

**LONG ISLAND POWER AUTHORITY
MINUTES OF THE 192nd MEETING
HELD ON SEPTEMBER 23, 2008**

Pursuant to notice dated September 18, 2008, the Long Island Power Authority (the "Authority") was convened for the one hundred and ninety second time at 11:13 AM at the Omni Teleconference Center, in Uniondale, NY.

The following Trustees of the Authority were present:

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

The following Trustees of the Authority were absent:

**Anthony Bonomo
Harriet Gilliam
James Herrmann
Jonathan Sinnreich**

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

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

The Chairman stated that this is the September meeting of the Long Island Power Authority pursuant to notice duly given.

Chairman Larocca requested a moment of reflection followed by the Pledge of Allegiance.

Chairman Larocca introduced Laurence Belinsky, who was recently appointed to serve on the Board. He stated that Trustee Belinsky has a long and distinguished career in both public service and in the world of finance, and that as a result, Trustee Belinsky brings two very important sets of experience and skills to the Board. He added that Trustee Belinsky had done work in the housing sector, and that it was some of the finest work in public service that he has seen.

Chairman Larocca welcomed Laurence Belinsky to the Board. Trustee Belinsky thanked him in response.

Chairman Larocca made a motion to accept the minutes of the June 26th meeting of the Board of Trustees.

Upon motion duly made and seconded, President Law made one minor change to the minutes, correcting a reference on page 16 from IBEW 1099 to IBEW 1049.

Chairman Larocca made a motion to accept the minutes as corrected, which was approved unanimously.

882. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JUNE 26, 2008 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on June 26, 2008 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

* * *

Chairman Larocca said the first order of business was the 2009 schedule for Board meetings. He stated that the meetings will follow the current pattern, which would mean having meetings on the third Thursday of the month except for the very last meeting in December, where it will be moved up a week in order

to stay clear of the holiday season. He added that if there are any conflicts, to let the Chairman and staff know as early as possible.

Chairman Larocca stated that there will be an Executive Session at the conclusion of the meeting to deal with a matter of a property acquisition, a financial matter, and a litigation matter. He added that the Executive Session will begin immediately following the public session.

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

President Law thanked the Chairman, and began his report by noting that it has been a busy summer with unusual weather in terms of volatility and the amount of storms. He added that Mr. Hervey will discuss later the impacts to LIPA's system from the storms we experienced this summer.

President Law reported that fuel rates continue to fluctuate. He stated that at the time of the last Board meeting, a barrel of oil was up to \$147, but by last week, it was down to \$91. He continued that yesterday there was a one-day record of a \$25 increase, but that it is back down today. He added that Ms. McCarthy will discuss how the fuel volatility impacts LIPA's budget in her finance report.

President Law thanked and congratulated Larry Belinsky for becoming a member of LIPA's Board. He stated that he has known Larry for over twenty years, and he thinks that he will be a great addition. He thanked him for being willing to serve. President Law stated that LIPA's Board members are not compensated for their service and take time away from their businesses and their families to serve on the Board. He thanked the Board members for all of their efforts.

President Law reported that LIPA was kept busy over the summer with the legislation that was approved by the State Legislature in June to regulate LIPA's rates by the Public Service Commission ("PSC"). He stated that there was much opposition to the bill which was expressed to the Governor by groups such as the Association for a Better Long Island, the Hauppauge Industrial Association, environmental organizations including the Natural Resources Defense Council, unions, and other not-for-profit organizations. He added that everyone shared similar concerns.

President Law stated that while the legislation was well-intended, it would have resulted in the unintended consequences of affecting LIPA's credit quality. He continued that LIPA spent a lot of time this summer working with the rating agencies because, as Ms. McCarthy will explain in the financial reports, LIPA has been trying to refinance some variable rate debt that was impacted and put on hold while LIPA was awaiting a decision from the Governor on the legislation.

President Law reported that LIPA spent time with the rating agencies as well as the two bill sponsors, Bob Sweeney and Ken LaValle. He said that he and the two sponsors, who are friends of his and whom he has known for over 20 years, respectfully disagreed on the legislation, but President Law committed to work with them on ways to address the concerns they may have regarding operations at LIPA. He continued that he pledged his willingness to try to work with the sponsors to do things administratively, not legislatively. He noted that the Governor asked LIPA, in his veto message, to work with the sponsors and try to figure out ways to improve the transparency of LIPA's rate-making process.

President Law reported that he has been talking to people and reading prior press clippings on the issue. He explained that a LIPA bill is broken up into two components: a basic delivery charge and a fuel and purchase power charge (FPPCA). He continued that there have been allegations over the years that LIPA has taken components that should be in the base rate and put them into the FPPCA in order to avoid review by the PSC, which would be triggered if the base rate went up 2.5 percent or more.

President Law reported that the base rate has not gone up at all in the last ten years. He continued that it is the fuel and power purchase charge that has gone up over the years. He stated that after discussions with the New York State Comptroller and the Public Service Commission, as well as others, LIPA has

agreed to have an independent audit of its charges performed. He noted that this should demonstrate that what LIPA has been doing is appropriate.

President Law reported that if there is something that is currently in LIPA's commodity charge that should not be there, he will be the first to recommend that LIPA take it out and put it into the basic delivery charge. He stated that because of the energy challenges and financial challenges LIPA is facing, LIPA needs to get this issue off the table and move forward.

President Law reported that LIPA will be working with the PSC on the scope of an audit, and that the auditors will report their findings directly to the PSC so that no one accuses LIPA of editing the documents. He stated that he thinks this will lead to a much more transparent understanding and demonstration that what LIPA is doing is consistent with what other utilities in the country are doing.

President Law indicated that during his brief tenure with LIPA, he has been trying to understand LIPA's debt and financial issues. He indicated that he has not yet been with LIPA for a full year and he is still learning things about the Authority on a daily basis. He stated that LIPA's debt is significant at over six-and-a-half billion dollars. He noted that this impacts a lot of things that LIPA is trying to do.

President Law stated that he wants to work with the Board on coming up with a debt reduction plan. He stated that LIPA has one, and that he wants to take a look at it and see if there are things that can be done differently regarding LIPA's debt. He continued that it is something that is of concern to him, and a challenge, and that he looks forward to working with the Board in trying to address it. He indicated that Ms. McCarthy will touch on some of the issues in her financial report.

President Law reported that LIPA is entering into its budget season. He continued that over the fall, LIPA will be putting together its budget for 2009, and they will be sharing that with the Board in November for approval in December.

President Law reported that in June, the Board approved his recommendation that LIPA create a \$10 million fund for low-income senior citizens to assist with their high utility bills. He continued that LIPA has an RFP out right now, and there is a proposers' conference tomorrow. He continued that LIPA is looking to use the services of a not-for-profit organization to administer the program. He noted that LIPA may be in a position to make a recommendation to the Board at the October meeting.

President Law reported that LIPA has conducted public hearings with respect to the Southampton Visual Benefits Assessment. He continued that LIPA is waiting on the transcripts from the hearing, but that the great majority of

participants spoke in favor of the assessment. He added that LIPA will be making a presentation and recommendation to the Board at the October meeting.

President Law reported that LIPA has also concluded public hearings on the New York State Net Metering Law. He stated that LIPA will be the first utility in the State to implement net metering for commercial customers. He added that LIPA held a public meeting, and there is an agenda item today on the issue of net metering that Mr. Germano and Ms. Nicolino will present.

President Law reported that LIPA's repowering study efforts continue. He stated that LIPA continues to do its due diligence on both the options it has to purchase plants from National Grid as well as examine the feasibility of repowering Port Jefferson and Northport. He continued that he was asked to come to a meeting at the Port Jefferson Village Hall, where just like any other community that hosts these plants, everyone was anxious. He added that the meeting participants want to see what LIPA is going to do, and they want to see re-powering performed in their communities, which is nice because usually communities oppose anything that LIPA is trying to do. He noted that LIPA will share more with the Board on the repowering effort soon.

President Law reported that the solar RFP, which he and Governor Paterson announced in April, is the largest solar energy project in the state: fifty megawatts. He continued that twenty-eight companies responded, which is

exciting and shows that there is a lot of interest. He stated that LIPA is evaluating those proposals now, which include responses to both proposed sites as well as pricing. He added that LIPA is determining and assessing what the pricing numbers are like, and hopefully before the end of the year, LIPA will be in a position to make a recommendation to the Board. He noted that everyone is excited about the level of interest in that RFP.

President Law reported that LIPA's work on the Energy Master Plan continues, and that they are hoping to have a draft of a plan done in a couple months. He stated that he would like to present to the Board, at either a Board meeting or workshop, where LIPA is heading with that plan. He continued that one of the most critical components of the plan is that LIPA needs to figure out what its resources and needs for resources will be in the future, as well as where LIPA sees the demand going and how it will address that demand. He added that while some of the information will be dry, they will try to focus on presenting more interesting information on a lot of decisions that they will be making in their proposals, which will subsequently be proposed to the Board. He noted that he thinks it will be worthwhile for the Board to receive an update on the plan as the work is proceeding.

President Law reported that last week, he held a Green Lending Summit, which he hosted with Congressman Steve Israel, who is working on legislation involving the lending community, and more specifically, on green lending.

President Law stated that while LIPA is not a bank, it offers some significant programs in terms of rebates for efficiency and renewable sources of power. He continued that LIPA customers, both commercial and residential, still need access to capital for the balance of those projects that they wish to do on their homes and buildings.

President Law reported that the Green Lending Summit was an effort to work with the banks and educate them about LIPA programs and to try to get them to be partners with LIPA on providing a source of loans to customers. He stated that there was a lot of interest with mostly CEOs and presidents of over sixteen banks attending. He noted that while LIPA held this summit on the day Wall Street was crashing, the banks were, nonetheless interested, and LIPA looks forward to partnering with the lending community to advance LIPA's renewable and efficiency programs.

President Law reported that this week LIPA also held a School Summit with the Superintendents of all of the schools in Nassau County. He continued that LIPA will be holding one in Suffolk County on October 3rd. He stated that these summits are to educate the school Superintendents and their facility managers about all of the efficiency programs LIPA offers to help them lower their bills. He added, that every dollar a school does not need for utility bills can either go to educating kids or dollars that do not have to be raised in property taxes.

President Law reported that there was tremendous interest. He stated that over thirty school districts were represented, demonstrating that LIPA is partnering with the Counties, the State, and the school districts. He noted that LIPA needs the school districts to participate if it is going to meet its goal of reducing demand without new construction.

President Law reported that LIPA has done a lot of partnering with the New York Power Authority, and there is an agenda item today on one of those projects. He stated that NYPA also participated in LIPA's School District Summit. He added that NYPA has programs that complement LIPA's programs, rather than duplicate them. He noted that NYPA will be partnering with LIPA at the Suffolk Summit as well.

President Law reported that Ms. McCarthy has spent time walking NYPA through LIPA's hedging programs. He stated that LIPA has been partnering with its sister agencies, including NYSERDA. He continued that Mike Deering and he met with the acting department head of NYSERDA to talk about coordination of efforts, to make sure that government is not duplicating efforts. He added that while there were not any instances where there were duplications, LIPA and NYSERDA discovered several opportunities where they could work together to stretch dollars. He noted that it was a good meeting with a sister agency.

President Law reported that he spent time in Albany this summer, at the Governor's Winter Fuel Summit. He stated that meeting participants were excited about the program approved by the LIPA Board in June for the \$10 million for low-income seniors. He added that the State has other programs for low-income folks to help get them through this winter season.

President Law reported that he also participated in an energy sub-cabinet meeting in Albany. He stated that he is a member of the Governor's Renewable Energy Task Force, which has been trying to introduce renewable sources of power into the downstate region.

President Law continued his report by indicating that he has had discussions with Kevin Burke, the President and CEO of Con Ed, and that they agreed to get LIPA's and Con Ed's staffs together to work on a technical feasibility plan to see if it makes sense to do a wind project downstate. He continued that both LIPA and Con Ed service portions of Queens County, and as such, he and Mr. Burke agreed that where they could, it would make sense to share the cost, the power, if such a project would be financially feasible and attractive.

President Law further reported that if the project appears to be feasible, they can then discuss putting out an RFP and seeing what type of interest there is in working with Con Ed and LIPA on introducing some wind power to the

region. He added that the technology has certainly changed over the last few years, and projects are more feasible much further out into the ocean. He stated that there are also some opportunities to work with the State to get some renewable energy credits to bring down the costs of any proposed renewable project. He noted that LIPA is just in a planning stage now, and he will keep everyone abreast of how the planning efforts go before LIPA decides whether to take the next step on any RFP.

President Law reported that he will be with Governor Paterson, as well as the other Northeast governors and Mid-Atlantic governors, this Thursday and Friday in New York City, at a renewable energy conference that Governor Paterson is hosting. He stated that he will report back to the Board at the October meeting regarding that conference.

President Law reported that he met with the new CEO of the New York Independent System Operator, Steve Whitley, and his Chairwoman, Karen Anton, to discuss LIPA's relationship with the New York ISO.

President Law reported on the Erie Loop controversy, where some unknown companies were manipulating the system to take advantage of the way energy gets transported in and out of the State. He continued that the companies marked up pricing and took advantage of the system to the detriment of ratepayers throughout New York State, including LIPA customers. He stated that

upon learning about it, LIPA immediately objected, filed letters with FERC which is investigating the matter, and also started working with the Governor and his Consumer Protection Board, as well as with U.S. Senator Chuck Schumer.

President Law reported that LIPA is looking to recoup any monies that it may be out because of the controversy. He noted that it is out of LIPA's hands right now, and that LIPA is waiting for FERC and NYISO to conduct their reviews and investigations. He stated that he hopes to have something to report back to the Board at the next meeting. He noted that LIPA did what it had to do to protect its interests, even filing additional documents with FERC yesterday.

President Law reported that he met with Sir John Parker, Chairman of National Grid, who came out for a meeting and continued to express his willingness to work with, and cooperate with, LIPA. He continued that as he has said numerous times, in the little over a year that National Grid has taken over KeySpan, LIPA's relationship with them has been very good. He added that he has nothing to complain about, and that while there have been little issues here and there over the past year, LIPA and National Grid have been able to address and resolve them. He noted that in a big contractual relationship, there will be issues, but so far, so good.

President Law continued and reported that fortunately, Long Island did not have any treacherous or horrendous hurricanes like they had down South, but it

did have its fair share of horrific storms, lightning, and thunderstorms that really did some damage to LIPA's system. He noted that these storms always seemed to happen on the weekends. He stated that LIPA did a great job keeping the lights on. He noted that with all of the things LIPA has going on – all of the financial issues and the renewable energy challenges – the bottom line is that people want their lights kept on, so LIPA and National Grid did a terrific job.

President Law thanked John Bruckner and his team at National Grid, as well as Mike Hervey for his oversight in helping to keep the lights on this summer. He also thanked all of the great men and women of IBEW 1049 who actually do the work out on the poles, in the bad elements, getting the lights back on.

President Law reported that he testified at the New York State Energy Planning Board. He stated that it is a new, reinvigorated State Energy Planning Board. He continued that while LIPA is working on its Master Plan for Long Island, the State Energy Planning Board is preparing its plan for the State.

President Law reported that the primary matter that he testified on is the need for downstate transmission. He stated that if LIPA is going to tap into Canadian hydropower and other similar sources of power, LIPA needs a way to transmit that electricity down to Long Island. He continued that if the participants walked away with one recommendation from him, it was to improve the

transmission grid from upstate to downstate, so that LIPA can tap into that power, which is one of his top priorities.

President Law reported that he participated in an energy summit with County Executive Steve Levy and Connecticut Attorney General Richard Blumenthal to discuss the Islander East Project, which is something that LIPA still supports. He continued that if the project ever happens, it would give LIPA a source of gas in the Shoreham area, which could give LIPA options to deal with the Shoreham Nuclear Power Plant. He stated that while it was an interesting meeting, he is not sure what, if any, progress was made. He added that recently, Islander East has filed a petition to have the U.S. Supreme Court hear their litigation matter involving Connecticut and have asked LIPA to file an amicus brief, which Lynda Nicolino and he are reviewing and discussing.

President Law reported on staff changes at LIPA. He stated that Jim Peterson, a long-time LIPA employee who was previously with NYPA, retired after thirty-plus years with the State. President Law reported that he has asked Sam Lee to serve as the acting head of the Power Markets Department.

President Law reported that he has also brought on John Little as Director of Regulatory Rates and Pricing, to work on matters related to LIPA's rates. He continued that as the Trustees have mentioned in the past, LIPA spends a lot of money on consultants, and he decided that LIPA should hire Mr. Little and save

money. He reported that John Little had been doing the work for LIPA through a particular consulting firm, and after the Board approved it in the budget for this year, he hired John for the position. He added that John had just started a couple of weeks ago and will be a tremendous asset to LIPA.

President Law reported that LIPA has also recently added William Stohner. He stated that Mr. Stohner joined the Legal Department and is waiting for admission to the Bar after taking the exam this summer. He added that Mr. Stohner is working for Lynda Nicolino, who already has him busy with work.

President Law reported that, as he had mentioned in the June meeting, he is looking to bring in a consultant to help LIPA with management training. He continued that regardless of how good everyone thinks they are doing, they can always do better. He stated that he is looking, as a manager himself, to improve LIPA's own efficiency. He added that LIPA is looking for somebody to assist with those efforts, as many corporations do.

President Law reported that again, it has been a wild summer. He continued that LIPA has been fortunate when you look at Hurricane Gustav, Hurricane Ike, and what Texas and Louisiana are going through. He stated that people are still without power, in their third week following these events. He added that they will probably continue without power after six and seven weeks. He reported that the Midwest, Chicago, and Ohio are going through blackouts

from Hurricane Ike remnants. He noted that while these areas are in their second week without power, they do not get any of the media attention.

President Law reported that LIPA has been fortunate in that Long Island has not been hit, although someday it will. He continued that this week is the 70th anniversary of the hurricane that wiped-out Eastern Long Island in 1938. He stated that LIPA is helping the areas that have been hit by releasing crews to those areas. He added that someday LIPA is going to need that help back, and while he does not hope that it is any time soon, he believes that LIPA is prepared, based on the drills that LIPA has performed.

President Law reported that even with Hurricane Hannah, Long Island fared well, but it was actually a very good exercise because LIPA was ready. He stated the Hannah was projected to be much worse than it actually was. He continued that it was actually better than a drill because LIPA was ready and prepared for the entire weekend. He noted that it has been a crazy, interesting summer.

President Law concluded his report.

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

Vice Chairman Steinberg stated that he wanted to compliment President Law, Ms. McCarthy, and Ms. Nicolino on doing a great job in informing and educating the Governor and the Governor's Office on the potential adverse impact to ratepayers of the ill-advised legislation on the PSC. He also stated that he wanted to compliment the Governor on stepping up and doing the right thing for the ratepayers of Long Island.

Vice Chairman Steinberg stated that the proposed legislation inevitably would have led to higher costs to LIPA, which would resonate with the ratepayers. He stated that as President Law had mentioned, LIPA labors under a structural burden of six-and-a-half billion dollars of debt. He added that it is very important for the public to be reminded of that and to understand that this is a huge portion of LIPA's costs. He noted that LIPA spends over \$300 million a year on interest.

Vice Chairman Steinberg stated that one of the reasons why LIPA has a favorable credit rating, which allows LIPA to pay for this debt at lower rates, is because LIPA is an independent authority. He continued that if this Authority is burdened by unnecessary oversight, and there is already plenty of oversight in many ways, then the credit markets would react very badly, and the cost of LIPA's financing would go up. He added that it is quite remarkable, as President Law had reminded everyone, that LIPA's base rates have not gone up in ten years. He noted that if LIPA's costs go up, which is the price of LIPA's credit, then

LIPA will not be able to hold base rates down, which is very important for people to keep in mind.

Trustee Fragin stated that he has two questions. He stated that with regard to the School Summit, which he thinks is wonderful, he believes that thirty school districts is about half of the total in Nassau County. He asked how LIPA can improve outreach to the districts that did not come, and how LIPA can also improve outreach to towns and villages of which there are probably many more than the number of school districts. He also questioned, whether New York City was invited to the School Summit since the Rockaways are part of LIPA's service area. Trustee Fragin also asked for an update on how the Southampton tariff hearings went.

President Law stated that to answer Trustee Fragin's question about Southampton, LIPA did have the hearings for the Southampton Visual Benefits Assessment ("VBA"). He continued that almost everybody who attended spoke in favor of the bill. He added that the transcript is still being prepared, and that LIPA will prepare its findings, and he will prepare a recommendation to the Board, most likely at the October meeting. He noted that nothing significant resulted from those hearings.

Trustee Fragin added that he was also asking about Southampton Village's position on the matter.

President Law responded that the Mayor of Southampton Village came down to express concerns, even though in the spring, he and his Board had passed a resolution encouraging LIPA to adopt what the Town adopted in terms of the VBA based on usage in the communities that LIPA is currently slated to asses. He continued that the Mayor said that LIPA should broaden the benefited area to the entire Town and include the Town of East Hampton. He stated that he told the Mayor that at this late stage in the process, especially after they have taken a public position and passed a resolution to the contrary, that it was unlikely for things to change. He noted that the Mayor had come to the hearing to make his point, but that he thinks he walked away realizing that it was unlikely that he would get what he was requesting.

President Law stated that in terms of the school districts, LIPA sent letters to every school in Nassau County and that LIPA will do follow-up letters for both those who participated and for those who did not, to let them know what transpired. He continued that as for the Rockaways, LIPA is including them in the senior citizen, low-income fund. He added that he does not know if LIPA reached out to New York City schools, but that it is a good point. He noted that LIPA will follow up and make sure that those schools can participate in anything that LIPA is doing for Nassau or Suffolk schools.

Trustee Fragin asked if the schools in the Rockaways purchase their power from LIPA or from NYPA.

President Law stated that half of the Rockaways are in LIPA's service territory and half are in the Con Ed territory. He continued that what NYPA does is low-interest loans. He explained that where LIPA does incentives, NYPA acts more like a bank. He stated that NYPA will go in and do a lot of technical analysis as well. He added that NYPA really only does things with municipal and governmental entities. He noted that LIPA will work with NYPA on that as well.

Chairman Larocca thanked Trustee Fragin and President Law and stated that he would like to echo a couple of points that have been made in introducing the financial report.

Chairman Larocca stated that, with regard to the legislation, as was stated a few minutes ago, part of the argument LIPA made to the Legislature and then subsequently to the Governor, is that this legislation would have an adverse impact on LIPA's capacity to finance itself. He continued that was true in the spring when LIPA was making those arguments, and it was proven true over the course of the summer. He explained that the immediate consequence of the legislation was to see LIPA's ratings drop along with an increase in the cost of financing. He further explained that in the early part of the summer, the consequence was that it slowed LIPA's ability to go to market, and by the time the Governor vetoed the legislation, the finance world had changed, as it continues to change today. He noted that the legislation did not just have a potential adverse impact, but it had a real adverse impact.

Chairman Larocca stated that the financing LIPA had intended for the beginning of the summer is still not complete. He continued that the passage of time alone has driven up the cost of that financing, which is a very real consequence. He added that when, and if, the Legislature returns to this subject, it will be LIPA and the Board's intention to share with them the actual consequences of the action to date, which is quite measurable in terms of the cost of LIPA's financing.

Chairman Larocca stated that the legislation was a very serious matter. He continued that in the spring, when LIPA spoke to the public and the Legislature about these issues, it was suggested, more than once, that perhaps LIPA was overstating or exaggerating the potential for adverse impacts on LIPA's financing. He noted that recent months have proven that LIPA did not overstate or exaggerate those consequences, as they are real and have not yet completely rolled through the system.

Chairman Larocca stated that his second observation in introducing the financial report concerns the financial crisis that the country is experiencing. He stated that there is no sector in the economy that is immune from the implications of what is going on, including the sector that goes to market to publicly finance its activities, and of which LIPA is a part. He explained that the municipal finance market is impacted already by the consequences of the financial crisis. He added that all of the consequences affecting LIPA in its

capacity for financing are still unknown. He noted that the same is true for every business in the country, including small businesses, and the effects will be measurable over time.

Chairman Larocca stated that every indication is that the cost of conducting activities going to market is going up. He explained that, therefore, LIPA has experienced a double consequence since the summer: the adverse impacts of the legislation, which delayed LIPA's financing, and now a financial season that is in a very high state of uncertainty and flux. He continued that this situation is real, current, and will have consequences for the Authority as well as other entities, such as the MTA. He noted that this will also have consequences for other public bodies, including municipal governments right down to village governments, who need to be part of the finance world.

Chairman Larocca stated that the third thought he wished to share is that as more attention is given to the debt profile of LIPA, there are several important things that need to be kept in mind. He continued that when LIPA was created, it was created under a structure and a mechanism that was fairly unique, in that it took a portion of a privately-owned utility into the public sector and then had to deal with all the financial implications of that acquisition. He added that LIPA undertook at that point, what he believes to be the largest public financing in the history of the country, and certainly by a state agency. He noted that the size of that debt was and remains enormous.

Chairman Larocca stated that during the last ten years, there was a period where interest rates moved in a favorable direction, which allowed some of the cost of LIPA's financing to ease, but the magnitude of it is such that LIPA, to this day, carries an enormous burden of debt, and that is a reality that must be addressed over time. He continued that this debt has its own consequences as it is real money that is collected from ratepayers that goes to the cost of financing. He reminded everyone that Finance and Audit Committee Chairman, Howard Steinberg, observed that the size of the debt burden is now in the \$300 million per year range, which is real money that is collected from ratepayers that goes to the cost of financing.

Chairman Larocca further stated that his observation, since before he became a member of the Board, is that LIPA's enormous debt is not commonly understood by ratepayers or by Long Island's elected officials to the extent that it needs to be. He explained that he thinks some of that misunderstanding is part of what carried into the drive for the recent legislation. He added that it is very important that LIPA communicate fully, openly, and transparently about its debt profile and that it has committed to continue doing so.

Chairman Larocca stated that one important factor, which he has recently reviewed, is that there is a belief that the Shoreham debt is on a schedule for complete retirement by the year 2013. He explained that while the Authority has had other financing obligations along the way to address, such as its capital

program, there is an implication, reported very recently, that the consequence for Long Island in 2013 would be that the retirement of the Shoreham debt would have a very favorable impact on customer rates. He continued that the way this has actually been carried forward, and is being carried forward to date, is that retirement of the debt is not likely to happen because the full impact of the debt will not, in fact, be retired as understood or as advertised over the course of time.

Chairman Larocca stated that LIPA is at work now addressing the long-term implications of its debt profile. He continued that LIPA's Finance and Audit Committee and its CFO are dealing valiantly with all of these factors right now, which are all related to one another.

Chairman Larocca stated that a high debt profile and an unfortunate act by the Legislature, and then the deterioration of the public markets, as part of a larger problem, the deterioration of financial markets generally, lead to consequences. He continued that these consequences impact on LIPA's budget and on its capacity to carry out its programs. He stated that everyone will hear something similar from the Mayor of New York and from every village mayor sooner or later. He explained that what he would like LIPA customers to understand is that LIPA has a grasp of these consequences, and that LIPA is addressing them. He added that as LIPA enters its budget season, it will have a budget in the next cycle for the year coming, and it will attempt to reflect all of these matters.

Chairman Larocca concluded his remarks, noting that he has set the stage for the CFO, Ms. McCarthy, to present the finance report.

Ms. McCarthy reported that for the eight months ended August 31, 2008, LIPA had revenues of \$2.4 billion. She continued that this was \$70 million, or three percent, below budget. She stated that \$42 million of the \$70 million was due to milder-than normal weather for the period, with the remainder due to lower-than-budgeted growth and average consumption.

Ms. McCarthy reported that sales for the period were 2.7 percent below budget. She continued that despite these lower sales, fuel and purchase power costs were \$52 million, or 4 percent, over budget. She stated that the impact on these costs of lower sales of approximately \$47 million was fully offset by higher-than-budgeted net commodity costs of almost \$100 million. She noted that fuel and purchased power costs for the period include the \$232 million of benefit of LIPA's commodity hedging program.

Ms. McCarthy reported that from a fuel hedging perspective, at September 9, 2008, LIPA had hedges for 81 percent of its expected oil, natural gas and power consumption for the remainder of 2008. She continued that LIPA's hedged position for these same commodities for 2009, 2010, and 2011 were 85 percent, 56 percent, and 19 percent respectively.

Ms. McCarthy reported that O&M expenses for the period were \$22 million, or 4 percent, below budget, primarily due to lower-than-budgeted sales, which impacts LIPA's fees under its Management Services Agreement, and timing differences. She continued that these positive variances, however, were offset by higher-than-budgeted storm restoration costs in the period. She stated that also reflected in the period results was a \$6 million non-cash gain resulting from the termination of two offsetting interest rate swap agreements and a \$4 million non-cash extraordinary charge related to the early redemption of \$200 million of insured auction rate securities, which LIPA did in the first quarter of the year to address the auction rate market. She added that the interest expense for the period was six million, or three percent below budget.

Ms. McCarthy reported that overall, for the eight months ended August 31, 2008, LIPA was effectively at a break-even level and was below budget by \$81 million or 100 percent. She stated that as LIPA looks forward, however, it is currently projected that LIPA will end the year within the low-end of its financial reserve target of \$25 million to \$125 million.

Ms. McCarthy reported that as of August 31, 2008, LIPA had cash and cash equivalents on hand of \$582 million, \$198 million of which is counterparty collateral held by LIPA related to its hedged positions at that time. She stated that LIPA's rate stabilization balance was at \$250 million, and the remaining \$134 million is in LIPA's operating fund. She explained that cash and cash equivalents

are invested in a variety of instruments with 90 percent of those having maturities of three months or less.

Ms. McCarthy reported that from a financial markets perspective, as had been reported at the June meeting, LIPA is in the process of implementing its financial plan to address the disruptions in the insured variable rate bond market. She continued that those plans were put on hold as a result of the legislation. She stated that over the course of the summer, LIPA worked with its investment banks, its financial advisor, and the rating agencies to work through the issues of the proposed legislation and the potential impact on LIPA's credit quality. She added that LIPA kept the rating agencies informed of the progress of that legislation, and at their request, LIPA met with them and discussed the legislation as well as LIPA's financing plans.

Ms. McCarthy reported that after having these meetings, two of the rating agencies, Standard & Poors and Fitch, issued reports which, while affirming LIPA's ratings of A-, changed the outlook on LIPA's rating from stable to negative. She stated that earlier this month the Governor did veto that legislation, and LIPA has had follow-up discussions with the rating agencies. She continued that LIPA has provided them with copies of the veto message that the Governor prepared, and has updated them on LIPA's plans to move forward with its financing plan. She noted that since that time, Fitch has issued its revised report,

which affirmed LIPA's rating at A-, but kept the outlook at negative, while S&P affirmed the rating at A- and changed the outlook back from negative to stable.

Ms. McCarthy reported that LIPA is in the process of getting ready to go into the market as soon as the market clears and is open so that the issue in the insured variable rate market can be addressed on a long-term basis. She added that meanwhile, the short-term market is still in turmoil, and LIPA is managing the risks that have resulted. She stated that with regard to LIPA's variable rate portfolio, the interest rates on those bonds have gone from levels of approximately one and a half percent two weeks ago to daily rates in the 6 to 10 percent range. She noted that LIPA is working through that and working with its advisors to get back into the market as quickly as possible once the market clears up. Ms. McCarthy concluded her report.

Vice Chairman Steinberg stated that as Ms. McCarthy and President Law have said, just like everybody else, LIPA is not immune from the financial crisis. He continued that LIPA is subject to the financial crisis and is doing its best to work its way through it. He noted that all institutions that depend on the credit markets and financing are under pressure, and LIPA is no exception.

Hearing no further questions, Chairman Larocca turned the floor over to Michael Hervey to present the Operating Report.

Mr. Hervey started his report by indicating that he will focus on two items: the capital program and summer storms. He indicated that as he has reported to the Board many times, about two-thirds of LIPA's capital program is completed during the first half of the year. He stated that nearly every project that was due for summer, in preparation for potential summer heat, was completed on time. He continued that two laggards were also completed during the summer. He added that these projects were energized, and the first section of the Bagatelle Road Substation in Dix Hills was completed. Mr. Hervey reported that the Bridgehampton-Southampton transmission line was completed during August.

Mr. Hervey reported that as the financial report indicated, heat was not LIPA's problem during the summer, but storms were. He stated that he will be going back in history a bit to go over a few items that were discussed at the last Board meeting, in order to set the stage.

Mr. Hervey reported that starting on the morning of Monday, May 12th, LIPA was affected by a powerful weather system, which at that time had wind gusts of over forty miles an hour. He continued that during this particular storm, over 9,000 customers were affected, starting that Monday morning. He stated that LIPA deployed about 121 restoration crews that worked on replacing poles, repairing power lines, removing trees from LIPA facilities, replacing fuses, and repairing transformers. He noted that during that particular storm, 86 percent of all outages were restored in less than four hours.

Mr. Hervey reported that following that storm, on Saturday, June 7th, the LIPA service territory was impacted by a heat wave – the only small heat wave that Long Island had all summer – with temperatures exceeding 95 degrees with a Temperature Humidity Index of over 84 degrees. He stated that as a result, electrical consumption on Long Island reached an all-time level for June with peak load exceeding 5,270 megawatts on Tuesday, June 10th. He continued that immediately following the heat wave, on Sunday evening, a line of severe thunderstorms, accompanied by strong gusty winds, crossed Long Island from north to south. He stated that these storms caused extensive damage across Long Island, especially on the South Shore and Eastern Suffolk County.

Mr. Hervey reported that following that, on June 11th, two remote-control systems malfunctioned at the Valley Stream Substation. He explained that this caused the circuit breakers at Valley Stream to open and a 101 megawatt generator in Far Rockaway to trip off line. He stated that approximately 72,000 customers, meaning 200 megawatts of load supplied from fourteen substations, lost service for 26 to 45 minutes. He noted that the area affected for that outage consisted of the Rockaway Peninsula in New York City and southwest Nassau County.

Mr. Hervey reported that regarding this outage, there was an investigation, which he had discussed at the last meeting. He continued that LIPA completed that investigation and found the root cause of the problem. He stated that LIPA is

actively altering many of its control systems and substations to prevent that from reoccurring in the future.

Mr. Hervey reported that at the time of the combined weather systems and the Valley Stream event, in excess of 194,000 LIPA customers were affected with the peak number of 74,832 occurring in the afternoon. He stated that LIPA had almost 1400 damaged locations, including over 300 transformer repairs and 300 blown line fuses. He continued that for that particular restoration, LIPA deployed over 400 crews consisting of National Grid and contractor crews that worked 16-hour shifts. He noted that for that series of events, approximately 87 percent of all outages were restored in less than four hours, and this took place over a Monday, Tuesday, and Wednesday.

Mr. Hervey reported that on Saturday of that same week, June 14th, Long Island was again affected by a powerful weather system consisting of lightning and heavy rains. He continued that over 20,000 LIPA customers were affected by this weather system, and 110 restoration crews worked on repairing the lines. He noted that for that particular storm, 91 percent of all outages were restored in less than four hours.

Mr. Hervey reported that on June 16th, two days later, the LIPA service territory was again affected by a powerful weather system consisting of lightning, heavy rains, and strong winds. He stated that over 17,000 LIPA customers were

affected by this weather system with 190 restoration crews working on repairing the lines. He noted that for that storm, 84 percent of all outages were restored in less than four hours.

Mr. Hervey reported that there was a break in storms during the first few weeks of July. He continued that on July 23rd, and continuing through July 24th, Long Island was affected by powerful weather systems consisting of thunderstorms, wind, lightning, and rain. He stated that over 26,000 customers were affected by this weather system with the peak number of over 10,000 occurring on Wednesday afternoon, July 23rd. He added that 212 restoration crews worked to repair power lines during that storm, and over 91 percent of all outages were restored in less than four hours.

Mr. Hervey reported that a few days later, on the morning of Sunday, July 27th, another weather system moved into the area. He stated that weather system had severe lightning with over 10,000 lightning strikes reported on Long Island. He added that over 94,000 LIPA customers were affected by this storm and over 207 restoration crews were deployed for restoration. He noted that approximately 74 percent of all outages were restored in less than four hours.

Mr. Hervey reported that on Thursday, August 7th, there was another thunderstorm. He stated that over 800 lightning strikes per hour were reported during this storm, and over 12,000 LIPA customers were affected. He added that

143 restoration crews worked to repair the lines, and approximately 83 percent of all outages were restored in less than four hours.

Mr. Hervey reported that a few days later, beginning on Monday morning, August 11th, there was another thunderstorm event with over 54,000 customers affected. He stated that 153 crews were used, and over 97 percent of all outages were restored in four hours.

Mr. Hervey reported that on August 14th, another significant weather event occurred with 14,000 customers losing power. He stated that 129 restoration crews were dispatched, and 87 percent of all outages were restored in less than four hours.

Mr. Hervey reported that also around August 14th, LIPA began to track several tropical weather systems. He stated that during the week of September 1st, Hurricane Gustav came ashore in Louisiana. He continued that LIPA, as part of the Mutual Aid Agreements, released 12 linemen contractors for restoration in Louisiana. He noted that the crews went down there at that point in time, where they currently remain.

Mr. Hervey stated that during the same week, LIPA was looking at Tropical Storm Hannah, which at the time was a hurricane. He continued that LIPA and National Grid tracked the path of Hannah as it strengthened and came in Long

Island's direction. He stated that the National Weather Service's forecast tracked Tropical Storm Hannah and indicated it could impact the Long Island area by the weekend of September 6th. He added that several storm anticipation meetings were held based on a review of all this information, and LIPA and National Grid decided to mobilize portions of the Emergency Management Response Organizations for the possible strong tropical storm, or weak hurricane.

Mr. Hervey reported that beginning on Saturday, September 6th, Long Island was affected by Hannah's heavy rain and strong, gusty winds. He stated that fortunately, it was not anything like what had been forecast. He continued that only 32,000 customers were affected by this weather system, and LIPA had over 1100 restoration personnel staged, working, and ready to survey damage locations, repair power lines, remove trees from LIPA facilities, replace fuses, and do other work that would have had to be done. He noted that during that event, 93 percent of all outages were restored in less than four hours.

Mr. Hervey reported that a few days later, Hurricane Ike came ashore in Texas, and by way of mutual aid, LIPA was requested to release some crews. He stated that after looking at LIPA's situation, and seeing no tropical storms threatening Long Island, LIPA released 25 contract linemen for restoration efforts in Texas. He added that in addition, as the storm came up through the Midwest, there were over five million customers without power through Texas and the Midwest. He noted that there was also damage in New York State, and LIPA

released crews, both contractor and LIPA crews, for some work for several days in northern New York State.

Mr. Hervey reported that when LIPA releases contractor crews, it incurs no expense. He continued that the expense is paid by the companies who receive the crews. He added that when LIPA releases LIPA crews, all of LIPA's expenses are reimbursed for the use of those crews.

Mr. Hervey summarized that Long Island has seen 15 storms in the first 37 weeks of the year, with many of those storms concentrated in May, June, and July. He stated that thanks go out to the men and women of Local 1049 and the management team for all of their hard work. He added that many of them worked many long hours during May, June, and July.

Mr. Hervey stated that the challenges that this has left for LIPA is that as of the end of last week, LIPA's storm CAIDI, which is the time it take to restore power during storms, is at 124 minutes. He stated that this is very good and is approximately the same as the other New York State utilities have for non-storm restorations. He continued, however, that because of LIPA's rapid response to these storms, there were very few storm exclusions in the way that LIPA calculates its normal storm response. He explained that normal restoration metrics have shown an adverse trend even though customers overall are seeing

fewer minutes of interruption throughout the year. He noted that as Ms. McCarthy had mentioned in the financial report, this has had an effect on LIPA's finances.

Mr. Hervey reported that LIPA typically budgets about \$15 million a year for storm restoration, and that to date, LIPA has spent nearly double that amount.

Mr. Hervey reported that as of today, LIPA is currently monitoring the weather for this weekend and early next week. He continued that there is a strong low-pressure system that could develop off the Carolina coast as a possible Nor'easter and could affect Long Island later in the week or in the beginning of next week. He stated that there is also a tropical system over Puerto Rico that some forecasters say may develop into Tropical Depression Kyle, and all of the projected charts take it in Long Island's general direction. Mr. Hervey concluded his report.

Chairman Larocca stated that it goes without saying that the work that was done in staying ahead of this series of challenges over the summer has been really extraordinary. He continued that he could not say enough about the leadership and all the working men and women who actually delivered that record over the summer. He asked Mr. Hervey to convey the gratitude of the Board. He noted that it really was a very good record of performance.

Chairman Larocca then returned to the discussion regarding the Southampton burial project, which is now complete, and stated that the tariff associated with the project will be before the Board at the next meeting, and will complete the process. He continued that in the meantime, LIPA received another proposal, not from a government but from a developer also in Southampton Town, in Southampton Village, who came forward and asked for LIPA's participation in the burial of existing distribution lines. Chairman Larocca stated that the policy LIPA expressed was, if you will pay for it, LIPA will bury it. He continued that the developer has paid the full amount for the burial, and so there is a net gain to the community of an additional portion of the system that is underground at no cost to ratepayers.

Chairman Larocca reported that LIPA has another proposal, which would be similarly approached, but recalling that the Board had asked that LIPA have a written policy on these matters, there is a draft distributed to the Board. He continued that members should all look at the draft, and that it would be brought to the Board at the October meeting so as to codify the process by which LIPA addresses these matters. He noted that the key element is that where LIPA determines an operating efficiency benefit to the project and an ability and willingness on the part of those affected to pay, LIPA will have a process for entertaining these requests as it has done in the past.

Trustee Fabio stated that in response to Mr. Hervey's report, he read in Newsday today that LIPA has ostensibly spent more on its capital program and capacity expansion over the years. He continued that given the fact that today there seems to be diminishing demand, for a variety of reasons, he thinks there was a lack of appreciation of the planning process in which LIPA had to engage, in terms of addressing capacity needs. He stated that the projects Mr. Hervey alluded to, either the cable or Caithness, were planned five, six, and seven years ago when there was a different constellation of forces to which LIPA needed to respond, where demand was increasing, as was the fear of what would happen if the lights were to go out and LIPA did not have the excess or initial capacity that is now on line. He added that while it would be nice if one could predict what LIPA will need five and ten years down the road, at the time of these projects, LIPA did need the excess capacity and the storm hardening. He noted that these capital investments that had been made in hardening the LIPA system bears fruit with Mr. Hervey's report in terms of how LIPA compares to other utilities in responding to storm outages and how quickly LIPA gets its ratepayers back on line.

Trustee Fabio stated that he thinks the projects were prudent decisions at the time, and now LIPA looks forward to the benefits. He continued that LIPA has aggressively moved into renewables and has also aggressively pursued conservation matters.

Trustee Fabio further stated that with the energy crisis in the country, there may be, for the first time, a national energy policy, which may impact LIPA's decision making going forward. He added that it is not quite as simple as Newsday would like to present, specifically, that LIPA has more capacity now, it should not have spent the money, et cetera. He noted that hindsight is always 20/20 but careful examination of the decision making – the records and needs – would show that LIPA has been pursuing a very legitimate, wise policy with respect to capacity and system hardening.

Hearing no further questions, Chairman Larocca stated that the next items on the agenda are a series of action items beginning with the consideration of approval of modification to LIPA's tariff for net metering. After requesting a motion on the matter, which was seconded, the Chairman indicated that the matter would be presented by Ms. McCarthy.

Ms. McCarthy stated that the staff is proposing that the Trustees approve a modification to LIPA's current Net Metering Tariff to expand the provisions of that tariff to nonresidential customers and to increase the existing size limits for the residential customers. She continued that these changes would be effective on January 1, 2009 and are designed to encourage the development of additional renewable resources on Long Island, which would provide economic and environmental benefits to those customers who implement them and to all residents of the service territory.

Ms. McCarthy stated that public hearings, pursuant to the State Administrative Procedures Act (SAPA), were held on this proposed tariff modification on September 10th, here at the Omni Building and also at the H. Lee Dennison Building in Hauppauge. She continued that staff received, reviewed, and considered comments made at the public hearing, as well as comments submitted pursuant to the SAPA process, and still recommends the adoption of the net metering provisions as originally proposed. She noted that based on that, staff is recommending the adoption of the changes to the Tariff.

Vice Chair Steinberg asked whether this is a green initiative.

Ms. McCarthy responded yes, that it is designed to get more renewable resources.

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

883. APPROVAL OF MODIFICATIONS TO TARIFF REVISIONS EXPANDING ELIGIBILITY FOR NET METERING OF RENEWABLE CUSTOMER GENERATORS

WHEREAS, the Long Island Power Authority's Tariff provides for net metering to Residential and Farm Service customers for solar and wind generation which provides benefits to certain types of renewable customer-owned generation beyond what is available for typical on-site generation; and

WHEREAS, LIPA staff issued a Proposal to modify and add provisions to LIPA's Tariff expanding the provisions for net metering to non-residential customers and increasing the size limitations for net metering for residential customers; and

WHEREAS, following Public Notice in the State Register on July 23, 2008, two public hearings were held in Nassau and Suffolk counties on September 10, 2008, where comments were received from the public, and the public was afforded the opportunity to submit written comments by September 15, 2008; and

WHEREAS, the oral comments received at the hearings and the one written comment received after the hearings do not warrant further modification to the Tariff at this time; and

WHEREAS, as discussed in the preceding Memorandum, the Proposal is in the public interest;

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

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

Chairman Larocca stated that the next item on the agenda is item No. 7, consideration of approval of authorization to execute Amendment No. 7 to the Flynn Facility Capacity Supply Agreement. After requesting a motion on the matter, which was seconded, the Chairman indicated that the matter would be presented by Ms. Nicolino.

Ms. Nicolino stated that the Trustees are being requested to adopt a resolution authorizing the President and CEO, or his designee, to execute Amendment No. 7 to the Flynn Capacity Supply Agreement dated as of December 13, 1991, between the Long Island Lighting Company and the Power Authority of

the State of New York, commonly referred to as NYPA. She continued that pursuant to the Capacity Supply Agreement (“CSA”), LIPA currently purchases from NYPA the full output of the Richard M. Flynn Combined Cycle Generating Facility located in Holtsville, New York. She noted that service under the CSA commenced in May 1994 and is due to expire on April 30, 2020.

Ms. Nicolino stated that the Flynn Plant is a dual-fuel facility that operates primarily on natural gas and is by far the most efficient generator to date on Long Island. She continued that it has demonstrated a high availability factor since its commercial operation, and NYPA is responsible for the fuel management requirements. She added that the Capacity Supply Agreement has been amended six times since it was executed, most recently, through Amendment No. 6, which is due to expire on December 31, 2008. She explained that as a result of that potential expiration, NYPA put LIPA on notice, under the terms of the Amendment, that it would be looking to terminate that Amendment and thus requiring LIPA to enter into negotiations for an Amendment No. 7, which would take effect as of January 1, 2009 and be effective until December 31 of 2014.

Ms. Nicolino stated that the terms and conditions of Amendment No. 7 would change the capacity payments, which have in the past varied from year to year, to a levelized amount per month, which will allow for fixed pricing for the amendment term. She continued that these payments would reduce the current payments under Amendment No. 6 by \$9.2 million to reflect the impact of NYPA’s

debt refinancing. She added that the monthly fixed operating and maintenance formula previously contained in the CSA will be discontinued and replaced by a monthly fixed amount for the next 72 months starting on January 1 of 2009. She noted that this new recovery amount reflects the actual expenses incurred for the Flynn Operating Plant and is based on forecasted estimates that have been provided to LIPA by NYPA.

Ms. Nicolino stated that in addition, the costs for gas balancing would be shared equally between LIPA and NYPA under this agreement. She continued that there are certain favorable energy pricing provisions that would allow LIPA to save money for the market-based prices that would be realized through this agreement. She added that there would be shared savings that would be settled on a daily basis, which would be based on market prices and inure to LIPA's benefit.

Ms. Nicolino stated that Amendment No. 7 includes a description of the planned capital expenditures for the Flynn Plant for the term of the amendment, and that to the extent that NYPA incurs such expenditures, NYPA would charge LIPA on a ratable basis the actual, reasonable and verifiable costs which would be amortized over the remaining service life of the Flynn Plant, which is twenty years in 2009 based on a 35-year service life.

Ms. Nicolino stated that any unamortized costs that have not been collected at the expiration of Amendment No. 7 will be NYPA's responsibility unless the parties agree to other terms and conditions, and to the extent that NYPA incurs capital costs for expenditures other than those set forth in No. 7, the parties would negotiate those costs accordingly. She noted that LIPA agrees, under this Amendment, to reimburse NYPA for all carbon dioxide related expenses incurred by NYPA for the Flynn Plan in compliance with the environmental laws, rules and regulations associated with the Regional Greenhouse Gas Initiative. She further noted that in the event that the Board were not to approve this Amendment, which LIPA strongly believes still provides a very substantial economic benefit to its ratepayers, LIPA would be obligated to pay under the more onerous terms of the original Capacity Supply Agreement with NYPA.

Ms. Nicolino stated that on the above basis, LIPA recommends that the Board adopt Amendment No. 7 under the basic terms and conditions outlined herein.

Vice Chairman Steinberg asked if it is fair to say that this is a better deal for ratepayers than if LIPA did not do this renegotiation and had to fall back on the original terms.

Ms. Nicolino stated that is correct.

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

884. APPROVAL OF AUTHORIZATION TO EXECUTE AMENDMENT NO. 7 TO THE FLYNN FACILITY CAPACITY SUPPLY AGREEMENT

RESOLVED, that the President and Chief Executive Officer or his designee be, and hereby is, authorized to execute Amendment No. 7 to the Capacity Supply Agreement between the Long Island Power Authority and the Power Authority of the State of New York, with such terms and conditions as he deems necessary or advisable and as are consistent with the basic terms and reasons set forth in the attached memorandum.

Chairman Larocca stated that the next item on the agenda is consideration of approval of engagement of law firms to provide legal services. After requesting a motion on the matter, which was seconded, the Chairman indicated that the matter would be presented by Ms. Nicolino.

Chairman Larocca observed that LIPA, like every other institution of any size, is at all times mindful of the comparative analysis of having fully constituted law firms inside the company or headquarters as opposed to the availability of services through consultants, particularly for specialized needs. He continued that what he looks for is a balance, so this next item is to refresh and bring up to date some of the services available to LIPA from outside firms that would

otherwise be something that LIPA would have to attempt to build with expertise from within.

Ms. Nicolino stated that the Trustees are being requested to adopt a resolution authorizing LIPA to bring on three law firms to provide services in two limited areas: real estate and assorted general matters of a litigation and non-litigation nature. She continued that in order to supplement LIPA's limited in-house resources, on April 21st, LIPA issued a Request for Proposals (RFP) for those two scopes of services, and on May 14th, 27 firms responded to the RFP. She added that a selection committee reviewed the proposals in accordance with the terms and conditions of the RFP, and conducted interviews of the top-qualifying law firms. She noted that based on the results of the scored interviews and evaluation process, three firms are being recommended to provide services to LIPA for a five-year period.

Ms. Nicolino stated that the first firm is Lazer Aptheker Rosella & Yedid. She continued that LIPA is seeking their services for real estate and general matters, and that this firm has provided services to LIPA in the past in both of these areas. She added that the firm has a depth of real estate transactional experience related to acquisitions, dispositions and related real property rights both on behalf of LIPA and others. She noted that the firm also has considerable defensive litigation experience related to municipal matters towards commercial disputes and special proceedings.

Ms. Nicolino stated that the second firm is Certilman, Balin, Adler & Hyman. She continued that LIPA is recommending them for real estate services, and that this firm has also provided services to LIPA in the past. She added that this firm's particular area of expertise is with respect to property tax matters including tax certiorari proceedings, PILOTS and related municipal disputes.

Ms. Nicolino stated that the third and final firm is Littler Mendelson, which has not provided services to LIPA in the past. She continued that this firm practices exclusively in the area of employment and labor law and has extensive experience and a depth of resources defending various employers, including other public authorities, on various workplace issues. She added that this firm also provides extensive advice regarding laws, compliance and best practices in the employment and labor area.

Ms. Nicolino stated that as the Chairman noted, LIPA often engages law firms, but that this is a rather limited scope in the big picture of LIPA's outside counsel services. She noted that nevertheless, staff is recommending that these firms be brought on at this time.

President Law stated that he stayed out of the RFP process, and that he let Ms. Nicolino oversee it. He continued that he did not want to interfere or steer any firms to LIPA, so the Board should know that this went through a procurement

process, and Ms. Nicolino came to him with these firms, which he accepted and which are now being presented to the Board.

President Law stated that as he had mentioned last year, LIPA is still trying to hold down its outside legal costs, and it is under budget for this year in that area. He continued that he wants to use the Attorney General's Office whenever possible. He added that in certain matters, the Attorney General's Office does not have the necessary expertise, so LIPA needs outside firms for services such as certiorari work, labor and employment, and LIPA's FERC work, which is handled by a firm in Washington D.C. He noted that LIPA will always have a need for outside firms, but whenever possible, LIPA will use the Attorney General's Office. He indicated that the opportunity has not yet presented itself.

Vice Chairman Steinberg asked if it was correct that no members of any of these firms are elected state officials or lobbyists.

Ms. Nicolino stated that was correct.

Chairman Larocca invited members of the Board, as he and other Trustees have done in the past, to examine each of these firms for connections to their lives outside of LIPA. He continued that the duty there is to disclose and recuse if there is a connection.

Trustee Damianos stated that his company has used the Certilman firm for zoning and condominium related issues, so he would recuse himself on that vote. He added that his experience with the Lazer and the Certilman firms confirm that LIPA would be well represented by those two firms. He noted that he does not know the third firm.

Chairman Larocca called for a vote on the motion, which was approved with one abstention:

885. ENGAGEMENT OF FIRMS TO PROVIDE LEGAL SERVICES

RESOLVED, that consistent with the attached memorandum, the President and Chief Executive Officer or his designee be, and hereby is, authorized to engage the following three law firms to provide legal services to the Authority and LIPA, with the contract terms to be five years: 1) Lazer, Aptheker, Rosella & Yedid, P.C.; 2) Certilman Balin Adler & Hyman, LLP; and 3) Littler Mendelson, P.C.

Chairman Larocca stated that the next item on the agenda is consideration of approval of the engagement policy of a firm to provide information technology consulting services. After requesting a motion on the matter, which was seconded, the Chairman indicated that the matter would be presented by Ms. McCarthy.

Ms. McCarthy stated that the Trustees are being asked to engage, on a single-source basis, Epicor Software Corporation to provide as-needed

information technology consulting services to the Long Island Power Authority to support its financial software system over a term of three years. She continued that the Authority has been licensing and using consulting services related to Epicor propriety financial software products since 1999.

Ms. McCarthy stated that the current contract that LIPA has with Epicor is scheduled to expire, and LIPA did conduct, in prior years, a Request for Proposals to find firms to provide this level of consulting services, and on the basis of that prior experience, found that Epicor is uniquely qualified to provide these services for this proprietary system. She continued that Epicor has continued to demonstrate an in-depth knowledge and experience in the use of its software, including specific knowledge of the source codes that have been customized to the Authority's needs. She added that given the poor response to previous RFPs and Epicor's qualifications and costs, which LIPA has found to be fair and reasonable, awarding this contract to Epicor is desirable at this time, and on that basis, she recommends the engagement.

Chairman Larocca asked if there were any questions. After noting that there were none, the Chairman called for a vote on the motion which was approved unanimously:

886. ENGAGEMENT OF FIRM TO PROVIDE INFORMATION TECHNOLOGY CONSULTING SERVICES

RESOLVED, that consistent with the attached memorandum, the President and Chief Executive Officer or his designee be, and hereby is, authorized to engage Epicor Software Corporation to provide as-needed information technology consulting services to the Long Island Power Authority to support its financial software system, with the contract term to be three years.

Chairman Larocca then moved to the public portion of the meeting and entertained public comment. Before the public comment, however, the Chairman announced that the next Board meeting will be held on October 23, 2008 at 11:00 A.M. in Uniondale. The Chairman also reflected on the resignation of Trustee Nancy Nugent who retired from the Board in order to take another position in public service in the consumer protection area. He continued that she served for quite some time and was a great voice of quiet reason and a good colleague on this Board, and she will be a very good asset in her new position. He noted that he would like to convey the Board's appreciation and regard to her as she starts her new position.

The Chairman then allowed public comment to be heard. After the conclusion of all public comments, Chairman Larocca called for a motion to enter executive session to discuss property acquisition, a financial matter, and litigation. Upon motion duly made and seconded, the following motion was approved unanimously:

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

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

*** * ***

At approximately 12:46 p.m. the open session of the Board of Trustees was temporarily adjourned and an Executive Session of the Board of Trustees was convened.

After noting that no votes were taken in the Executive Session, Chairman Larocca entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 2:05 p.m.

Respectfully submitted,

Lynda Nicolino