reduce the fuel surcharge by one percent, and still reach the \$75 million target by the end of the year.

Chairman Kessel stated it is important to emphasize that by raising the target to \$75 million, some of the electric bill volatility is removed. The Chairman continued that LIPA is planning to freeze its bills for two years, and LIPA will be more prepared to handle fuel price increases, and avoid rate shock to customers.

Trustee Maimoni asked what the respective gas and oil prices were in 1998. Ms. McCarthy responded that gas was approximately \$3 and oil was approximately \$17. She continued that since 1998, oil has increased by approximately 350 percent and gas by more than 600.

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

752. APPROVAL OF THE 2006 OPERATING BUDGET AND 2006 AND 2007 CAPITAL BUDGETS

WHEREAS, the Long Island Power Authority (“Authority”), through its wholly owned subsidiary, LIPA, owns and operates the electric transmission and distribution system (“T&D System”) serving the counties of Nassau and Suffolk and a small portion of the County of Queens known as the Rockaways; and

WHEREAS, the Board of Trustees is required to approve annual budgets for the operation and maintenance of the T&D System and for capital improvements; and

WHEREAS, the Authority released its proposed 2006 Operating Budget and 2006 and 2007 Capital Budgets on November 21, 2005; and

WHEREAS, the Authority conducted a public hearing on the proposed 2006 Operating Budget and 2006 and 2007 Capital Budgets on November 29, 2005;

NOW, THEREFORE, BE IT RESOLVED, that the 2006 Operating Budget and the 2006 and 2007 Capital Budgets, all of which are attached hereto, are hereby approved; and be it further

RESOLVED, that the Authority intends to finance the requirements of the 2006 and 2007 Capital Budgets through a combination of internally-generated funds and the issuance of tax-exempt debt of the Authority, to the extent permitted by law.

Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution authorizing the Chairman to engage the law firms of Holland & Knight and Ruskin, Moscou & Faltischek to provide specialized legal services to the Authority and LIPA for a period of two years. The Chairman continued that Holland & Knight was engaged in 2002, primarily to provide assistance with respect to the Authority’s existing and new generation, transmission, distribution and alternative energy projects, and that contract has recently expired. He added that there is ongoing work that is critical, and Holland & Knight has represented LIPA’s interests in anchor drag cases associated with

the 1385 and Y-49 cables, and they have also provided assistance for the Off-Shore Wind project.

Chairman Kessel stated that based on their performance and fact that Holland & Knight is engaged in continuing work, it is in LIPA's interest to retain them for a two-year period in order to maintain the benefit of their work.

Chairman Kessel stated that LIPA engaged Ruskin Moscou in 2001 to represent LIPA in litigation related to the settlement of the Shoreham tax litigation case, and that contract has expired. The Chairman continued that the firm is representing LIPA through its lead counsel, Arthur J. Kremer, in litigation regarding the implementation of the Shoreham settlement and other critical matters. He added that Mr. Kremer has represented the Authority for many years and has substantial and unique experience, and to continue to receive his valuable services it is now necessary that the Authority engage his firm for an additional two-year period.

Deputy Chairman Steinberg asked if the contracts are being continued at the same rates. Mr. Klimberg answered that they are with a minor adjustment for the CPI.

Trustee Maimoni asked whether the matter can be separated into two resolutions. Chairman Kessel answered that the Board can address them separately.

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

753. ENGAGEMENT OF LAW FIRM

RESOLVED, that the Chairman be, and hereby is, authorized to engage the law firm Holland & Knight, LLP, to provide legal services to the Authority and LIPA, for a period of two years.

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

754. ENGAGEMENT OF LAW FIRM

RESOLVED, that the Chairman be, and hereby is, authorized to engage the law firm Ruskin Moscou Faltischek, P.C., to provide legal services to the Authority and LIPA, for a period of two years.

Chairman Kessel stated that the next item on the agenda is Board consideration of resolution to adopt revised Long Island Power Authority guidelines regarding the use, awarding, monitoring and reporting of procurement contracts. The Chairman continued that Section 2879 of the Public Authorities Law requires certain public authorities, including LIPA, to periodically review and approve procurement guidelines which detail the Authority's operative policy and instructions regarding the use, awarding, monitoring and reporting of procurement contracts. He added that the Authority's procurement guidelines were last amended in March of 2004 and he recommends that the Board adopt the non-substantive changes as indicated in the resolution.

Deputy Chairman Foye asked whether it has been approximately a year or two since the guidelines were revised. Mr. Klimberg answered that is correct.

Deputy Chairman Steinberg asked what controls LIPA has in place to monitor LIPA's compliance with all of these guidelines. Mr. Klimberg answered that several years ago LIPA retained a contract manager, Mr. Michael Standridge, who joined LIPA's Finance Department. He continued that the Office of General Counsel works closely with him to assure that LIPA's contracts are let fully in accordance with the Authority's procurement guidelines, and that the contracts are implemented in accordance with those guidelines.

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

755. APPROVAL OF REVISED LONG ISLAND POWER AUTHORITY GUIDELINES REGARDING THE USE, AWARDING, MONITORING AND REPORTING OF PROCUREMENT CONTRACTS

WHEREAS, the Long Island Power Authority (the "Authority") is required by Section 2879 of the Public Authorities Law to periodically review and adopt guidelines which detail the Authority's use, awarding, monitoring and reporting of Procurement Contracts and all other contracts; and

WHEREAS, the Authority wishes to revise its existing Procurement Guidelines to more fully reflect the procurement procedures and requirements that the Authority currently implements in connection with its procurements;

NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves and adopts the "Long Island Power Authority Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Procurement Contracts (December 15, 2005)" in the form presented at this meeting; and be it further

RESOLVED, that such Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Procurement Contracts are to be effective with respect to the use, awarding, monitoring and reporting of Procurement Contracts and all other contracts, as defined in such Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Procurement Contracts, entered into after the date hereof.

Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution continuing LIPA's charitable contributions program for two years. The Chairman continued that it is a \$125,000 program to assist non-profit, tax-exempt organizations that play active service roles in the community. He added that the program is modest in nature, and it enables LIPA to participate appropriately in the enhancement of the well being of the Long Island community, and to preserve and promote customer good will.

The Chairman stated that notice of the proposal was published in the State Register on June 15, 2005. The Chairman indicated that the public comment period has expired, and no comments were received.

Deputy Chairman Steinberg asked whether LIPA publishes the names of the recipients of the charitable contributions. Chairman Kessel answered that LIPA publishes the names on its Web site. The Chairman added that a customer may opt out of the program.

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

756. APPROVAL OF CONTINUATION OF CHARITABLE CONTRIBUTIONS PROGRAM

WHEREAS, a Proposal to Continue Charitable Contributions Program (“Proposal”) (attached hereto) was issued for public comment in June 2005; and

WHEREAS, in said Proposal, it is proposed that the Authority’s Charitable Contributions Program be continued for an additional two years; and

WHEREAS, under that program the Authority would contribute up to approximately \$125,000 per year to non-profit, tax-exempt organizations that play active roles in the service area in matters of health and welfare, environmental and civic improvement, cultural enrichment, education, or community development; and

WHEREAS, notice of the proposed action was published in the State Register on June 15, 2005 and the public comment period has expired with no comments having been received; and

WHEREAS, for the reasons set forth in the preceding Memorandum and the Proposal, the Proposal is in the public interest;

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

RESOLVED, that the attached revised Tariff Leaf reflecting our action is approved.

Chairman Kessel stated that there are two resolutions before the Board pertaining to the Caithness project. The Chairman continued that the first concerns the approval and adoption of lead agency findings for the Caithness project under the New York State Environmental Quality Review Act (“SEQRA”). He indicated that the second concerns approval of authority for LIPA to enter into a power purchase agreement with Caithness.

Chairman Kessel stated that the Trustees are being requested to approve a resolution approving and adopting the Lead Agency Findings Statement for the

Caithness Long Island Energy Center and authorizing the Chairman or his designee to file and distribute the Findings Statement as required under SEQRA. The Chairman continued that the resolution was introduced at the last meeting and there are no changes in the resolution itself. He indicated that he would like to incorporate the proposed resolution from the October 6, 2005 Board meeting into record.

Chairman Kessel asked if it is legally acceptable to incorporate the proposed resolution from the prior meeting into the record. Mr. Klimberg answered yes.

Chairman Kessel proceeded to incorporate the proposed resolution approving and adopting the Lead Agency Findings Statement for the Caithness Long Island Energy Center as presented at the October 6, 2005 meeting of the Board of Trustees. The Chairman stated that the only thing that he wishes to add to the description of that resolution is that as per his commitment at the October Board meeting, he conducted on behalf of LIPA a community forum on November 9, 2005, in order to listen to concerns raised by the local community and to respond to questions. He continued that he also conducted a tour of the Caithness project site with residents and local officials on December 6, 2005.

Trustee Fabio asked whether additional air sampling tests were conducted. Chairman Kessel answered affirmatively.

Chairman Kessel requested that Ms. Monique Brechter offer a report concerning the air sampling and other activities LIPA undertook concerning the Caithness Project.

Ms. Brechter stated that she is LIPA's Director of Environmental Affairs, and after the October Board meeting, LIPA fulfilled its commitment to conduct short term air monitoring. She continued that LIPA went to a site adjacent to the Caithness project site, where LIPA took some round-the-clock air monitor readings. She added that after completing that work, LIPA analyzed the data and found that existing local background air quality measurements did not show concentrations of concern, and were well as below what LIPA used as an assumption in its Final Environmental Impact Statement ("FEIS") air quality modeling effort.

Ms. Brechter reported that what LIPA did in the FEIS was conservative. She continued that, in summary, there were no significant concerns whatsoever in the worst-case conditions under various meteorological conditions. She indicated that the short term air quality sampling basically confirmed that the air quality analysis contained in the FEIS was conservative and valid.

Ms. Brechter reported that LIPA staff went out and talked to the community and explained what LIPA did in the FEIS in terms of the need for the project. She continued that LIPA has surveyed many sites on the Island, and this is one of the best sites. She added that in the FEIS, LIPA looked at a variety of sites and at the

environmental impacts associated with this site, and LIPA found there to be no significant environmental impacts.

Trustee Herrmann asked where exactly LIPA conducted its air monitoring. Ms. Brechter answered that it was within approximately a quarter-mile of the project site. She noted that LIPA was limited by where LIPA could set up the equipment and also obtain a power supply.

Trustee Affrunti asked whether it was a quarter-mile from the 15-mile site or from the 96-mile site. Ms. Brechter answered from the 15-mile site, where the project will be. Trustee Affrunti asked if it was on the project property. Ms. Brechter answered that it was a little bit to the west.

Chairman Kessel stated that at the last meeting the Board postponed or tabled both resolutions so that LIPA could further listen to and inform the community. The Chairman continued that in early November and several weeks ago, LIPA toured the surrounding area. He indicated that the forum was very instructive, although heated at first.

Chairman Kessel stated that most of the people at the forum were opposed to the project for a variety of reasons, and some legitimate concerns were expressed. The Chairman continued that there was a small group of people at the forum who were in favor of the project. He indicated that he agreed to take a tour of the Caithness site because he wanted to see the site, where it was and how it stood within the community. Chairman Kessel stated that members of the

community and a number of elected officials attended. The Chairman indicated that most of the people on the tour were against the project, and one or two either did not have a position on it or were in favor of it. He added that legitimate concerns were raised.

Chairman Kessel stated that he has heard from a number of community representatives, environmental groups and elected officials who had a variety of opinions on the project. The Chairman indicated that most of the elected officials and officials-elect supported the project. He added that several other elected officials indicated their opposition to the project.

Chairman Kessel stated that as a result of those discussions and listening to all involved, and at the urging of community leaders and the elected officials including Brookhaven Supervisor John J. LaValle, Supervisor-elect Brian Foley, Assemblywoman Patricia Eddington and County Legislator Jack Eddington, LIPA is proposing a number of community benefits for the Caithness project. The Chairman indicated that many of the concerns that were expressed to him seemed not to be directed to the Caithness project but to the area involved and the fact that there are many other projects and facilities are located there. He added that some of the community concerns about feeling “dumped on” are legitimate, although environmental conditions will not worsen because of the Caithness project.

Chairman Kessel stated that LIPA must take those concerns into consideration, and LIPA must also reach out to listen to and inform the public.

The Chairman continued that as a result of the discussions with a number of public officials, LIPA has put together a proposed community benefit project. He indicated that LIPA has proposed more than \$150 million in total benefits, most in PILOT payments.

Chairman Kessel stated that the South Country School District will receive approximately \$100 million in PILOT payments over the next twenty years, which is greatly needed as the district has apparently discovered a \$4 million deficit. The Chairman continued that LIPA has also offered to support the new community center in North Bellport, special projects for the Longwood School District, and other community development efforts in the vicinity of the Caithness project. He added that LIPA will also target clean energy programs for this community.

Chairman Kessel stated that LIPA has convinced Caithness to commit to work with the schools to establish a scholarship program and to enroll graduating seniors in an apprenticeship program in the building and construction trades. The Chairman continued that Caithness will supply quarterly emissions monitoring reports to the Longwood and South County libraries, as well as to the New York State Department of Environmental Conservation.

Trustee Nugent asked whether it is standard operating procedure for LIPA to offer a community benefits package, particularly where the project will already benefit the community in many ways. Chairman Kessel answered that LIPA is not setting a precedent, but in this particular instance, LIPA enhanced the package to

reflect some of the community concerns. He continued that it is important to have people in the community involved in such programs and even to try to make available jobs at the site, although in this case there are not a huge number of jobs involved. He noted that the enhanced package was largely due to community input rather than purely at the request of public officials.

Deputy Chairman Foye asked if the FEIS has been done in accordance with all applicable law and regulations. Ms. Brechter answered yes.

Trustee Nugent stated that she found the report in the FEIS and all of the testimony compelling. She continued that the comment of the Long Island Neighborhood Network was most compelling for her, since it is one of the most reputable environmental groups on Long Island.

Chairman Kessel stated that he will support the resolution with the understanding that the community benefits package is implemented by both LIPA and Caithness. The Chairman continued that he will withdraw his support if Caithness does not live up to the community benefits package in any way.

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

**757. APPROVAL AND ADOPTION OF LEAD AGENCY FINDINGS STATEMENT
FOR THE CAITHNESS LONG ISLAND ENERGY CENTER UNDER THE
STATE ENVIRONMENTAL QUALITY REVIEW ACT**

WHEREAS, the Long Island Power Authority (“LIPA”) is committed to providing reliable and efficient electric service to its customers on Long Island; and

WHEREAS, the growing Long Island economy and other factors have resulted in an increasing demand for electricity that is projected to continue into the foreseeable future; and

WHEREAS, in order to meet the electricity needs of LIPA’s customers and statewide and locational generation requirements established by the New York Independent System Operator (“NYISO”) and the New York State Reliability Council, it is necessary to secure additional sources of power supply from generation located within LIPA’s service area, to be in operation in or around the summer of 2008; and

WHEREAS, the maintenance of a continuous and reliable supply of dependable electric power and energy is an essential matter of urgent public concern and requires action at this time; and

WHEREAS, after analyzing all responses to its May 30, 2003 Request For Proposals to Provide Energy, Capacity and/or Ancillary Services, LIPA selected the Caithness Long Island Energy Center proposed by Caithness Long Island, LLC (the “Project”) to help provide the needed additional electrical supply required by LIPA to meet customer needs and NYISO requirements; and

WHEREAS, in view of the size and scope of the Project, LIPA, as the lead agency, determined that the Project might result in one or more significant adverse impacts on the environment, and accordingly issued a Positive Declaration under the State Environmental Quality Review Act (“SEQRA”); and

WHEREAS, LIPA released for public review a Draft Scope of Work in December 2004 and a Final Scope of Work in January 2005; and

WHEREAS, Caithness Long Island, LLC submitted and LIPA accepted for public review and comment a Draft Environmental Impact Statement (“DEIS”), dated March 2005; and

WHEREAS, a public hearing on the DEIS was held on April 20, 2005 and the public comment period was held open through May 25, 2005 for the receipt of written comments; and

WHEREAS, LIPA caused the preparation of a Final Environmental Impact Statement (“FEIS”), dated June 2005, to assess the environmental impacts of the Project in accordance with the requirements of SEQRA and to respond to the written and oral comments made by interested and involved agencies and the public on the DEIS; and

WHEREAS, on June 23, 2005, the Trustees accepted the FEIS, and LIPA then filed and distributed the FEIS for review by all involved agencies and the public over a period exceeding the 10 calendar days required by SEQRA; and WHEREAS, no comments have been received by LIPA on the FEIS; and

WHEREAS, the Trustees have received and reviewed the proposed Lead Agency Findings Statement dated September 2005;

NOW, THEREFORE BE IT RESOLVED that, having considered the DEIS and the FEIS and the facts and conclusions set forth therein, LIPA hereby approves and adopts the Lead Agency Findings Statement for the Caithness Long Island Energy Center; and be it further

RESOLVED, that LIPA hereby finds and certifies that, consistent with social, economic and other essential considerations from among the reasonable alternatives, the Project is one that avoids or minimizes adverse environmental impacts to the maximum extent practicable, and that adverse environmental impacts will be avoided or minimized to the maximum extent practicable by incorporating as conditions to the decision those mitigative measures that were identified as practicable; and be it further

RESOLVED, that LIPA hereby authorizes the Chairman or his designee to file and distribute a copy of the Lead Agency Findings Statement as required by SEQRA.

Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution to authorize the Chairman, or his designee, to execute a power purchase agreement for the sale of capacity, energy and ancillary services and other related agreements with Caithness and to take such actions as necessary to implement arrangements for LIPA to purchase power from the proposed Caithness Long Island Energy Center.

Chairman Kessel stated that it is his understanding that this resolution has not been changed from the prior meeting's resolution. Mr. Klimberg responded that is correct. The Chairman Kessel proceeded to incorporate into the record the proposed resolution pertaining to the authorization to enter into a power

purchase agreement and undertake related activities in connection with the Caithness Long Island Energy Center, as presented to the Board of Trustees at its October 6, 2005 meeting.

Deputy Chairman Foye asked the Chairman to confirm that LIPA does not bear any development risks with respect to this project, as the Board has previously adopted a resolution to that effect. Chairman Kessel stated he confirms that and Mr. Klimberg concurred. Deputy Chairman Foye asked whether the economics of the project have changed, and how they compare on a kilowatt hour basis to LIPA's existing sources of power. Mr. Grilli answered that LIPA's RFP combined off-Island transmission lines and on-Island generation projects. He continued that Neptune was by far the most economic project selected, and Caithness was the best of the on-Island projects. He added that through the negotiation of the power purchase agreement, the evaluation that was presented to the Board is largely unchanged. Deputy Chairman Foye asked if the economics are unchanged. Mr. Grilli replied they are unchanged.

Deputy Chairman Foye asked whether the plant will result in cleaner production of energy than LIPA's existing portfolio, given that it will be new and employ the latest technologies. Mr. Grilli answered that it will be much cleaner and it will enable the older, dirtier units to be operated less.

Upon motion duly made and seconded, the following resolution was approved unanimously (with Deputy Chairman Steinberg not present for this vote):

758. AUTHORIZATION TO ENTER INTO POWER PURCHASE AGREEMENT AND UNDERTAKE RELATED ACTIVITIES IN CONNECTION WITH THE CAITHNESS LONG ISLAND ENERGY CENTER

WHEREAS, the Long Island Power Authority (“LIPA”) is committed to providing reliable and efficient electric service to its customers on Long Island; and

WHEREAS, the growing Long Island economy and other factors have resulted in an increasing demand for electricity that is projected to continue into the foreseeable future; and

WHEREAS, in order to meet the electricity needs of LIPA’s customers and statewide and locational generation requirements established by the New York Independent System Operator (“NYISO”) and the New York State Reliability Council, it is necessary to secure additional sources of power supply from generation located within LIPA’s service area, to be in operation in or around the summer of 2008; and

WHEREAS, the maintenance of a continuous and reliable supply of dependable electric power and energy is an essential matter of urgent public concern and requires action at this time; and

WHEREAS, after analyzing all responses to its May 30, 2003 Request For Proposals to Provide Energy, Capacity and/or Ancillary Services, LIPA selected the Caithness Long Island Energy Center proposed by Caithness Long Island, LLC (the “Caithness Project”) to help provide the needed additional electrical supply required by LIPA to meet customer needs and NYISO requirements; and

WHEREAS, by separate Resolution, the Trustees have issued a written Findings Statement for the Caithness Project pursuant to the State Environmental Quality Review Act; and

WHEREAS, it is in the best interest of LIPA to meet the need for electric power and energy by entering into a power purchase agreement (“PPA”) and other related agreements regarding the Caithness Project;

NOW, THEREFORE, BE IT RESOLVED, that the Chairman or his designee be and hereby are authorized to execute and effect a PPA and other related agreements and arrangements and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chairman or his designee, to implement LIPA’s purchase of power from the Caithness Project in order to ensure the availability of sufficient additional power supply resources to serve LIPA’s customers; and be it further

RESOLVED, that all action taken by the Chairman, the Chief of Staff and the Vice President – Power Markets with respect to the Caithness Project referred to in the preceding resolutions are in all respects hereby ratified, confirmed and approved.

Chairman Kessel stated that he would like the Board to adjourn to Executive session to discuss personnel and legal matters.

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

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

RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Trustees of the Long Island Power Authority shall convene in Executive Session for the purpose of discussing litigation and personnel matters.

*** * ***

At 5:00 p.m. the open session of the Board of Trustees was temporarily adjourned and an executive session of the Board of Trustees was convened.

At 5:34 p.m. the executive session was adjourned and the open session was reconvened.

After noting that no votes were taken in the executive session, Chairman Kessel entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 5:35 p.m.

Respectfully submitted,

Stanley B. Klimberg