

**LONG ISLAND POWER AUTHORITY
MINUTES OF THE 134th MEETING
HELD ON JUNE 28, 2001**

Pursuant to notice dated June 21, 2001, the Long Island Power Authority (the "Authority") was convened for the one hundred and thirty-third time at 11:20 AM at Suffolk Community College in Riverhead, NY.

The following Trustees of the Authority were present:

**Richard M. Kessel, Chairman
Patrick Foye, Deputy Chairman
Harvey Auerbach
Thomas Doherty
Michael Faltischek
Edna Gerrard
Harriet Gilliam
Rupert Hopkins
Robert Maimoni
Nancy Nugent
Jonathan Sinnreich**

Also representing the Authority were Stanley Klimberg, General Counsel, Edward Grilli, Chief of Staff, Diana Taylor, Chief Financial Officer, Edward Murphy, Chief Administrative Officer, Bert Cunningham, Vice President - Communications, Richard Bolbrock, Vice President - Power Markets, William

Davidson, Director of Government Relations, Christopher Furlong, Director of Customer Relations, Bruce Germano, Vice President - Retail Services, Corey Horowitz, Manager - Energy Management and Power Supply Administration, Kenneth Kane, Controller, and Rosemarie Fama, Secretary to the Board.

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

Chairman Kessel stated that the first item on the agenda is approval of the minutes of the May 1 Board Meeting.

Upon motion duly made and seconded, the following resolution was approved with Deputy Chairman Steinberg abstaining:

546. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MAY 1, 2001 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on May 1, 2001, 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 Kessel indicated that the first order of business is to welcome Edna Gerrard as a new LIPA Trustee. He stated that Trustee Gerrard would be taking the place of Trustee Janoski who has recently resigned from the Board. Chairman Kessel expressed appreciation for former Trustee Janoski's years of service to LIPA, and indicated his enthusiasm at working with Trustee Gerrard. Trustee Gerrard stated she is looking forward to serving LIPA and is eager to get involved in the issues at hand.

Chairman Kessel stated that the next item on the agenda is his report providing some updates on LIPA activities. He stated that Long Island is in the middle of its first heat wave for the year. He indicated that LIPA needs to pursue energy conservation along with alternative technologies to help prevent blackouts and brownouts. He stated that if the electric system continues to be pushed as in the past, LIPA will face the risk of having inoperative equipment along with longer restoration times. He stated that yesterday's usage was slightly under 4100 MW, a number only 400 MW away from potential problems. He indicated that with the cooler weather predicted for the remainder of the week, LIPA should be able to avoid peak load reduction. He stated that Long Islanders will still need to do their part to conserve energy to protect the electric system.

Chairman Kessel stated that if Long Island were to be hit with a heat wave similar to the one of July 1999, we could be in trouble. He reported some concerns with the Y50 cable, which has been down twice this year. He indicated

that the cable restoration was quick, but this cannot be counted upon if the cable goes down again this summer.

Chairman Kessel further emphasized the importance of energy conservation. He reported that LIPA is actively pursuing alternative technologies, including a major fuel cell project in West Babylon that is the first of its kind in the State. He also indicated that LIPA is continuing with initiatives on solar energy and geothermal along with a host of alternative generation and transmission projects.

Chairman Kessel stated that the next item on the agenda is the Operating Report, to be delivered by Mr. Hulkower. Mr. Hulkower began by reporting on the new gas turbine installed in Brentwood this year by the New York Power Authority. He stated that yesterday the gas turbine was fired up for the first time. He indicated that while the turbine needed to be fired down due to a control problem, it came back up to supply the Island with 33 MW. He stated that when fully operational the plant will produce 44 MW for LIPA's customers. Mr. Hulkower commended the New York Power Authority for the terrific job they have done throughout Long Island and New York City in getting the gas turbines in place on a rapid basis.

With respect to sales and marketing load and revenue growth, Mr. Hulkower reported that significant progress is being made with major accounts toward the goal of 20 added MW for the year. He indicated that LIPA projects to

add 26.6 MW of load from major accounts by the end of the year, which translates into \$10.7 million of added revenues compared to the annual goal of \$8 million. He further reported that LIPA continues to lead the State in terms of reliability performance among overhead utilities. He reported that the average period between outages for customers is 16.6 months, and the average duration of interruption is 63 minutes. He noted that these figures have been aided by a string of good weather and could go down a bit. He also indicated that momentary outages (less than five minutes) are down to an average of six per customer per year, which is about half the rate of other overhead utilities in the State that measure this item. Finally, with respect to the 2001 tree-trimming program, Mr. Hulkower reported that 35 circuits are complete and work on 20 circuits is in progress.

Chairman Kessel stated that the next item on the agenda is the Finance Report, to be presented by Ms. Taylor. Ms. Taylor began by explaining the "Revenues vs. Expenses" segment of the report. She indicated that the fuel and purchased power expenses varied from the budget by \$53.7 million. She reported that \$2.6 million of that variation is due to higher sales under the Long Island Choice program, which resulted in less electric commodity sales by LIPA. She indicated that the major portion of the variation results from a \$91 million variance, due to higher fuel costs, less a deferral for future recovery limited to 5.8 percent of electric revenues. She indicated that the electric business is very seasonal, which makes it very difficult to make any projections until after the summer months. She explained that in order to offset the high fuel costs and

unpredictable weather, LIPA in consultation with the Finance Committee has entered into a hedging program that has been somewhat successful so far.

Trustee Doherty asked how seriously does the fuel issue affect LIPA's cash flow and what impact does it have on our planned prepayment for the Shoreham debt. Ms. Taylor indicated that the impact on cash flow is serious and the impact on that prepayment plan will depend on the fuel cost results for the full year and any decision by the Board in regard to the pass-through of fuel costs.

Chairman Kessel requested that Ms. Taylor and Mr. Hulkower make a presentation to the Board, at the September 20 meeting, with respect to fuel prices and sales. He also asked that the Finance Committee meet prior to the September meeting in order to be apprised of the fuel costs to date and the impact on LIPA.

Chairman Kessel indicated that the next item on the agenda is approval of a resolution to authorize the Chairman to execute documents and take necessary action to implement arrangements for LIPA to purchase power from planned generation at Far Rockaway, Spagnoli Road, a Nassau County site and Shoreham. He reported that LIPA is currently working with an affiliate of Florida Power and Light to propose a generating facility adjacent to KeySpan's Far Rockaway generating plant with a planned operation this fall. He stated that in April 2001, LIPA signed a letter of intent to purchase one-half of the net capacity from the proposed plant to be built by KeySpan at the Spagnoli Road site, which is

expected to provide LIPA with approximately 125 MW. He indicated that in June 2001, LIPA signed a letter of intent to purchase all the capability from KeySpan's proposed 79.9 MW plant to be sited at a Nassau County location. He stated that LIPA has issued a Request for Proposals to build, own and operate a generating plant of under 80 MW at Shoreham. He reported that the response to the Request for Proposals was significant, and LIPA is in the process of purchasing from KeySpan a 47-acre parcel at the Shoreham site, a portion of which would be used for the proposed generating plant.

Chairman Kessel indicated that he would like an informal committee to be established to keep the Board apprised of agreements LIPA will enter into this summer in regard to generation projects. He invited Deputy Chairman Foye, Trustee Auerbach and Trustee Doherty to be among the Trustees to serve on the committee. Chairman Kessel further stated that LIPA is looking into a number of other possible projects including working with other municipal utilities on Long Island in Freeport, Rockville Centre and Greenport in regard to additional generation and/or transmission that LIPA may share with them. Deputy Chairman Foye, Trustees Doherty and Auerbach accepted Chairman Kessel's invitation to be on the committee.

Deputy Chairman Foye inquired as to LIPA's expectation of emission levels from the proposed new plants relative to the existing plants. Chairman Kessel explained that the new plants would be much cleaner and that, for example, the Spagnoli Road plant would be a gas-fired combined cycle unit, one of the

cleanest units manufactured at present. He stated that most of the smaller new units will be the General Electric LM6000 model, which is the cleanest in the world right now in terms of emissions.

Trustee Sinnreich asked why LIPA would only be getting fifty percent of the produced power of the Spagnoli Road plant, and where will the other fifty percent go. Chairman Kessel responded that under the Spagnoli Road proposal, KeySpan will build the plant and LIPA's ratepayers will not be exposed to the construction costs. He stated that this is a unique public/private partnership with KeySpan under which KeySpan will have an incentive to hold down the costs of running this plant. He indicated that by purchasing only some of the power being produced by the plant, LIPA will help promote wholesale competition. He stated that the power produced from the Spagnoli Road project that does not go to LIPA is expected to be sold to Long Island customers.

Trustee Maimoni stated he has spoken to ratepayers in regard to the building of power plants and heard their concerns as to where the new plants will be built in relation to existing ones. He stated that LIPA should work towards a master plan that would strategically locate the plants, regardless of who builds them, so that they work efficiently with the grid and keep down transmission costs. Chairman Kessel indicated that the Independent System Operator (ISO) is the entity that is responsible in effect for a master plan for generation, and to some extent transmission, throughout New York State, including Long Island. He indicated that LIPA cannot create a master plan of its own since many of the

plants to be built would not be LIPA plants. He stated that the ISO and then the State Siting Board would ultimately be responsible for regulating the locations and amount of plants throughout the State. He indicated that LIPA will work closely with both organizations. He stated that without new plants, Long Island will not have enough electricity no matter how much LIPA promotes energy conservation and new technologies.

Trustee Faltischek referenced a Newsday report on legislation passed by Suffolk County and on the possible impact it will have on the cost of delivering electricity to customers. He asked if LIPA could look into the use of conservation funds that are set aside or other funds that could support meeting criteria in the legislation and reducing the overall costs of delivering energy to customers. Chairman Kessel agreed and stated that the legislation is an indication of things to come and LIPA needs to be aware of the implications of local government affecting the cost of purchasing energy and the ability of private companies to come to Long Island and build generation plants. He stated that if we cannot get private entrepreneurs to come to Long Island to work with us to build new generation, the lights will eventually go out, which will then cause environmental problems impacting hospitals and businesses such as from emissions from diesel generators. Chairman Kessel stated that LIPA is moving forward with many new programs including offshore wind projects, wave power, fuel cells, and solar energy, and that we need to consider that any depletion of funds from the Clean Energy Fund to offset costs associated with fossil fuel generation may compromise some of those programs.

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

547. AUTHORIZATION FOR IMPLEMENTATION OF ARRANGEMENTS FOR POWER PURCHASES FROM PLANNED NEW GENERATION ON LONG ISLAND

WHEREAS, LIPA is committed to providing reliable electric service to its customers on Long Island; and

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

WHEREAS, in order to meet the electricity needs of LIPA's customers of Long Island, it is necessary to secure additional sources of power supply from on-Island generation with in-service dates for such generation within the next one to three years;

WHEREAS, LIPA is engaged in planning and negotiation of power purchase, interconnection, site access and use arrangements with entities involved in four proposed on-Island generation facilities to be located at Far Rockaway, Spagnoli Road, a Nassau County site and Shoreham, which have projected in-service dates ranging from Fall, 2001 through July, 2004; and

WHEREAS, to ensure the timely and orderly implementation of these projects so that reliable electric service is provided to LIPA's customers on Long Island, it will be necessary to finalize the power purchase agreements and related arrangements and to take other necessary actions prior to the next planned meeting of the Board of Trustees;

NOW, THEREFORE, BE IT RESOLVED, that the Chairman be and hereby is authorized, after consulting with an informal committee consisting of Deputy Chairman Foye and Trustees Auerbach and Doherty, to execute and effect power purchase agreements and other related agreements and arrangements, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chairman, to implement LIPA's purchase of power from new generation projects planned for Far Rockaway, Spagnoli Road, a Nassau County site and Shoreham in order to ensure the availability of sufficient additional on-Island power supply resources to serve LIPA's customers on Long Island.

* * *

Chairman Kessel stated the next item on the agenda is the approval of a resolution to authorize the Chairman, after consulting with the Finance Committee, to select and engage a firm or firms to be LIPA's Financial Advisor and provide investment-banking services in connection with the Generation Purchase Right Agreement. He indicated that the term of engagement of Morgan Stanley Dean Witter as LIPA's Financial Advisor recently expired and LIPA has issued a Request for Proposals to be Financial Advisor. He explained that under the Generation Purchase Right Agreement, LIPA has the right to purchase all of the interests in the on-Island generation owned by KeySpan, and LIPA needs to retain an investment banking firm to assist it in assessing the fair market value of the generation and to provide other related services. He stated that LIPA plans to solicit proposals from qualified firms to perform such work.

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

548. AUTHORIZATION FOR SELECTION AND ENGAGEMENT OF FIRM(S) TO BE LIPA'S FINANCIAL ADVISOR AND TO PROVIDE INVESTMENT BANKING SERVICES IN CONNECTION WITH GENERATION PURCHASE RIGHT AGREEMENT

WHEREAS, prior to the next meeting of the Long Island Power Authority ("Authority") Board of Trustees scheduled for late September 2001, it is expected that the Authority will have need to select and engage a firm(s) to be the Authority's Financial Advisor and to provide investment banking services to the Authority in connection with the Generation Purchase Right Agreement ("GPRA");

NOW, THEREFORE, BE IT RESOLVED, that the Chairman be and hereby is authorized, after consulting with the Finance Committee of the Board, to select and engage a firm(s) to serve as the Authority's Financial Advisor and to provide investment banking services in connection with GPRA.

*** * ***

Chairman Kessel indicated the next item on the agenda is the approval of a resolution authorizing the Chairman to engage seven firms to provide utility consulting services on an as-needed basis to LIPA in the areas of power markets, generation and resource development, distributed generation, transmission and distribution services, retail markets, environmental services and financial and contractual support services. He indicated that thirty-four firms responded to a Request for Proposals that was issued in April 2001. He explained that the Authority's selection committee, with the assistance of PricewaterhouseCoopers, evaluated all the proposals and conducted interviews of the top fourteen firms. He stated that the selected firms are Applied Energy Group, Inc., Allee King Rosen & Fleming, Inc., GAI Consultants, Stone & Webster Consultants, Louis Berger Group, Inc., Sargent & Lundy, LLC, and Navigant Consulting. He asked Mr. Hulkower to further explain this item.

Mr. Hulkower indicated the purpose of this Request for Proposals was to lower consulting costs, expand the range of services available and satisfy the Board's request to diversify the use of consultants to meet LIPA's growing needs. He complimented the team of people who conducted the interviews. Trustee Sinnreich asked how LIPA was going to allocate tasks among consultants

qualified in the same areas, and he raised a concern about whether the LIPA staff is of adequate size to supervise the consultants. Mr. Hulkower responded that there are detailed service areas underlying the broad categories, and LIPA's staff will need to identify the consultant with the best skills and available resources as work needs arise. He explained that in some cases LIPA will be shifting work from one firm to another, and overall he does not project a significant increase in LIPA's oversight workload as a result of this item. Chairman Kessel added that LIPA is in the process of reviewing staffing needs along with policies to tighten up on use and control of consultants, and LIPA is particularly reviewing the oversight over KeySpan.

Trustee Faltischek asked how many of the firms are based on Long Island. Mr. Hulkower responded that two of the firms are based on Long Island and several others have offices on the Island or elsewhere in New York.

Deputy Chairman Foye stated that consultants should be held to pre-defined budgets, and LIPA should ensure it negotiates favorable rate and billing arrangements. Mr. Hulkower replied that the firms were required to include their rates in their Proposals, and he indicated that very competitive rates were received.

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

549. ENGAGEMENT OF FIRMS TO PROVIDE UTILITY CONSULTING SERVICES

RESOLVED, that the Chairman be, and hereby is, authorized to engage the following firms to provide utility consulting services as needed by the Authority and LIPA:

**Applied Energy Group, Inc.
Allee King Rosen & Fleming, Inc.
GAI Consultants
Stone & Webster Consultants
Louis Berger Group, Inc.
Sargent & Lundy, LLC
Navigant Consulting Inc.**

*** * ***

Chairman Kessel indicated the next item on the agenda is to approve on a final basis the resolution that was previously approved authorizing LIPA's partial recovery over a one-year period of year 2000 fuel and purchased power costs. He stated that the Board had approved under expedited procedures the pass-through of about \$125 million out of a total of about \$307 million in unrecovered year 2000 fuel and purchased power costs. He explained that the Authority held public hearings on May 7, 2001, at which no comments were received; and only one letter in opposition to LIPA's cost recovery was received. He stated that the fuel surcharge advanced for approval today is not new but has been in effect for some time.

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

550. FINAL APPROVAL OF A RESOLUTION AUTHORIZING PARTIAL RECOVERY OF YEAR 2000 FUEL AND PURCHASED POWER COSTS

WHEREAS, on March 1, 2001, the Trustees approved on an interim basis a resolution (“Resolution”) (incorporated by reference herein) authorizing LIPA’s partial recovery through a surcharge (the Fuel and Purchased Power Cost Adjustment) of its extraordinarily high year 2000 fuel and purchased power costs; and

WHEREAS, in said Resolution, the Trustees approved LIPA’s recovery of approximately \$125 million out of a total of approximately \$307 million in unrecovered year 2000 fuel and purchased power costs; and

WHEREAS, the Trustees took such action pursuant to the expedited procedures of Section 202(6) of the State Administrative Procedure Act (“SAPA”); and

WHEREAS, notice of the Authority’s action was published in the State Register on March 21, 2001; two public hearings were held on May 7, 2001; and no comments were received during said hearings; and

WHEREAS, one set of written comments was received; those comments expressed opposition to the Authority’s action; and for the reasons set forth in the preceding Memorandum and in the Resolution, the arguments contained in said comments are without merit; and

WHEREAS, the public comment period under SAPA has expired and the Trustees desire to approve the action on a final basis;

NOW, THEREFORE, BE IT RESOLVED, that the March 1, 2001 Resolution is approved on a final basis.

*** * ***

Chairman Kessel stated the that next item on the agenda is to approve a resolution revising LIPA’s Tariff for Electric Service with respect to LIPA’s recovery of its Gross Receipts Tax (GRT) PILOT to reflect a reduction in the GRT under State law, and with respect to the State Temporary MTA Business Tax Surcharge PILOT to eliminate tariff language involving an annual reconciliation process that is not necessary. He stated that the State Budget approved by the

Governor has changed the taxation of utility companies, including phased GRT reductions through 2005. He explained the new GRT process with respect to the MTA surcharge and indicated that the Tariff will be changed to eliminate the annual reconciliation language due to the fact that the Authority has billed customers based on the actual surcharge in effect. He added that the MTA Surcharge Percentage in the Tariff will be incorporated into LIPA's Aggregate PILOT and Effective Aggregated Percentage amount and no longer listed as a separate item.

Chairman Kessel indicated that a notice of proposed rulemaking on this item was published in the State Register on April 25, 2001, public hearings were held on June 12, and no comments have been received. He asked Mr. Furlong to further explain this matter.

Mr. Furlong explained that to reflect the tax law changes, LIPA will reduce the corresponding surcharge in the Tariff and develop disaggregated surcharge percentage rates for commodity and transportation revenues. He stated that ratepayers will see a reduction in their bills over the next few years as the GRT decreases. Chairman Kessel asked Mr. Furlong for an estimate on that reduction. Mr. Furlong responded that on a yearly basis, the reduction will be approximately \$2.5 million, or about \$2 a year per customer.

Upon motion duly made and seconded, the following resolution was approved with Trustee Sinnreich abstaining:

551. ADOPTION OF REVISIONS TO LIPA'S TARIFF REGARDING GROSS RECEIPTS TAX PAYMENT IN LIEU OF TAXES

WHEREAS, in April 2001, the Long Island Power Authority ("Authority") issued a Notice of Proposed Rulemaking inviting public comment on the Authority Staff's proposal ("Proposal") to modify LIPA's Tariff: (i) with respect to LIPA's recovery of its Gross Receipts Tax ("GRT") Payments in Lieu of Taxes ("PILOT"), to reflect a reduction in the GRT under State law and a disaggregation of percentage rates to be applicable to commodity and transportation revenues; and (ii) with respect to the State Temporary Metropolitan Transportation Authority Business Tax Surcharge PILOT, to eliminate Tariff language involving an annual reconciliation process that is not necessary and to recover that PILOT expense via LIPA's Aggregate PILOT and Effective Aggregate Percentage amounts; and

WHEREAS, notice of the proposed action was published in the State Register on April 25, 2001, two public hearings were held on June 12, 2001, and the public comment period has expired with no comments having been received;

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

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

*** * ***

Chairman Kessel stated that the next item on the agenda is a resolution approving certain revisions to LIPA's Tariff in order to shorten the time frames for transferring qualified customers to Service Classification (S.C.) No. 2 – MRP, Large Demand Metered Service with Multiple Rate Periods. He stated that in April 2001, LIPA issued a Notice of Proposed Rulemaking inviting public comment on this proposal, and no comments were received. He indicated that the customers currently served on S.C. Nos. 2 – L, 2 – H, or 2L – VMRP must have monthly-recorded demand exceeding 145 kilowatts in any summer month (June –

September), or 500 kilowatts in any two of the last twelve months. He asked Mr. Furlong to further present this item.

Mr. Furlong explained that this proposed change to the Tariff will allow eligible customers to transfer within sixty days after the summer billing period ends, and as soon as possible when the 500 kilowatt demand criterion is met, thereby allowing customers to benefit sooner from the lower rate. Trustee Maimoni asked if this rate is lower than the current rate for large industrial ratepayers. Mr. Furlong responded yes, and pointed out this rate in S.C. 2 is intended to encourage customers to lower their peak load usage during the summer months. He explained that the purpose of the rate is to charge customers the appropriate rate at the time they use the energy.

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

ADOPTION OF REVISIONS TO LIPA'S TARIFF REGARDING TRANSFERS TO LARGE DEMAND METERED SERVICE WITH MULTIPLE RATE PERIODS

WHEREAS, In April 2001, the Long Island Power Authority ("Authority") issued a Notice of Proposal Rulemaking inviting public comment on the Authority Staff's proposal ("Proposal") to shorten the time frames for transferring qualified customers to Service Classification ("S.C.") No. 2 – MRP, Large Demand Metered Service with Multiple Rate Periods, as detailed in said Proposal; and

WHEREAS, notice of the proposed action was published in the State Register on April 25, 2001, and the public comment period has expired with no public comments having been received;

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

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

● **

Chairman Kessel stated that the next agenda item is to approve a resolution to continue the charitable contributions program at the \$125,000 annual level for an additional two years. He indicated that in March 2001, notice of this proposal was published in the State Register and no public comment has been received. He explained that this is a modest program that enables LIPA to participate in the enhancement of the well being of the Long Island community.

Trustee Doherty inquired as to the process for ratepayers to opt out of having a portion of their bill payments go to the charitable contributions program. Chairman Kessel responded that there is a checkoff system that gives the ratepayers a credit on their bill if they wish to opt out. He asked Mr. Furlong to further explain the process. Mr. Furlong stated that once a year the ratepayers are notified how they can opt out of the program, and that a ratepayer opting out is credited fifteen cents on the next bill. He stated that last year only 3,900 ratepayers made the decision to opt out, representing a small percentage of ratepayers.

Trustee Sinnreich requested that a list be prepared and distributed to the Board indicating for the first two years of the charitable contributions

program which organizations were given donations along with the total amounts given. Chairman Kessel agreed to meet that request.

Deputy Chairman Foye stated that the charitable contributions program is a good program that at fairly modest cost generates much good will and helps a lot of civic and charitable organizations.

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

553. APPROVAL OF CONTINUATION OF CHARITABLE CONTRIBUTIONS PROGRAM

WHEREAS, a Proposal to Continue Charitable Contributions Program (“Proposal”) (attached hereto) was issued for public comment in March 2001; and

WHEREAS, in said Proposal, it is proposed that the Authority’s Charitable Contribution Program of approximately \$125,000 per year be continued for an additional two years; and

WHEREAS, notice of the proposed action was published in the State Register on March 21, 2001 and the public comment period has expired with no comments having been received; and

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

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

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

*** * ***

Chairman Kessel indicated that the next agenda item is to readopt the resolution approving a policy of LIPA negotiating fees for wireless communications attachments to LIPA poles on a case-by-case basis under the expedited procedures of the State Administrative Procedure Act, pending final action on the matter at the next scheduled Board meeting.

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

**554. READOPTION OF RESOLUTION PROVIDING FOR A POLICY OF
NEGOTIATED FEES FOR WIRELESS COMMUNICATIONS ATTACHMENTS**

WHEREAS, the Trustees, at the May 1, 2001 Board meeting, approved a resolution (“Resolution”) providing for a policy of negotiating fees for wireless communications attachments to LIPA’s poles and towers on a case-by-case basis; and

WHEREAS, such action was taken pursuant to the expedited procedures of Section 202(6) of the State Administrative Procedure Act (“SAPA”); and

WHEREAS, pending expiration of the public comment period and the Trustees’ final action on the matter, it is necessary to readopt the Resolution pursuant to Section 202(6) of SAPA; and

WHEREAS, such action will preserve the general welfare inasmuch as wireless communications services provide significant benefits to Long Island residents and businesses and provide them with greater choices of communications services; such action will also result in additional revenues to LIPA thereby benefiting LIPA’s customers; and it would be contrary to the public interest to delay realization of such benefits;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the Resolution, said Resolution is readopted.

*** * ***

Deputy Chairman Foye requested that, as early as the next Board meeting, there be scheduled a public discussion on KeySpan issues, including satisfaction with service, contractual disputes, timeliness and completeness of responses to information requests, conflicts of interest, etc. Chairman Kessel agreed to meet this request and asked Mr. Murphy to work with senior staff to organize a presentation on this subject. At Deputy Chairman Foye's suggestion, Chairman Kessel indicated that a representative of KeySpan will be invited to attend such a presentation and address the issues.

Chairman Kessel indicated that the next item on the agenda is for the Trustees to amend their May 1, 2001 approval of fixed-to-floating interest rate swaps in connection with the issuance of Electric System General Revenue Bonds, Series 2001L, to remove the maximum interest rate requirement. He asked Ms. Taylor to explain the amendment.

Ms. Taylor stated that the \$1.5 billion letter of credit expired in May 2001 and, as part of the restructuring, LIPA has issued \$116 million of fixed-rate bonds to swap back to the floating rate market. She explained that there is an eighteen percent interest rate cap on the swap, and if that cap were retained it would cost LIPA approximately \$1.1 million over the ten year life of the swap. She stated that the likelihood of reaching the eighteen percent cap is minimal, and therefore she recommends that LIPA remove the cap. Trustee Foye asked what was the previous fixed rate, and Ms. Taylor responded 5.5 percent and adding that the new (floating) rate will be about 3.40 percent.

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

555. AMENDING APPROVAL OF FIXED-TO-FLOATING INTEREST RATE SWAP AGREEMENTS

WHEREAS, on May 1, 2001, the Trustees of the Long Island Power Authority (the "Authority") adopted a resolution (the "Bond Authorizing Resolution") authorizing the issuance of up to \$300 million of fixed rate senior lien bonds under the Electric System General Revenue Bond Resolution and a resolution (the "Swap Authorizing Resolution") authorizing the Authority to enter into one or more fixed-to-floating interest rate swap agreements, in an aggregate principal amount of up to \$300 million, in connection with such bonds; and

WHEREAS, the Swap Authorizing Resolution required that the maximum interest rate payable by the Authority under such swap agreements shall be, and is to be capped at, 18%, either pursuant to the terms thereof or pursuant to separate cap agreements; and

WHEREAS, pursuant to the Bond Authorizing Resolution, the Authority issued \$116 million aggregate principal amount of fixed rate Electric System General Revenue Bonds, Series 2001L, and pursuant to the Swap Authorizing Resolution, the Authority entered into a fixed-to-floating rate interest rate swap agreement in the principal amount of \$116 million for the term of such bonds (the "Swap Agreement");

WHEREAS, the Swap Agreement includes an 18% interest rate cap for a period of one year; and

WHEREAS, such cap was included in the Swap Agreement without cost to the Authority, but the Authority expects that to continue such a cap, the Authority will be required to incur additional expense, without regard to whether such an interest rate level is expected to be payable by the Authority under the Swap Agreement; and

WHEREAS, the Authority deems it in its best interests to rescind such cap requirement;

NOW, THEREFORE, BE IT RESOLVED BY THE TRUSTEES OF THE LONG ISLAND POWER AUTHORITY, AS FOLLOWS:

1. The interest rate payable under the Swap Agreement shall not be limited to any particular maximum rate for all or any portion of the term of the Swap Agreement.
2. The Swap Authorizing Resolution is hereby amended to the extent it is inconsistent with the provisions of this resolution.
3. This resolution shall take effect immediately.

* * *

Chairman Kessel stated that the next agenda item is to approve LIPA's full participation in the New England Independent System Operator markets and governance process. He asked Mr. Bolbrock to briefly explain this item.

Mr. Bolbrock stated that currently LIPA needs to use a broker to purchase excess energy in the New England market and this limits LIPA's economic opportunities. He observed that when the cross-Sound cable goes into service, there will be enhanced opportunities for LIPA to benefit its ratepayers by participating in the New England market. Chairman Kessel concurred with that observation.

Trustee Foye inquired as to what reserve requirements will be applicable, and Mr. Bolbrock responded that LIPA will remain in the New York control area. Mr. Bolbrock indicated that the present proposal will provide LIPA with a unique opportunity to purchase power.

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

556. AUTHORIZATION FOR LIPA TO APPLY TO BECOME AN ELIGIBLE CUSTOMER UNDER THE NEPOOL AGREEMENT AND TO SEEK MEMBERSHIP ON THE NEW ENGLAND INDEPENDENT SYSTEM OPERATOR (ISO-NE) GOVERNANCE COMMITTEES

WHEREAS, LIPA has ongoing transactions within the New York Independent System Operator (ISO-NE) control area and the New England region for purchases of energy, capacity and ancillary services; and

WHEREAS, the existing Northport/Norwalk tie and the proposed TransEnergie-US cable require close coordination with the New England Power Pool (NEPOOL) and ISO-NE; and

WHEREAS, participation in the ISO-NE will increase the ability of LIPA to facilitate transactions between Long Island and New England;

NOW, THEREFORE, BE IT RESOLVED, that LIPA is authorized to apply to become an Eligible Customer under the NEPOOL Agreement and to seek membership on the ISO-NE governance committees.

*** * ***

Chairman Kessel indicated that the next agenda item is to approve a resolution enabling LIPA to take certain additional actions to help ensure that the cross-Sound cable project with TransEnergie is in service for Summer 2002. He stated that under the proposed resolution the Chairman would be authorized, after consultation with an informal committee of Trustees, to execute certain agreements with TransEnergie U.S. and undertake related agreements and arrangements, etc., as may be necessary for the aforementioned purpose. He explained that LIPA will continue to move forward on the cross-Sound cable

project, working with TransEnergie to examine potential new routes along with dealing with the Connecticut Siting Council.

Chairman Kessel further explained that LIPA will need to make some commitments this summer to keep that project on schedule. He stated that this cable is critical to LIPA's resource needs and LIPA needs authority to enter into agreements to continue the manufacturing of the cable. Trustee Doherty requested that the Finance Committee be informed of the actions the informal committee may take and Deputy Chairman Foye requested that the Finance Committee be invited to attend any meetings that take place in relation to this issue. Chairman Kessel agreed to meet the requests.

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

557. AUTHORIZATION FOR ENTRY INTO CERTAIN ADDITIONAL AGREEMENTS REGARDING CROSS-SOUND CABLE PROJECT

WHEREAS, there is a need for LIPA to take certain additional actions to help ensure that the Cross-Sound Cable project with TransEnergie US is in service during the summer of 2002;

NOW, THEREFORE, BE IT RESOLVED, that the Chairman be and hereby is authorized, after consulting with an informal committee consisting of Deputy Chairman Foye and Trustees Auerbach and Doherty, to execute and effect agreements with TransEnergie US and related agreements and arrangements, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chairman, to help ensure that the Cross-Sound Cable project is in service during the summer of 2002 to meet LIPA's resource needs, including but not limited to entering into agreements with TransEnergie US under which LIPA would bear a portion of the costs of manufacturing the cable and related equipment to be utilized in the Cross-Sound Cable project in the event that the project does not receive the necessary

regulatory approvals and thus is canceled; and under which agreements LIPA would commit to providing contingent levels of incentive compensation to TransEnergie US's engineering, procurement and construction contractor, ABB, to help ensure that the Cross-Sound Cable is in service during the summer of 2002.

* * *

Chairman Kessel indicated that the last item on the agenda is the approval of a resolution to enable LIPA to enter into certain agreements related to the Nine Mile Point 2 plant. He asked Mr. Hulkower to briefly explain this item to the Trustees and entertain questions.

Mr. Hulkower began with an explanation of the new operating agreement for Nine Mile Point 2. He indicated that previously the Board authorized LIPA to enter into a transmission asset purchase agreement and co-tenant agreement. He reported that negotiations on the operating agreement are now complete and he explained the transaction to date. He indicated that the key issues focused upon by LIPA were governance and approval rights with respect to business plans, annual budgets, variances from budgets, and other matters in order to protect LIPA's interests. He indicated that under the new operating agreement, LIPA will have joint approval authority relative to business plans, budgets and material variances. He also stated that LIPA has significant options with respect to agreement extensions, capacity increases and premature shutdown decisions.

Mr. Hulkower stated that Niagara Mohawk indicated it is not interested in operating the plant going forward. He explained that by quickly placing

Constellation in the operating role, LIPA will be able to proceed with improvements in the operating process.

Mr. Hulkower reported that the ownership structure for Nine Mile Point 2 will entail an eighty-two percent stake for Constellation. He explained that LIPA will be protected from liability in the event decommissioning costs for which Constellation is responsible are unfunded.

Deputy Chairman Foye stated he is comfortable with the agreements that have been reached and he believes LIPA's financial exposure has been addressed in a positive manner. Trustee Sinnreich asked if the plant were to fail, could LIPA be subject to joint and several liability with respect to decommissioning costs. Mr. Hulkower responded that only in extraordinary circumstances would LIPA be exposed to such liability, since LIPA has secured additional guarantees from Constellation.

Trustee Maimoni asked if this proposed resolution could be tabled until the September Board meeting. Chairman Kessel emphasized the need for the Board to take action on this matter today in order to move forward with the new agreements and avoid reverting to prior agreements that would expose LIPA to liabilities. Trustee Nugent requested that LIPA continue to look for a viable purchaser for its interest in the plant. Chairman Kessel stated that if LIPA were to sell its interest in the plant at this time, the ratepayers would be adversely impacted in terms of the cost of power and reliability of the system.

Trustee Sinnreich stated that the Board should move forward on this matter now, and he indicated that Mr. Hulkower has responded to all the pertinent issues raised at the last Board meeting. Trustee Sinnreich noted that the PACB and the State Attorney General also must approve the agreements. Trustee Hopkins indicated he supports Trustee Sinnreich's view and observed that the primary responsibility of the Trustees is to protect the ratepayers, keep down costs and maintain stability of the electric system.

Upon motion duly made and seconded, the following resolution was approved with Trustees Nugent and Gilliam abstaining:

558. APPROVING CERTAIN AGREEMENTS RELATING TO NINE MILE POINT 2

WHEREAS, Long Island Lighting Company d/b/a LIPA (hereinafter referred to as "LIPA") owns an 18% undivided interest in Nine Mile Point 2 generating station ("NMP2") and owns interests in various related transmission and other assets; and

WHEREAS, the other co-tenants in NMP2 have advised LIPA that they have agreed to sell their interests in NMP2 to Constellation Nuclear, LLC ("Constellation"); and

WHEREAS, on May 1, 2001, the Trustees approved a resolution authorizing and approving the sale of LIPA's interest in the Transmission Assets and the acquisition by LIPA of an interest in certain inventory associated with the operation of NMP2. The Trustees authorized the Chairman, Chief Operating Officer and Chief Financial Officer to execute and deliver agreements providing for (i) the sale of LIPA's interest in the Transmission Assets and (ii) the acquisition of inventory to be utilized in the operation of NMP2; and

WHEREAS, on May 1, 2001, the Trustees authorized the Chairman, Chief Operating Officer and Chief Financial Officer to execute and deliver, subject to later approval of the Trustees, a Transmission Owners Agreement and an Interconnection Agreement in the event that the Agreement of Purchase and Sale with respect to the Transmission Assets is not approved by the Office of the State Comptroller and the Public Authorities Control Board; and

WHEREAS, on May 1, 2001, the Trustees authorized the Chairman, Chief Operating Officer and Chief Financial Officer to execute and deliver, subject to later approval of the Trustees, an amended and restated Operating Agreement with respect to NMP2 that affords LIPA with at least the same overall level of legal protection as applies currently with respect to liability for decommissioning costs; and

WHEREAS, in subsequent negotiations, LIPA has reached agreement with Constellation that affords LIPA with at least the same overall level of legal protection as applies currently with respect to liability for decommissioning costs; and

WHEREAS, LIPA plans to enter into an Amended and Restated Operating Agreement (the "Operating Agreement") with Constellation or one or more of its wholly-owned subsidiaries or affiliated companies (the "Operator") pursuant to which the Operator will operate and maintain NMP2;

NOW, THEREFORE, BE IT RESOLVED BY THE TRUSTEES OF THE LONG ISLAND POWER AUTHORITY, AS FOLLOWS:

1. The Trustees hereby authorize the Chairman, Chief Operating Officer and Chief Financial Officer to execute and deliver the Operating Agreement in the name of and on behalf of the Long Island Power Authority (the "Authority") or LIPA, in the form as may be approved by such authorized officer, such execution and delivery to be conclusive evidence of such approval.

2. The Trustees hereby authorize the Chairman, Chief Operating Officer and Chief Financial Officer to execute and deliver a Transmission Owners Agreement and an Interconnection Agreement on behalf of the Authority or LIPA in the event that the Agreement of Purchase and Sale with respect to the Transmission Assets is not approved by the Office of the State Comptroller and the Public Authorities Control Board, in the form as may be approved by such authorized officer, such execution and delivery to be conclusive evidence of such approval.

3. The Trustees hereby authorize the Chairman, Chief Operating Officer and Chief Financial Officer to execute and deliver any other agreements, documents or instruments relating to the operation and maintenance of NMP2 by Constellation or any of its wholly-owned subsidiaries or affiliated companies in the name of and on behalf of the Authority or LIPA in the form as may be approved by such authorized officer, such execution and delivery to be conclusive evidence of such approval.

4. The Trustees hereby authorize the Chairman, Chief Operating Officer, Chief Financial Officer, and Vice President and Treasurer to execute and deliver any and all agreements, documents and instruments in the name of and on behalf of the Authority or LIPA and to do any and all acts necessary or proper

for carrying out and implementing the terms of, and the transactions contemplated by, this resolution and each of the documents authorized hereby and thereby.

5. This resolution shall take effect immediately.

* * *

Chairman Kessel announced that the next Board meeting is scheduled for September 20, 2001, and that if the need arises an emergency meeting will be called this summer.

Chairman Kessel entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 1:37 p.m.

Respectfully submitted,

Stanley B. Klimberg