

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 203rd MEETING

HELD ON DECEMBER 17, 2009

The Long Island Power Authority (the "Authority") was convened for the two-hundred-and-third time at 11:12 AM at the Omni Teleconference Center, in Uniondale, NY, pursuant to legal notice given on December 14, 2009; verbal notice given by the Acting Chairman at the October 22, 2009 meeting of the Board of Trustees; and electronic notice posted on the Authority's website annually.

The following Trustees of the Authority were present:

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

The following Trustees of the Authority were absent:

Michael Fragin

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

Acting Chairman Steinberg welcomed everyone to the 203rd meeting of the Long Island Power Authority Board of Trustees. He led the Board in a moment of silence to honor the men and woman serving our country, followed by the Pledge of Allegiance.

Acting Chairman Steinberg made a motion to accept the corrected minutes of the October 22, 2009 meeting of the Board of Trustees which was seconded. He asked if there were any additional changes or deletions. Upon hearing none, the resolution was adopted unanimously:

960. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE OCTOBER 22, 2009 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on October 22, 2009 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

The Acting Chairman next remarked on the following items:

- *LIPA's accomplishments in 2009, which he attributed to President Law, and the support of the Governor and Governor's Office;*
- *LIPA's commitment of \$55 million to its Efficiency and Renewable Program in 2009;*
- *LIPA obtaining over \$40 million in funds from the Federal and State governments;*
- *LIPA's recognition in Albany and Washington, DC.*

- *LIPA cutting rates by 3.2 percent in 2009, which included a refund of \$144 million to ratepayers through reduction of fuel and purchased power charge;*
- *LIPA being able to produce an on-time budget;*
- *LIPA attraction of new, talented members of senior management in 2009;*
- *The addition of three new Trustees;*
- *LIPA undertaking a comprehensive and ongoing review of its strategic alternatives;*
- *LIPA's focus on rates and how they are related to the extraordinary amount of debt that LIPA carries and the taxes that LIPA pays, which will be addressed further going forward; and*
- *The hard work and dedication of LIPA's staff.*

After concluding his remarks the Acting Chairman turned to President Law for his report.

The President reported on the following items:

- *LIPA's budget, process;*
- *His testimony before the U.S. Senate on climate change legislation;*
- *His remarks before the American Wind Energy Association on LIPA's potential wind project;*
- *His testimony before the Advanced Energy Research Center at Stony Brook;*
- *Stony Brook University's recent designation as the Energy Policy Institute for the State of New York;*
- *A well attended conference convened last month in Uniondale with the Suffolk County Planning Commission, the Nassau County Planning Commission and the LI Regional Planning Council to develop a uniform building code for solar panels;*
- *LIPA's staff training on internal controls, ethics and compliance with the Commission on Public Integrity and State Inspector General;*

- *LIPA's receipt of commitments for \$40 million from the Federal and State governments, including \$12.5 million in stimulus funds for LIPA's Smart Grid Corridor Project along Route 110 and \$6 million from the New York State Energy Research Development Authority to supplement LIPA's funding of its Solar Pioneers Program; and*
- *The success of LIPA's Solar Pioneers Program.*

After the conclusion of President Law's report, the Acting Chairman stated that the next item on the agenda is the Operating Report, to be presented by Mr. Hervey.

Mr. Hervey then presented the Operating Report, which included reporting on various reliability metrics.

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

Acting Chairman Steinberg stated that next on the agenda is the Financial Report, which would be presented by Mr. Hogue.

Mr. Hogue presented the Financial Report, including reporting on the actual versus budgeted results for the eleven months ended November, 2009.

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

Acting Chairman Steinberg stated that the next item on the agenda is the consideration of the approval of LIPA's 2010 Budget and 2010/2011 Capital Budgets. After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by President Law.

President Law presented the following action item:

Requested Action

The Trustees are being requested to adopt a resolution approving the proposed 2010 Operating Budget and the proposed 2010 and 2011 Capital Budgets ("Budgets") for the Long Island Power Authority and its subsidiary, LIPA (collectively "LIPA"). These

Budgets present LIPA's revenue forecasts and planned operating expenditures for 2010 and capital expenditures for 2010 and 2011.

Background

The proposed 2010 Operating Budget and proposed 2010 and 2011 Capital Budgets set forth the revenue as well as operating and capital expenditure forecasts for the respective years ending December 31. The proposed Budgets incorporate the continuation of current operation and maintenance and capital improvement programs as well as initiatives planned for 2010 and 2011 to accommodate system needs, promote energy efficiency and renewable energy and to further improve levels of reliable service provided to LIPA's customers. Electric sales are forecast at 19,756 GWh, which represents a decrease of 1.7% versus the budgeted sales level for 2009 and an increase of .9% when compared with the projected normalized sales level (adjusted for weather) for 2009.

Revenues, which are primarily derived from retail sales of electricity to residential, commercial and industrial customers, are forecasted at \$3.702 billion, or 3.7% lower than the approved level for 2009. The decrease reflects lower budgeted sales projected for 2010 as well as a proposed reduction in LIPA's Power Supply Charge resulting from lower natural gas and purchased power costs projected for 2010, and the refund of 2009 over-recoveries of fuel and purchased power costs in 2010. Also included in Revenues are two new cost recovery riders in 2010 associated with: (1) LIPA's Efficiency Long Island and Renewable Energy programs; and (2) a new state law which created the New York State Temporary Energy and Utility Conservation Assessment imposed upon all utilities effective as of April 1, 2009. President Law noted that both of these cost-recovery riders are consistent with and similar to the cost-recovery mechanisms approved by the NYS Public Service Commission for the regulated utilities, and are subject to separate approval by the Trustees. Finally, budgeted revenues include revenues to be derived from the imposition of a late payment charge on residential customers beginning in the second quarter of 2010, also subject to separate approval by the Trustees. President Law further noted that other LIPA customer classes are presently subject to a late payment charge. The adjustments to LIPA's rates, effective January 1, 2010, will increase the typical residential customer's monthly bill by approximately 1.5%, or \$2.25, compared with the rates presently in effect. Also included are revenues from electric sales to public authorities and for street lighting, and revenues from non-electric sources, such as pole attachments, late payment charges and other miscellaneous service fees. As in prior years, LIPA's Delivery Charge will remain unchanged.

The Executive Summary to the proposed 2010 Operating Budget and the proposed 2010 and 2011 Capital Budgets attached hereto provides an overview of LIPA's proposed operating and financing costs for 2010.

Although not legally required, LIPA conducted a total of four public comment sessions in Nassau and Suffolk Counties on November 17 and December 9, 2009. Generally favorable comments were received supporting adoption of the budget, particularly with respect to

additional funding being allocated to Efficiency Long Island and Renewable Energy programs.

Capital expenditures for 2010 are projected to increase by 2.9% from the budgeted 2009 level. This change reflects projects related to the transition to “smart grid” technology and LIPA’s participation in the expanded power uprate project for the Nine Mile Point 2 generating station. Capital expenditures for 2011 are projected to increase by 13.1% over the proposed 2010 level, primarily reflecting increased expenditures for smart grid related projects.

Five-year projections of revenues and expenses and sources and uses of cash are presented to give the reader an indication of LIPA’s longer-term financial position. The information contained herein is based on assumptions, particularly with respect to fuel and purchased power commodity costs, which may or may not occur. Therefore, actual results may differ from those presented herein.

In summary, the proposed 2010 Operating Budget is a fiscally conservative budget that holds the line on controllable and administrative expenses while continuing to demonstrate leadership in efficiency and renewable energy. Similarly, the 2010 and 2011 Capital Budgets reflect LIPA’s continued commitment to enhancing the reliability of the transmission and distribution system and investing in valuable technology that will inure to the benefit of its customers. President Law noted that the Budgets were reviewed by the Finance and Audit Committee of the Board at a meeting held on November 19, 2009, and found to be in all respects reasonable and appropriate.

Further, as required by regulations issued by the State Comptroller in 2006 (2 NYCRR Part 203), attached hereto is a certification signed by LIPA’s President & CEO, certifying that to the best of his knowledge and belief after reasonable inquiry, the budget information and financial projections for the years ending December 31, 2010 through December 31, 2014 attached hereto have been developed based upon reasonable assumptions and methods of estimation and that the requirements of such regulations have been satisfied.

Recommendation

Based on the foregoing, President Law recommended approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

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

961. APPROVAL OF THE 2010 OPERATING BUDGET AND 2010 AND 2011 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 2010 Operating Budget and proposed 2010 and 2011 Capital Budgets on November 2, 2009; and

WHEREAS, the Authority conducted four public input sessions on the proposed 2010 Operating Budget and proposed 2010 and 2011 Capital Budgets on November 17 and December 9, 2009;

NOW, THEREFORE, BE IT RESOLVED, that the proposed 2010 Operating Budget and the proposed 2010 and 2011 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 2010 and 2011 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.

Acting Chairman Steinberg stated that the next item on the agenda is the consideration of the approval of Resolution of Authorizing Issuance of Bonds.

After requesting a motion on the matter, which was seconded, the Acting Chairman indicated that the matter would be presented by Mr. Hogue.

Mr. Hogue presented the following action item:

Requested Action

The Trustees are being requested to authorize the President and Chief Executive Officer or his designee to proceed with the issuance of up to \$210,000,000 aggregate principal amount of Electric System Revenue Bonds (the “Authorized Bonds”) for the purposes of (i) funding costs of system improvements, (ii) funding costs incurred in connection with certain Financial Contracts, if any, and (iii) funding costs of issuance, all as described herein. The Trustees are also being requested to authorize the execution, delivery, termination, assignment or amendment of one or more interest rate or basis swaps as described below.

Plan of Finance

The Authority is considering issuing the Authorized Bonds for the purpose of directly funding costs of system improvements and/or reimbursing such costs already incurred and costs of issuance. The Authorized Bonds may be issued as federally tax exempt bonds or as federally taxable “Build America Bonds” in either a fixed rate or variable rate or a combination thereof. The Build America Bonds program permits the Authority to issue taxable bonds for capital projects and to receive a direct federal subsidy payment from the Treasury Department for a portion of its borrowing costs (equal to 35 percent of the total coupon interest paid to investors). The Authority may seek to lower the effective debt service cost of the Authorized Bonds or to reduce the risk associated with a variable or fixed interest rate by entering into interest rate or basis swap agreements relating to the proposed Authorized Bonds as described below.

Authorized Bonds and Interest Rate Swaps

The Authorized Bonds, will be issued as either fixed rate or variable rate bonds or a combination thereof and sold either on a negotiated basis (i) to one or more underwriters for resale to investors or (ii) directly 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.

The decision as to the specific interest rate strategy or strategies to be employed and, if interest rate swap agreements are utilized, the indices, formulae or methods to be used in calculating payments to be made by the Authority or the counterparties (which indices, formulae or methods may include, but not be limited to, LIBOR or indices established by the Securities Industry and Financial Markets Association) will be made by the President and Chief Executive Officer or his designee, taking into account market conditions and the advice of the Authority’s Financial Advisor as to which approach will be most likely to lower debt service payable on the Authority’s debt consistent with interest rate and other risk considerations. Depending on market conditions, it may be more beneficial for the Authority to enter into basis swaps, either in lieu of or before entering into any variable-to-fixed or fixed-to-variable interest rate swap agreements or in connection with or after entering into such interest rate swap agreements, in either case as a means of converting the Authority’s variable or synthetic variable rate bonds from one basis to another.

Any new interest rate swap agreement(s) would (i) commence on such date or dates as the President and Chief Executive Officer or his designee specifies, (ii) have a term ending on or prior to the anticipated final maturity of the bonds to which they relate, as any such officer specifies, (iii) be entered into with such counterparties in such notional amounts

(subject to the aggregate notional amounts described below), as any such officer specifies, (iv) provide for payments to and by the Authority determined based upon such indices, formulae or methods as may be approved by any such officer, and (v) otherwise be in accordance with the Authority's Guidelines for the Use of Interest Rate Exchange Agreements. Any new interest rate swap agreements would relate to a notional amount of not more than \$210,000,000 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 will not be taken into account.

Risks associated with Interest Rate and Basis Swaps

The use of variable or fixed rate obligations and interest rate swaps and basis swaps entails acceptance of certain risks, such as (i) basis risk (e.g., where the variable rate paid by the Authority on its bonds is higher than the variable rate paid to it under the swaps), (ii) tax risk (e.g., a change in tax law which results in an adverse movement in the trading ratios of short-term tax-exempt securities to short-term taxable securities generally, decreasing or eliminating the anticipated savings to the Authority if the change in law causes the variable rate on the bonds to rise faster than a LIBOR-based floating rate on the swap), (iii) term risk (e.g., where the swap does not extend for the full period of time during which the Authority desires to maintain a net fixed rate exposure), (iv) counterparty risk (e.g., a default by the other party to the swaps that may result in additional cost to the Authority), (v) termination risk, including the costs to the Authority of any termination of the swaps, either by the Authority or the counterparty, and the risk that the swaps no longer would extend for the full period of time during which the Authority desires to maintain a net fixed rate exposure, (vi) tax-exempt variable rate debt supply/demand risk (e.g., where supply or demand affects the liquidity for the swaps and increases the costs to the Authority of periodic payments thereunder and of any termination thereof), (vii) the risk of escalated costs for ancillary services in connection with the variable rate issues (e.g., costs of credit and liquidity support and/or insurance, remarketing or dealer costs, and other costs necessary in connection with variable rate issuance, in excess of those assumed in current studies), (viii) the risk of credit and liquidity support being unavailable at any reasonable cost as a result of bank policies and practices, the Authority credit, or other factors, and (ix) the risk of inability to remarket variable rate obligations because of market or other factors. Authority staff has analyzed these risks in consultation with the Authority's Financial Advisor and has determined that the risks associated with the potential use of interest rate swaps and basis swaps as described herein (i) are manageable, (ii) are reasonable in relation to the potential savings, and (iii) can be mitigated without undue net loss to the Authority in the transaction. By adoption of the requested resolution the Trustees will confirm such determination. It is expected that the form of any such agreements and related opinions and certifications would be substantially similar to those utilized in other interest rate swap transactions entered into by the Authority.

Recommendation

Based upon the foregoing and the recommendation of the Finance and Audit Committee, Mr. Hogue recommended that the Trustees adopt the resolutions attached hereto authorizing the issuance of up to \$210,000,000 aggregate principal of Electric System General Revenue Bonds, the execution and delivery, of one or more interest rate or basis swap agreements, all as described above.

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

962. AUTHORIZATION RELATING TO THE ISSUANCE OF ELECTRIC SYSTEM GENERAL REVENUE BONDS FOR THE PURPOSES OF FUNDING COSTS OF SYSTEM IMPROVEMENTS AND THE EXECUTION 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, funding Costs of System Improvements (as defined in the General Resolution); and

WHEREAS, the Authority may sell Bonds 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 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 \$210,000,000; and

WHEREAS, the Authority wishes to issue the Authorized Bonds either as federally tax exempt bonds or as federally taxable “Build America Bonds” in either a fixed rate or variable rate or a combination thereof; and

WHEREAS, in order to achieve such purposes there has been prepared and submitted to the Trustees a form of Sixteenth Supplemental Resolution (the “Sixteenth 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 \$210,000,000 with any single counterparty relating to all or a portion of the Authorized Bonds, or any of the Authority’s outstanding variable or fixed 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 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 and Chief Executive Officer or his designee, 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;

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The Sixteenth 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 and Chief Executive Officer or his designee is hereby authorized to deliver the Sixteenth 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 and Chief Executive Officer, or his designee, which amendments, supplements, insertions and omissions shall be deemed to be part of such resolution as approved and adopted hereby.

2. The President and Chief Executive Officer, or his designee, is authorized to sell all Bonds 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 determined 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, 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 2009A, 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, 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 Sixteenth Supplemental General Resolution and this resolution.

5. The President and Chief Executive Officer, or his designee, after consultation with the Finance and Audit Committee, is authorized to enter into interest rate swap agreements in an aggregate notional amount of up to \$210,000,000 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 \$210,000,000 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 and Chief Executive Office or his designee specifies, (iii) have a term ending on or prior to the anticipated final maturity of the bonds to which they relate, as the President and Chief Executive Office or his designee specifies, (iv) provide for payments to the Authority determined based upon such index, formula or method as may be approved by the President and Chief Executive Officer, or his designee, 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) any contemplated interest rate swap agreements are necessary or convenient in the exercise of the power and functions of the Authority under the Act.

6. 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 potential interest rate swap agreements and this resolution and each of the documents authorized thereby and hereby.

7. This resolution shall take effect immediately.

Acting Chairman Steinberg stated that the next two items on the agenda are the consideration of approval of modifications to LIPA's Tariff for Electric Service for Energy Efficiency and Renewable Resource Charge and consideration of approval of modifications to LIPA's Tariff for Electric Service for Temporary State Energy and Utility Conservation Assessment Charge. After requesting a motion on the first matter, which was seconded, the Acting Chairman requested a motion on the second matter, which was seconded. The Acting Chairman indicated that the two matters would be presented by Mr. Germano.

Mr. Germano presented the following action items:

Requested Action

The Trustees are being requested to approve modifications to the Long Island Power Authority's ("LIPA") Tariff for Electric Service ("Tariff") implementing a new charge that recovers the cost of LIPA's Efficiency Long Island ("ELI") program and retail renewable resource programs from its customers, to be effective as of January 1, 2010.

Background

Beginning in January 2009, LIPA initiated the 10-year, \$924 million ELI program which promotes a greater level of energy efficiency to produce additional financial and environmental benefits for LIPA's customers. LIPA has also pioneered retail renewable

resource programs for customer-owned solar and wind generation that continues to expand LIPA's commitment to renewable resources as part of its balanced energy portfolio. The proposed Energy Efficiency and Renewable Resource charge, as set forth in the attached Proposal, is intended to recoup the costs associated with both programs, including the projected lost revenues, and would be calculated based on each year's approved program expenditures. The proposed charge would differentiate between small and large customers, and in order to provide transparency, would appear as a separate line item charge, or rider, on a customer's bill.

It is important to note that the Public Service Commission ("PSC") has acknowledged that LIPA's proposed cost recovery treatment through this charge is consistent with the PSC's policies related to the recovery of these costs for the electric utilities the PSC regulates. Specifically, LIPA's proposed charge recovers costs akin to those found in the Systems Benefit Charge and Renewable Portfolio Standards Charge imposed upon customers of the utilities regulated by the PSC.

The actual cost to customers would depend on the level of program costs that are approved by the Trustees for the efficiency and renewables programs each year, as well as the customer's electric usage. For 2010, Staff has proposed expenditures of \$48 million for small customers and \$27.4 million for large customers. These amounts include lost revenues of approximately \$5 million in total, and do not include expenditures on research and development related to efficiency and renewable resources that would continue to be funded through the base delivery charges. It also does not include the costs of large scale wholesale renewable generation projects that are funded through the Power Supply Charge. The bill impact from these proposed levels of spending on efficiency and retail renewables would be \$3.70 per month for a typical residential customer using 775 kWhs per month and \$36.37 for the typical commercial customer using 12,700 kWhs per month. The typical residential customer can more than offset this charge by taking modest steps in furtherance of improving the energy efficiency of their home. For example, replacing three 60 watt light bulbs with three 14 watt compact fluorescent light bulbs would save such a customer \$4.16 per month, for a net savings of \$0.46 per month after factoring in the new charge. Similarly, commercial customers can also reduce the impact of this charge by participating in the ELI program and lowering their overall consumption. In addition, customers that participate in LIPA's renewable energy programs may be able to benefit from a reduction to their electric bill resulting from such customer-owned generation.

Consistent with the requirements of the State Administrative Procedure Act, a Public Notice of the proposed Tariff changes and of the public hearings scheduled for October 14, 2009, appeared in the State Register on August 26, 2009 and in Newsday on October 3, 2009. In addition, LIPA posted notice of the hearings on its web site. On October 14th, four members of the public representing Long Island-based environmental organizations, the Long Island solar electric industry, and one academic interest, commented favorably on the proposal at the public hearings. Each commentator supported the proposed charge, as well as LIPA's leadership in the areas of energy efficiency and renewable resources. No written comments on the proposed Tariff changes were received, and the public comment period has since expired.

Recommendation

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

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

963. APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF IMPLEMENTING AN ENERGY EFFICIENCY AND RENEWABLE RESOURCE CHARGE

WHEREAS, the Long Island Power Authority ("LIPA") has initiated the Efficiency Long Island ("ELI") program to pursue a 10 year, \$924 million program to promote energy efficiency that will reduce energy usage resulting in savings on future bills, reduce peak electric demand by 500 Megawatts by 2018, defer or eliminate the equivalent of one large or two mid-sized power plants from LIPA's expansion plan, avoid high-cost on-peak energy production equivalent to saving 2.2 million barrels of oil, and achieve significant environmental benefits; and

WHEREAS, LIPA's customer-owned solar and wind renewable resource programs are part of LIPA's continued commitment to renewable generation resources as an important part of its balanced energy portfolio; and

WHEREAS, Staff has proposed revisions to LIPA's Tariff for Electric Service ("Tariff") that provide for the recovery of the costs of the ELI program and its customer-owned renewable resource programs, including lost revenues, through a cost recovery charge (reflected in the Tariff as the "Energy Efficiency Cost Recovery Rate") with rates set at levels consistent with the program budgets to be approved annually by the Board of Trustees (the "Energy Efficiency and Renewable Resource Charge"); and

WHEREAS, the proposed Energy Efficiency and Renewable Resource Charge would be differentiated between small and large customers, and in order to provide transparency, would appear as a separate line item charge on a customer's bill starting in January 2010; and

WHEREAS, the actual cost to customers would depend on the level of program costs that are approved by the Trustees for the efficiency and renewables programs each year, as well as the customer's electric usage; and

WHEREAS, the cost associated with this new charge can be offset by customers, in whole or in part, by participating in energy efficiency measures designed to reduce usage and corresponding cost; and

WHEREAS, LIPA's proposed Energy Efficiency and Renewable Resource Charge is consistent with the New York State Public Service Commission's ("PSC") policies related to the recovery of efficiency and renewable costs for the electric utilities the PSC regulates

and are akin to those found in the Systems Benefit Charge and Renewable Portfolio Standards Charge imposed upon customers of those utilities; and

WHEREAS, following the issuance of public notice in the State Register on August 26, 2009, and Newsday on October 3, 2009, two public hearings on the proposed Charge were held in Nassau and Suffolk counties on October 14, 2009, four comments supporting the proposed charges and LIPA's leadership in the areas of energy efficiency and renewable resources having been received orally from the public, no written comments having been received, and the public comment period having since expired:

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, the proposed Energy Efficiency and Renewable Resource Charge is hereby adopted and approved; and be it further

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

Mr. Germano then presented the following action item:

Requested Action

The Trustees are being requested to approve modifications to the Long Island Power Authority's ("LIPA") Tariff for Electric Service ("Tariff") to implement a new charge that recovers the cost of the Temporary State Energy and Utility Conservation Assessment (the "NYS Assessment") from all customers, to be effective as of January 1, 2010.

Background

New York State enacted Chapter 59 of the Laws of 2009, which modified the Public Service Law ("PSL") at section 18-a by adding a new subdivision (6) establishing the NYS Assessment, effective April 1, 2009. The NYS Assessment imposes upon all of the electric, natural gas, and water utilities in the State an increased assessment, or fee, payable to the New York State Public Service Commission ("PSC"), to be deposited into the State's general fund. The stated purpose of the NYS Assessment is to encourage conservation of energy and other resources, and is to be in effect for a five-year period. Under the new law, LIPA's mandatory assessment is to be equal to one percent of LIPA's revenues from the preceding year. As such, the annual amount of the NYS Assessment is estimated at \$37.7 million for 2010. Consistent with PSC policy, all of the utilities in the state, including LIPA, have either already implemented, or are in the process of implementing, a cost recovery charge on their customers' bills.

LIPA proposes to recover the NYS Assessment through a percentage rate that is applicable to all of the components on a customer's monthly bill, excluding revenue-based PILOTs and sales tax. The same percentage rate would apply to all customers in all retail rate classes. Since the current assessment is based on the prior year's revenues, LIPA staff would calculate the appropriate percentage by dividing the amount assessed on LIPA in

the prior year by the projected revenues in the current year. Staff would also incorporate any under-recovery or over-recovery from the prior year in the computation. In accordance with the new law, LI Choice customers would pay the NYS Assessment based on the charges they would have paid for LIPA's bundled retail service.

Although the new law went into effect on April 1, 2009, staff has proposed to begin the recovery of the NYS Assessment on January 1, 2010. The delay in collection enables staff to complete the billing system changes required to implement the charge coincident with the introduction of the Efficiency and Renewables Charge, and to present each of these charges as separate line items on the bill in the most efficient, cost effective and transparent manner for its customers. Thus, as proposed to the PSC, LIPA would defer the 2009 assessment (calculated to be \$28.0 million, given that 2009 was a partial year) and amortize it over the four subsequent calendar years that the NYS Assessment will be in effect.

The expected financial impact to LIPA's customers amounts to approximately one percent on all charges on their monthly bill or \$1.75 per month for typical residential customer using 775 kWhs. There is no financial impact on LIPA since the NYS Assessment is a direct pass-through to the State.

A public notice of this proposed Tariff change appeared in the State Register on August 26, 2009 and additional notice of the scheduled public hearings was published in Newsday on October 3, 2009. Public hearings were then held in Nassau and Suffolk counties on October 14, 2009, only one oral comment having been received in favor of the presentation of the NYS Assessment as a separate line item on the bill in order to promote transparency and assist customers in understanding what they are paying for. No written comments were received by LIPA during the comment period, which has now expired.

Recommendation

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

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

964. APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF IMPLEMENTING A NYS ASSESSMENT CHARGE

WHEREAS, effective April 1, 2009, the Long Island Power Authority ("LIPA") became subject to the Temporary State Energy and Utility Conservation Assessment (the "NYS Assessment") under Section 18-a(6) of the Public Service Law for a five-year period by act of the New York State Legislature; and

WHEREAS, the NYS Assessment imposes upon all of the electric, natural gas, and water utilities in the State an increased assessment, or fee, payable to the New York State Public Service Commission (“PSC”), to be deposited into the State’s general fund; and

WHEREAS, under the new law, LIPA’s mandatory assessment is to be equal to one percent of LIPA’s revenues from the preceding year, and is estimated to be \$37.7 million for 2010; and

WHEREAS, the PSC has approved the recovery of the NYS Assessment from the customers of the utilities it regulates as an additional charge on each monthly bill; and

WHEREAS, Staff has proposed revisions to LIPA’s Tariff for Electric Service (“Tariff”) that provide for the recovery of the costs of the NYS Assessment consistent with PSC practice, with rates set each year at levels consistent with that year’s assessment; and

WHEREAS, Staff has proposed to begin the recovery of the NYS Assessment on January 1, 2010 and to defer and amortize the charge for Calendar Year 2009 over the subsequent four years the legislation is scheduled to be in effect; and

WHEREAS, following the issuance of public notice in the State Register on August 26, 2009, and other public notice, two public hearings on the proposed Tariff change were held in Nassau and Suffolk counties on October 14, 2009, one oral comment having been received in favor of the presentation of the NYS Assessment as a separate line item on the bill, and no written comments having been received from the public, the public comment period now having expired:

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying memorandum, the proposed NYS Assessment Charge is hereby adopted and approved; and be it further

Acting Chairman Steinberg stated the next four items on the agenda are: 1) the consideration of approval of Negative Declaration under the State Environmental Quality Review Act for the Long Island Solar Farm Project; 2) the consideration of approval of authorization to enter into Power Purchase Agreement for the Long Island Solar Farm Project; 3) the consideration of approval of Negative Declaration under the State Environmental Quality Review Act for the Eastern Long Island Solar Project; and 4) the consideration of approval of authorization to enter into Power Purchase Agreement for the

Eastern Long Island Solar Project. The Acting Chairman then requested separate motions for the four matters, each of which was seconded.

Mr. Deering presented the following action items:

Requested Action

The Trustees are being requested to approve and adopt the attached resolution providing for, among other things, (1) the determination that the construction and operation by Long Island Solar Project LLC, an affiliate of BP Solar International Inc. (“BP Solar”), of an approximately 32 megawatts (“MW”)¹ solar photovoltaic project on the grounds of the Brookhaven National Laboratory (the “Project”) will not have a significant adverse impact on the environment and will not require the preparation of an environmental impact statement; and (2) the issuance of a Negative Declaration with respect to such action, based on the following.

Background

LIPA recognizes the need for, and has committed to having, a diversified portfolio of electric generation on Long Island in order to reduce Long Island’s dependence on fossil fuel and has established a goal of purchasing 50 MW of electricity and associated renewable energy credits (“RECs”) from solar photovoltaic systems by 2011. LIPA also recognizes the need to facilitate investment in solar photovoltaic systems within its service territory, reduce the consumption of fossil fuels, encourage economic development within New York State and Long Island, create “green jobs,” and improve the environmental quality of Long Island. To meet this need, by resolution dated February 26, 2009, the Trustees selected four proposals in ranked order, including one from BP Solar, in response to LIPA’s April 22, 2008 Solar Photovoltaic Requests For Proposals (“Solar RFP”), and authorized LIPA to negotiate a power purchase agreement (“PPA”) for the output of the Project. The Project involves the installation of ground-mounted solar panel arrays and would be constructed on approximately 200 acres within the Brookhaven National Laboratory (“BNL”) located in the Town of Brookhaven.

Since the Project would be located on federal property, an environmental review was carried out by the Department of Energy (“DOE”) pursuant to the National Environmental Policy Act (“NEPA”). On August 24, 2009, the Department of Energy released a draft Environmental Assessment for comment by the relevant New York State agencies, namely the New York State Department of Environmental Conservation (“DEC”) and LIPA. Based on the DEC’s and LIPA’s comments, the DOE released a final Environmental Assessment and Finding of No Significant Impact in December 2009. With respect to LIPA’s obligations under the New York State Environmental Quality Review Act (“SEQRA”), LIPA served as the lead agency after notifying all potentially involved agencies on May 15, 2009. As such, LIPA reviewed and commented on the DOE’s

¹ This is 32 MW alternating current which is equivalent to 37 megawatts direct current.

Environmental Assessment and also caused the attached Environmental Assessment Form to be prepared pursuant to 6 NYCRR § 617.20.

The detailed Environmental Assessment and Environmental Assessment Form fully discusses the Project, including the construction of a new transmission line from the solar arrays to LIPA's existing substation (located immediately outside of the BNL property), and minor modifications within the footprint of that substation, as well as BNL's, LIPA's and BP's commitment to establish a Natural Resources Benefit program (as more fully set forth in the accompanying memorandum regarding the PPA). The Project would be sited within the Compatible Growth Area of the Pine Barrens with sufficient buffers to avoid eastern tiger salamander habitat and wetlands. While the Project would involve the clearing of approximately 153 acres of trees (or less than four percent of BNL's forested area), the tree species are not threatened or endangered but rather are secondary growth plantation trees from previous Post World War II clearing activity. The Project is estimated to avoid approximately 30,950 metric tons of carbon dioxide, 76 metric tons of sulfur dioxide and 33 metric tons of nitrogen oxides each year. Accordingly, the Environmental Review Record, consisting of the Environmental Assessment and Environmental Assessment Form, concludes that the proposed Project will not, either individually or cumulatively with other LIPA or BNL projects, have a significant adverse impact on the environment and thus will not require the preparation of an environmental impact statement under SEQRA.

Recommendation

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

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

965. APPROVAL OF NEGATIVE DECLARATION FOR THE BP SOLAR LONG ISLAND SOLAR FARM PROJECT UNDER THE STATE ENVIRONMENTAL QUALITY REVIEW ACT

WHEREAS, the Long Island Power Authority ("LIPA") is committed to having a diversified portfolio of electric generation on Long Island in order to reduce Long Island's dependence on fossil fuel, and has established a goal of purchasing energy, capacity and associated renewable energy credits ("RECs") from 50 megawatts ("MW") of solar photovoltaic systems by 2011; and

WHEREAS, LIPA's purchase of energy, capacity and the RECs associated with the solar photovoltaic systems will help LIPA to 1) support its targets for renewable energy resources, as well as a solar photovoltaic energy resource goal set forth by Governor David Paterson's Renewable Energy Task Force; 2) meet its Renewable Portfolio Standard goals;

3) reduce the consumption of fossil fuels; 4) improve the environment; and 5) encourage economic development within New York State and Long Island; and

WHEREAS, on February 26, 2009, LIPA selected BP Solar International Inc. (“BP Solar”) as one of four ranked proposers in response to its April 22, 2008 Request For Proposals to supply LIPA with capacity, energy and associated RECs produced by photovoltaic solar generating systems to be sited, constructed and operated at sites on Long Island (“Solar RFP”); and

WHEREAS, BP Solar proposes to construct and operate an approximately 32 MW solar photovoltaic facility on approximately 200 acres within the Brookhaven National Laboratory site (“BNL”), to be connected to LIPA’s electric system by a short transmission line from the solar arrays to LIPA’s existing substation (the “Long Island Solar Farm Project”); and

WHEREAS, the Long Island Solar Farm Project also involves minor modifications to LIPA’s existing substation within the substation’s footprint and the commitment by LIPA, BP Solar and BNL to establish a Natural Resources Benefit Program; and

WHEREAS, since the Long Island Solar Farm Project is proposed to be located on federal property, the U.S. Department of Energy prepared an Environmental Assessment pursuant to the National Environmental Policy Act, which was subject to public review by the relevant New York State agencies, including LIPA; and

WHEREAS, pursuant to LIPA’s obligations, LIPA caused an Environmental Assessment Form under the State Environmental Quality Review Act (“SEQRA”) to be prepared; and

WHEREAS, LIPA has advised other potentially involved agencies that LIPA proposes to serve as “lead agency” under SEQRA in connection with the environmental review of the project, and all such agencies have consented to LIPA’s serving in such capacity; and

WHEREAS, the Environmental Review Record consisting of the Environmental Assessment and Environmental Assessment Form finds that no significant adverse environmental impacts will result from the Long Island Solar Farm Project and, accordingly, that no environmental impact statement is required under SEQRA:

NOW, THEREFORE, BE IT RESOLVED, that LIPA hereby (a) confirms that it is the “lead agency” for the review of the Long Island Solar Farm Project under SEQRA, (b) approves and adopts the Environmental Review Record consisting of the Environmental Assessment and Environmental Assessment Form, both dated December 2009, and (c) for the reasons set forth in and on the basis of such Environmental Review Record, finds and determines that (1) the construction and operation of the Long Island Solar Farm Project at the Brookhaven National Laboratory site in the hamlet of Upton, Town of Brookhaven, as described in the Environmental Review Record, and the carrying out of the Project will not, either individually or cumulatively with other LIPA or BNL projects, have a

significant adverse effect on the environment and (2) an environmental impact statement need not be prepared in connection with such proposed action; and be it further

RESOLVED, that the President and Chief Executive Officer or his designee is directed to prepare, file, distribute and publish a Negative Declaration, effective immediately, for such proposed action in accordance with the requirements of SEQRA, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the President and Chief Executive Officer or his designee, to ensure that the foregoing is carried out.

Mr. Deering presented the following action item:

Requested Action

The Trustees are being requested to adopt a resolution authorizing the President and Chief Executive Officer or his designee to (1) execute a power purchase agreement (“PPA”) and other related agreements with Long Island Solar Farm LLC, a BP Solar International Inc. affiliate (herein referred to as “BP Solar”), and to take such actions necessary to implement arrangements for LIPA to purchase power from the proposed solar photovoltaic generating facility, to be located at the Brookhaven National Laboratory (“BNL”) site in the Town of Brookhaven (the “Project”); and (2) provide a Natural Resources Benefit (“NRB”) contribution related to the Project in the amount of \$2 million.

Background

LIPA recognizes the need for, and has committed to having, a diversified portfolio of electric generation on Long Island in order to reduce Long Island’s dependence on fossil fuel and has established a goal of purchasing 50 MW of electricity and associated renewable energy credits (“RECs”) from solar photovoltaic systems by 2011. LIPA also recognizes the need to facilitate investment in solar photovoltaic systems within its service territory, reduce the consumption of fossil fuels, encourage economic development within New York State and Long Island, create “green jobs,” and improve the environmental quality of Long Island. To meet this need, by resolution dated February 26, 2009, the Trustees selected four proposals in ranked order, including one from BP Solar, in response to LIPA’s April 22, 2008 Solar Photovoltaic Requests For Proposals (“Solar RFP”), and authorized LIPA to negotiate a PPA for the output of the Project. BP Solar proposes to permit, construct, own, operate and maintain the Project with a total generating capacity of up to approximately 32 MW² on approximately 200 acres within the BNL site.

Discussion

² This is 32 MW alternating current (ac) which is equivalent to 37 MW direct current (dc).

Under the proposed 20-year PPA, LIPA would purchase up to 32 MW of energy, RECs and related capacity from the Project. The PPA requires BP Solar to obtain all required permits, easements and other rights necessary to construct, operate and maintain the Project, and to achieve commercial operation by the fall 2011 target date. LIPA would need to provide BP Solar with an easement or other agreement necessary for the construction, operation and maintenance of the interconnection facilities required to connect the Project to LIPA's electric system. LIPA's purchases under the PPA would begin as the Project is phased-in, which could begin as early as fall 2010.

The PPA pricing structure consists of an energy and REC price, which would escalate at a fixed rate each year of the PPA term. LIPA's payments are based on the Project's performance and would be further reduced if the Project does not maintain guaranteed energy delivery percentages. Some other key benefits to LIPA in the proposed PPA include performance guarantees based on the projected energy deliveries over the term of the PPA, remedies for any non-performance by BP Solar, and reimbursement by LIPA for BP Solar's costs to interconnect to LIPA's electric system. With respect to interconnection costs, LIPA is seeking deferred accounting treatment, consistent with LIPA's accounting practices.

Mr. Deering noted that the costs under the PPA are estimated to total approximately \$298 million over the 20-year term, including interconnection costs, and reflect the proposed pricing upon which BP Solar was selected. LIPA is pursuing funding under the federal American Recovery and Re-investment Act ("ARRA") and other federal, state and/or local funding to help defray the costs of the Project.

In recognition of the approximately 200 acres of BNL property to be used for this Project, including the proposed 1-2 MW dedicated solar photovoltaic facility for BNL's use, a Natural Resources Benefit ("NRB") was agreed to by LIPA, BP Solar and BNL, to further enhance the environmental benefits associated with this Project. LIPA would provide a \$2 million NRB contribution to fund the acquisition of land to be added to the Central Pine Barrens. BNL would commit to preserving 51 acres of land on its existing property. BP Solar would provide funds for habitat enhancement within the Pine Barrens, as well as in the host community outside the BNL site. Notably, the Project would be among the largest solar photovoltaic projects in the United States with the smallest footprint for a project of this size.

In sum, the Project would support LIPA's efforts to meet its environmental and policy goals, including LIPA's leadership in renewable energy. Also, the Project harmonizes federal, state and local energy policy, such as New York State's energy policy, which includes a renewable portfolio standard set forth by Governor David Paterson and his Renewable Energy Task Force. Moreover, this Project would create jobs on Long Island related to the construction of the Project and would facilitate partnerships with the federal government, local municipalities and community organizations and businesses. The Project would also facilitate BNL's research and development initiatives, including the 1-2 MW dedicated solar photovoltaic facility for BNL's use at the site, and would create

additional jobs and other opportunities for BNL's scientists and researchers related to solar and other renewable technology.

Recommendation

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

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

966. AUTHORIZATION TO ENTER INTO POWER PURCHASE AGREEMENT AND UNDERTAKE RELATED ACTIVITIES IN CONNECTION WITH THE BP SOLAR LONG ISLAND SOLAR FARM PROJECT

WHEREAS, the Long Island Power Authority ("LIPA") is committed to having a diversified portfolio of electric generation on Long Island in order to reduce Long Island's dependence on fossil fuel and has established a goal of purchasing energy, capacity and associated renewable energy credits ("RECs") from 50 megawatts ("MW") of solar photovoltaic systems in 2011; and

WHEREAS, LIPA's purchase of energy, capacity and the RECs associated with the solar photovoltaic systems will help LIPA to 1) support its targets for renewable energy resources, as well as a solar photovoltaic energy resource goal set forth by Governor David Paterson and his Renewable Energy Task Force; 2) meet its Renewable Portfolio Standard goals; 3) reduce the consumption of fossil fuels; 4) improve the environment; and 5) encourage economic development within New York State and Long Island; and

WHEREAS, on February 26, 2009, LIPA selected BP Solar International Inc. ("BP Solar") as one of four ranked proposers in response to its April 22, 2008 Request For Proposals to supply LIPA with capacity, energy and associated RECs produced by photovoltaic solar generating systems to be sited, constructed and operated at sites on Long Island ("Solar RFP"); and

WHEREAS, by separate Resolution, LIPA, as the lead agency under the New York State Environmental Quality Review Act, has determined that the project to be developed by BP Solar's affiliate, Long Island Solar Farm LLC (the "Project"), will not have a significant adverse environmental impact and, accordingly, adopted a negative declaration for such Project; and

WHEREAS, it is in LIPA's interests to purchase capacity, energy and associated RECs produced by photovoltaic solar generating systems by entering into a power purchase agreement ("PPA") and other related agreements regarding the Project:

NOW, THEREFORE, BE IT RESOLVED, that the President and Chief Executive Officer or his designee be and hereby is authorized to execute and effect a PPA and other related

agreements and arrangements, including any required easements or other agreements for the construction, operation and maintenance of the interconnection facilities to connect the Project to LIPA's electric system, and to perform such further acts and deeds as may be necessary, convenient and appropriate, in the judgment of the President and Chief Executive Officer or his designee, to implement LIPA's purchase of energy, capacity and associated RECs from the Project; and be it further

RESOLVED, that the President and Chief Executive Officer or his designee is authorized to effect deferred accounting treatment of interconnection costs for the Project; and be it further

RESOLVED, that the President and Chief Executive Officer or his designee is authorized to provide a natural resources benefit ("NRB") contribution related to the Project in the amount of \$2 million and shall include the authority to execute any and all other agreements, papers or instruments and to perform such further acts and deeds as may be necessary, convenient and appropriate, in the judgment of the President and Chief Executive Officer or his designee, to ensure that the NRB program is carried out.

Mr. Deering presented the following action item:

Requested Action

The Trustees are being requested to approve and adopt the attached resolution providing for, among other things, (1) the determination that the siting, installation and operation by Eastern Long Island Solar Project LLC, an affiliate of enXco Development Corp. ("enXco"), of up to approximately 17 megawatts ("MW") of solar photovoltaic carports within existing parking lots owned by Suffolk County (the "Project") will not have a significant adverse impact on the environment and will not require the preparation of an environmental impact statement; and (2) the issuance of a Negative Declaration with respect to such action, based on the following.

Background

LIPA recognizes the need for, and has committed to having, a diversified portfolio of electric generation on Long Island in order to reduce Long Island's dependence on fossil fuel and has established a goal of purchasing 50 MW of electricity and associated renewable energy credits ("RECs") from solar photovoltaic systems by 2011. LIPA also recognizes the need to facilitate investment in solar photovoltaic systems within its service territory, reduce the consumption of fossil fuels, encourage economic development within New York State and Long Island, create "green jobs," and improve the environmental quality of Long Island. To meet this need, by resolution dated February 26, 2009, the Trustees selected four proposals in ranked order, including one from enXco Development Corp., in response to LIPA's April 22, 2008 Solar Photovoltaic Requests For Proposals ("Solar RFP"), and authorized LIPA to negotiate a power purchase agreement ("PPA") for

the output of the Project. The Project involves the installation of up to 17 MW of solar carports within parking lots at railroad stations and other facilities owned by Suffolk County.

Under the New York State Environmental Quality Review Act (“SEQRA”), LIPA has served as lead agency pursuant to notice to all potentially involved agencies on May 15, 2009 and December 1, 2009. The attached Environmental Assessment dated December 2009, fully describes the Eastern Long Island Solar Project, including the seven proposed parking lots where the carports with solar panels would be constructed, and the proposed routes for the short distribution lines to connect into the LIPA electrical system. The Environmental Assessment concludes that the proposed Project would not, either individually or cumulatively with other LIPA projects, have a significant adverse impact on the environment and thus does not require the preparation of an environmental impact statement under SEQRA. As described in the Environmental Assessment, temporary traffic and parking impacts during construction of the carports would be minimal because delivery of equipment would occur during off-peak periods and construction within each Project site would be staggered. enXco would also provide lighting under the carports for enhanced security.

Mr. Deering noted that a proposed lease agreement between Suffolk County and enXco and either an easement, license or other agreement between Suffolk County and LIPA would require the approval of the Suffolk County Legislature. The Project would also involve obtaining site plans and building permits from Suffolk County and one or more permits from the New York State Department of Environmental Conservation.

Recommendation

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

After a discussion by the Trustees, the following resolution was adopted by the Trustees with Trustee Calone abstaining:

967. APPROVAL OF NEGATIVE DECLARATION FOR THE ENXCO EASTERN LONG ISLAND SOLAR PROJECT UNDER THE STATE ENVIRONMENTAL QUALITY REVIEW ACT

WHEREAS, the Long Island Power Authority (“LIPA”) is committed to having a diversified portfolio of electric generation on Long Island in order to reduce Long Island’s dependence on fossil fuel and has established a goal of purchasing energy, capacity and the associated renewable energy credits (“RECs”) from 50 megawatts (“MW”) of solar photovoltaic systems by 2011; and

WHEREAS, LIPA's purchase of energy, capacity and the RECs associated with the solar photovoltaic systems will help LIPA to 1) support its targets for renewable energy resources, as well as a solar photovoltaic energy resource goal set forth by Governor David Paterson and his Renewable Energy Task Force; 2) meet its Renewable Portfolio Standard goals; 3) reduce the consumption of fossil fuels; 4) improve the environment; and 5) encourage economic development within New York State and Long Island; and

WHEREAS, on February 26, 2009, LIPA selected enXco Development Corp. ("enXco") as one of four ranked proposers in response to its April 22, 2008 Request For Proposals to supply LIPA with capacity, energy and associated RECs produced by photovoltaic solar generating systems to be sited, constructed and operated at sites on Long Island ("Solar RFP"); and

WHEREAS, LIPA's staff prepared a detailed Environmental Assessment of the proposed Eastern Long Island Solar Project in order to determine, under the State Environmental Quality Review Act ("SEQRA"), whether that Project would or might have any significant adverse environmental impacts; and

WHEREAS, LIPA has advised all other potentially involved agencies that LIPA proposes to serve as "lead agency" under SEQRA in connection with the environmental review of the Eastern Long Island Solar Project, and all relevant agencies have consented to LIPA's serving in such capacity; and

WHEREAS, the Environmental Assessment finds that no significant adverse environmental impacts will result from the Eastern Long Island Solar Project and, accordingly, that no environmental impact statement is required under SEQRA:

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby (a) confirm that LIPA is the "lead agency" for the review of the Eastern Long Island Solar Project under SEQRA, (b) approve and adopt the Environmental Assessment, dated December 2009, for the Eastern Long Island Solar Project, and (c) for the reasons set forth in and on the basis of such Environmental Assessment, find and determines that (1) the siting, installation and operation of the Eastern Long Island Solar Project on Suffolk County-owned parking lot sites, as described in the Environmental Assessment, and the carrying out of the Eastern Long Island Solar Project will not, either individually or cumulatively with other LIPA projects, have a significant adverse effect on the environment and (2) an environmental impact statement need not be prepared in connection with such proposed action; and be it further

RESOLVED, that the President and Chief Executive Officer or his designee is directed to prepare, file, distribute and publish a Negative Declaration, effective immediately, for such proposed action in accordance with the requirements of SEQRA, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the President and Chief Executive Officer or his designee, to ensure that the foregoing is carried out.

Mr. Deering presented the following action item:

Requested Action

The Trustees are being requested to adopt a resolution authorizing the President and Chief Executive Officer or his designee to execute a power purchase agreement (“PPA”) and other related agreements with Eastern Long Island Solar Project LLC, an enXco Development Corp. affiliate (herein referred to as “enXco”), and to take such actions necessary to implement arrangements for LIPA to purchase power from the proposed solar photovoltaic generating facilities on newly installed carports within existing parking lots owned by Suffolk County (the “Project”).

Background

LIPA recognizes the need for, and has committed to having, a diversified portfolio of electric generation on Long Island in order to reduce Long Island’s dependence on fossil fuel and has established a goal of purchasing 50 MW of electricity and associated renewable energy credits (“RECs”) from solar photovoltaic systems by 2011. LIPA also recognizes the need to facilitate investment in solar photovoltaic systems within its service territory, reduce the consumption of fossil fuels, encourage economic development within New York State and Long Island, create “green jobs,” and improve the environmental quality of Long Island. To meet this need, by resolution dated February 26, 2009, the Trustees selected four proposals in ranked order, including one from enXco Development Corp., in response to LIPA’s April 22, 2008 Solar Photovoltaic Request For Proposals (“Solar RFP”), and authorized LIPA to negotiate a PPA for the output of the Project. enXco proposes to permit, construct, own, operate and maintain the Project with a total generating capacity of up to approximately 17 MW on newly installed carports within existing parking lots at railroad stations and other facilities owned by Suffolk County.

Discussion

Under the proposed 20-year PPA, LIPA would purchase at least 14.75 MW (with a maximum of 17 MW) of energy, RECs and related capacity from the Project. The PPA requires enXco to obtain all required permits, easements, licenses and other rights necessary to construct, operate and maintain the Project, and achieve commercial operation by the spring 2011 target date. LIPA would need to arrange for an easement or other agreement with Suffolk County necessary for the construction, operation and maintenance of the interconnection facilities required to connect the Project to LIPA’s electric system. LIPA would begin purchases under the PPA as the Project is phased-in, which could begin as early as fall 2010.

The PPA pricing structure consists of an energy and REC price, which is fixed over the PPA term. LIPA’s payments are based on the Project’s performance and would be reduced if the Project does not maintain guaranteed energy delivery percentages. Some other key benefits to LIPA in the proposed PPA include performance guarantees based on the projected energy deliveries over the term of the PPA, remedies for any non-

performance by enXco, and reimbursement by LIPA for enXco's costs to interconnect to LIPA's electric system. With respect to interconnection costs, LIPA is seeking deferred accounting treatment, consistent with LIPA's accounting practices.

Mr. Deering noted that the costs under the PPA are estimated to total approximately \$125 million over the 20-year term of the PPA³, including interconnection costs, and reflect the proposed pricing upon which enXco was selected. LIPA is pursuing funding under the federal American Recovery and Re-investment Act ("ARRA") and other federal, state and/or local funding to help defray the costs of the Project.

In sum, the Project would support LIPA's efforts to meet its environmental and policy goals, including LIPA's leadership in renewable energy. Also, the Project harmonizes federal, state and local energy policy, such as New York State's energy policy, which includes renewable portfolio standard set forth by Governor David Paterson and his Renewable Energy Task Force. Moreover, this Project would create jobs on Long Island related to the construction of the Project and would facilitate partnerships with the federal government, local municipalities, community organizations and businesses.

Recommendation

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

After a discussion by the Trustees, the following resolution was adopted by the Trustees with

Trustee Calone abstaining:

968. AUTHORIZATION TO ENTER INTO POWER PURCHASE AGREEMENT AND UNDERTAKE RELATED ACTIVITIES IN CONNECTION WITH THE ENXCO EASTERN LONG ISLAND SOLAR PROJECT

WHEREAS, the Long Island Power Authority ("LIPA") is committed to having a diversified portfolio of electric generation on Long Island in order to reduce Long Island's dependence on fossil fuel and has established a goal of purchasing energy, capacity and associated renewable energy credits ("RECs") from 50 megawatts ("MW") of solar photovoltaic systems in 2011; and

WHEREAS, LIPA's purchase of energy, capacity and the RECs associated with the solar photovoltaic systems will help LIPA to 1) support its targets for renewable energy resources, as well as a solar photovoltaic energy resource goal set forth by Governor David Paterson and his Renewable Energy Task Force; 2) meet its Renewable Portfolio Standard goals; 3) reduce the consumption of fossil fuels; 4) improve the environment; and 5) encourage economic development within New York State and Long Island; and

³ The total estimated cost of \$125 million is based on enXco's commitment to construct 14.75 MW. The total cost would increase accordingly in the event that as much as 17 MW is constructed.

WHEREAS, on February 26, 2009, LIPA selected enXco Development Corp. (“enXco”) as one of four ranked proposers in response to its April 22, 2008 Request For Proposals to supply LIPA with capacity, energy and associated RECs produced by photovoltaic solar generating systems to be sited, constructed and operated at sites on Long Island (“Solar RFP”); and

WHEREAS, by separate Resolution, LIPA, as the lead agency under the New York State Environmental Quality Review Act, has determined that the project to be developed by enXco’s affiliate, Eastern Long Island Solar Project, LLC (the “Project”), will not have a significant adverse environmental impact and, accordingly, adopted a negative declaration for such Project; and

WHEREAS, it is in LIPA’s interests to purchase capacity, energy and associated RECs produced by photovoltaic solar generating systems by entering into a power purchase agreement (“PPA”) and other related agreements regarding the Project:

NOW, THEREFORE, BE IT RESOLVED, that the President and Chief Executive Officer or his designee be and hereby is authorized to execute and effect a PPA and other related agreements and arrangements, including any required easements, licenses or other agreements for the construction, operation and maintenance of the interconnection facilities to connect the Project to LIPA’s electric system, and to perform such further acts and deeds as may be necessary, convenient and appropriate, in the judgment of the President and Chief Executive Officer or his designee, to implement LIPA’s purchase of energy, capacity and associated RECs from the Project; and be it further

RESOLVED, that the President and Chief Executive Officer or his designee is authorized to effect deferred accounting treatment of interconnection costs for the Project.

The Acting Chairman then allowed public comment to be heard, after which he announced that the next Board meeting is scheduled for January 28, 2010 at 11:00 a.m. in Uniondale.

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

969. 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 matters.

At approximately 1:04 p.m. the open session of the Board of Trustees was temporarily adjourned on motion into Executive Session to discuss Litigation matters which commenced at 1:17 p.m.

After noting that no votes were taken in the Executive Session, Acting Chairman Steinberg entertained a motion to adjourn, which was duly made and seconded, after which the meeting ended at 2:46 p.m.

Respectfully submitted,

Lynda Nicolino