

**LONG ISLAND POWER AUTHORITY**  
**MINUTES OF THE 145th MEETING**  
**HELD ON JUNE 27, 2002**

Pursuant to notice dated June 20, 2002, the Long Island Power Authority (the "Authority") was convened for the one hundred and forty-fifth time at 10:28 AM at Omni Teleconference Center in Uniondale, NY.

The following Trustees of the Authority were present:

**Richard M. Kessel, Chairman**  
**Patrick Foye, Deputy Chairman**  
**Howard Steinberg, Deputy Chairman**  
**Michael Affrunti**  
**Nancy A. Akeson**  
**Harvey Auerbach**  
**Thomas A. Doherty**  
**Harriet Gilliam**  
**James Herrmann**  
**Robert Maimoni**  
**Nancy Nugent**  
**Vincent Polimeni**  
**Jonathan Sinnreich**

Also representing the Authority were Stanley Klimberg, General Counsel, Edward Grilli, Chief of Staff, Seth Hulkower, Chief Operating Officer, Edward Murphy, Chief Administrative Officer, Richard Bolbrock, Vice President – Power Markets, Bert Cunningham, Vice President - Communications, Bruce Germano,

Vice President – Retail Sales, Kenneth Kane, Controller, and Kathleen Stella, Secretary to the Board of Trustees.

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

Chairman Kessel reported that at approximately 8:15 AM a manhole exploded in the Village of Hempstead causing a power outage for approximately two thousand residents and part of the Village and Town government offices. The Chairman indicated that power was expected to be restored within approximately one-half hour. He thanked Mr. Ranghelli and the KeySpan workers for their efforts to promptly restore power during hot and difficult underground conditions.

Chairman Kessel stated that the first item on the agenda is approval of the minutes of the May 21 Board meeting. Upon motion duly made and seconded, the following resolution was approved with Trustee Polimeni abstaining:

**594. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MAY 21, 2002 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 21, 2002, 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 stated that the next item on the agenda is the Operations Report, to be delivered by Mr. Hulkower.

Mr. Hulkower reported that LIPA experienced problems with the Y-49 cable, but it has been restored to full load after being derated temporarily to 440 MW from 600 MW. He indicated that the Y-50 cable failed in a section under the Sound, but LIPA is working with Con Edison to restore it to full capacity. He added that LIPA intends to hold the power flow at a steady 400 MW rather than its normal 600 MW in order to prevent any additional failure this summer while LIPA works to determine the reason for the failure.

Trustee Affrunti asked whether LIPA received 400 MW out of the total 600 MW capacity. Mr. Hulkower responded that LIPA normally receives 400 MW while Con Edison receives 200 MW, but LIPA will temporarily receive approximately 118 MW due to the reduced capacity.

Deputy Chairman Foye asked what actions LIPA would take along with Con Edison to inspect the cables for integrity in order to prevent reoccurrence. Mr. Hulkower answered that LIPA has enlisted several experts to inspect the cables, and LIPA has already taken portions of the cables apart for forensic examination. He added that LIPA has performed computer modeling on the cables to determine whether additional defects may exist.

Deputy Chairman Foye inquired as to whether the entire cable will be inspected. Mr. Hulkower responded affirmatively.

Trustee Polimeni asked where is the location of the failure. Mr. Hulkower answered that the failure occurred approximately 800 feet west of Pea Island in the Sound, which is mid-span on that section of the cable.

Trustee Polimeni inquired as to what happened in the Y-50 cable failure. Mr. Hulkower explained that the paper tape that winds around the copper insulation of the cable separated, which reduced the insulation qualities of the cable; and in turn some of the energy drove through and damaged the cable and faulted to the outside. Mr. Hulkower continued that the relay protection system detected the failure before extensive damage occurred.

Trustee Akeson inquired as to the ownership of the Y-50 cable. Mr. Hulkower answered that LIPA shares ownership with Con Edison, but Con Edison is responsible for performing repairs in the section of the cable beneath the Sound.

Trustee Doherty asked what the final cost of repair to the cable will be. Mr. Hulkower responded that the final cost is not yet known.

Deputy Chairman Foye asked whether technology existed which would predict when and where a fault may occur. Mr. Hulkower indicated that no such technology exists, and LIPA already performs tests that can determine the functionality of the copper portion of the cable, but defects in the insulation will not be detected.

Mr. Hulkower reported that LIPA forecasts it will add approximately 39.6 MW of load against a goal of 38.06. He further reported that revenue collections have increased. He indicated that the average age of commercial arrears is higher than last year, but both commercial and residential arrears are less than earlier this year.

Mr. Hulkower reported that there is a considerable increase in the customer service interruption index (SAIFI) since January of 2001, from .71 to .84 currently. He indicated that LIPA is concerned about the increase and has begun an investigation into the matter.

Mr. Hulkower reported that tree-trimming work in Suffolk County is more extensive than in previous years, but there is currently a shortage of tree-trimming contractors.

Trustee Sinnreich asked whether the Clean Energy Initiative has met its goals. Chairmen Kessel responded that two of LIPA's programs have exceeded goals, with there being more than 18,000 LIPA Edge installations and more than 17,000 air conditioner turn-ins. Mr. Hulkower stated that LIPA was ahead of schedule as to the residential programs, but commercial construction is lagging. Mr. Hulkower reported that LIPA has added approximately 10 MW of load reduction, which surpasses the goal of 12.99 MW. He added that LIPA's Customer-Driven Efficiency goal is 50 percent achieved at this point, and LIPA's Clean Energy Initiative goal is 13.3 MW of coincident peak reduction, against a

goal of 25.4 MW. He reported that LIPA's Peak Reduction Initiative is 191 MW, exceeding LIPA's goal of 177 MW.

Mr. Bolbrock added that LIPA's Solar Pioneer Program has seen dramatic increases over the last month due to the development of a trained installer pool and LIPA's rebate offer.

Deputy Chairman Steinberg asked whether there were KeySpan issues relating to the operations concerns. Mr. Hulkower answered that there were not.

Deputy Chairman Foye asked whether LIPA's operations issues are related to LIPA's capital expenditures. Mr. Hulkower noted that the issues have been prolonged, which has caused concern. He continued that some of the recent problems are related to tree-trimming, and LIPA will have to focus on how its programs are targeted, in addition to the amount of money that is spent. He indicated that LIPA's staff is investigating this matter.

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

Mr. Kane reported that LIPA's income statement indicates a \$3 million loss, against a budgeted loss of \$92 million. He continued that the less than budgeted loss is good news for a summer peaking utility, which is driven by the lower cost of fuel and lower interest rates.

Deputy Chairman Foye asked what is the amount of LIPA's variable debt. Ms. Horigan answered that the variable debt is approximately \$1.5 billion, representing approximately 25 percent of LIPA's debt. Deputy Chairman Foye inquired as to whether LIPA has considered fixing the rate, given the historically low interest levels. Mr. Kane responded that LIPA is discussing this matter with its financial advisors.

Mr. Kane reported that LIPA had \$29 million of unrealized gains and \$2 million of realized gains. He continued that the balance sheet reflects an increase in the net utility plant due to the installation of the ten LM6000 units. He added that accrued interest at May 31, 2002 was \$107 million, versus \$49 million in December of 2001.

Mr. Kane reported that LIPA has \$176 million of unrestricted cash and \$250 million in the rate stabilization fund.

Deputy Chairman Foye asked whether LIPA has considered reducing its commercial paper exposure. Mr. Kane responded that LIPA has worked closely with its financial advisors to monitor this exposure. Chairman Kessel noted that Morgan Stanley should be present at LIPA's Board Meetings to answer such questions.

Deputy Chairman Foye recommended that LIPA's staff meet with its investment advisors to ensure that LIPA's guidelines for commercial paper were met and to consider whether the guidelines should be tightened further. Ms.

Horigan stated that LIPA's guidelines not only set limits as to the amount of commercial paper LIPA may hold, but also provide that no more than 5 percent may be held by any single issuer.

Mr. Kane stated that LIPA has a new acting CFO, Anastasia Song, who has paid great attention to LIPA's signatory process. He indicated that Ms. Song has also focused closely on LIPA's consulting costs, and she has established a committee to review those costs. Mr. Kane continued that Ms. Song has established an Executive Risk Management Committee to oversee trading activity. He also indicated that LIPA has consolidated the Finance and Audit Committees.

Trustee Doherty asked whether the lower than budgeted fuel costs were forecasted to continue for the rest of the year. Mr. Kane answered that LIPA's net income is expected to be near the break-even point due to costs incurred, including costs related to the failure of the Y-50 cable and the lease of ten portable generators. Mr. Feldman added that LIPA forecasts an approximate \$74 million negative turnaround in the last six months of 2002 based upon the higher prices of oil and gas.

Chairman Kessel stated that LIPA has seen extraordinarily high electric usage recently, and he was not comfortable with LIPA's power supply based on the projected demand. The Chairman indicated that LIPA's current excess of supply versus demand is unacceptable, and LIPA will struggle to keep the lights on if any major loss occurs. He added that on hot summer days LIPA now

routinely peaks at between 4400 and 4600 MW, and LIPA is running between 100 - 125 MW higher than last year.

Chairman Kessel stated that six of the new gas turbines are functioning, but Pennsylvania Power & Light has failed to complete its units at Edgewood and Shoreham, and completion is not expected until mid-July.

Chairman Kessel stated that the Y-50 cable is not expected to be back in service until July, and he is not confident that the line will last the entire summer without a further failure. The Chairman noted that tests have indicated that there could be other problems with the line.

Chairman Kessel stated that LIPA hopes to add significant capacity to the system over the coming weeks, increasing to nearly 6,000 MW by mid-July. The Chairman noted that LIPA projects that a prolonged heat wave of three to four days would bring the demand to approximately 5200 MW, and even 6000 MW would not provide a comfort level if part of the system failed.

Chairman Kessel stated that the Cross-Sound Cable is expected to be operational in mid-July, absent legal obstacles. The Chairman continued that emergency generation would also be critical to keeping the lights on. He thanked Mr. Grilli and Mr. Hulkower for their efforts in completing these projects.

Chairman Kessel stated that LIPA will conclude its negotiations with Freeport and PP&L to get the Freeport unit in service for next year. The Chairman

continued that Mr. Grilli will explore the possibility for LIPA to place another 44 MW unit elsewhere in the system for next summer. He added that, due to the continued growth in demand, LIPA's staff will explore the possibility for financial incentives to be provided to customers that conserve electricity during peak hours.

Chairman Kessel stated that LIPA would be issuing a master plan for energy, which will include consideration for the impact to the electrical system caused by new construction or improvements to old construction. The Chairman stated that LIPA did not want to slow the permitting process, but it is necessary for LIPA to know where the additional load will be going.

Chairman Kessel indicated that LIPA must also add base load generation, and he has asked Ms. Song to analyze three projects that are currently in the Article X process with respect to potential LIPA involvement, namely the Spagnoli Road project, the ANP project and the Kings Park project. The Chairman stated that LIPA is not backing away from Spagnoli Road, but there are significant issues to contend with including KeySpan changing the terms. He highlighted that LIPA cannot fail to add base-load generation, and the bottom line is to keep the lights on.

Chairman Kessel indicated that it is important for LIPA's customers to help by conserving energy. The Chairman stated that LIPA cannot continue an approach of having small generators constructed throughout Long Island, and major decisions will need to be made to meet the growing demand.

Trustee Polimeni inquired as to whether there will be a point where the transmission system will be unable to handle the required generation, and he further inquired as to what the costs of capital upgrades would be for the T & D system to handle the increased power. Chairman Kessel responded that LIPA has increased its transmission capability to carry more than 6,000 MW; however, LIPA has invested hundreds of millions of dollars to improve the decrepit system inherited from LILCO. The Chairman continued that the improvements have enabled LIPA to more efficiently move electricity from one part of Long Island to another, and LIPA's master plan contemplates areas where it is most sensible to make transmission upgrades.

Trustee Polimeni asked whether the capital improvements would require major expenditures. Chairman Kessel responded affirmatively.

Trustee Polimeni inquired as to the point at which the transmission system may begin to fail. Mr. Hulkower answered that the transmission system will continue to meet the needs of the customers as long as the new generation is sited in the right locations. He noted that if the generation is built in the wrong locations, LIPA would have to spend extra money for interconnection, which is a problem with the proposed ANP project in Yaphank.

Trustee Sinnreich asked whether LIPA intends to repower existing plants. Chairman Kessel responded that repowering will be part of LIPA's master plan and repowering holds tremendous potential for Long Island to increase

capacity and improve air quality. The Chairman indicated that the economics of repowering could present difficulties, and LIPA must also ensure a sufficient supply of electricity while taking a unit off-line to repower. He commended KeySpan for its aggressive work on the repowering issue.

Trustee Maimoni asked whether there was an industry standard as to required excess capacity. Mr. Hulkower answered that the industry standard is 18% in excess of the projected peak load; however, LIPA many provide an additional safety margin due to the higher risk levels associated with part of LIPA's system. Chairman Kessel added that LIPA needs a reserve of at least 800 to 1,000 MW.

Trustee Affrunti asked whether the temporary generators were diesels. Chairman Kessel answered no.

Trustee Akeson inquired as to whether LIPA was attaining its 18 percent reserve. Mr. Hulkower answered that LIPA was meeting the proper reserve levels, which are based upon a formula. Mr. Bolbrock explained that the 18 percent is an installed reserve margin, meaning that the equipment was in place. Mr. Bolbrock continued that a generally accepted minimum criteria is applied which takes into account average forced unit outage rates, maintenance rates and emergency assistance available from outside New York State. He also noted that the model provides for voltage reductions and disconnections, which are not acceptable for LIPA's customers, and thus that LIPA needs additional reserve power.

Trustee Akeson inquired as to the amount of LIPA's current margin for its operating reserve. Mr. Bolbrock answered that LIPA's margin to meet the operating reserve criteria was not great.

Trustee Gilliam asked what actions are being taken to ensure that the PP&L units are running in July. Mr. Grilli responded that PP&L is running approximately ten days behind schedule, and LIPA is meeting with them on a daily basis, overseeing their work, and meeting with their officers. Mr. Grilli further responded that the contract with PP&L contains a liquidated damage clause, which will activate as of July 10 if the units are not on-line.

Deputy Chairman Foye asked when the deadline was. Mr. Grilli responded that the units were to be completed by mid-June, but the liquidated damages do not come into effect until July 10.

Chairman Kessel stated that Mr. Miller, the president of PP&L, informed him that the units would be available between July 10-13, and PP&L took full responsibility for the delay. The Chairman indicated that the KeySpan units were the first in operation, and there are benefits to hiring local companies to perform such work.

Trustee Herrmann asked whether the PP&L delay gave LIPA cause for concern as to PP&L's ability to timely complete the Freeport project. Chairman Kessel responded that concerns were raised regarding both the Freeport and the

**Kings Park facilities, but PP&L has provided assurances that they would work around the clock to complete the Edgewood and Shoreham projects.**

**Mr. Bolbrock stated that LIPA has assigned personnel to oversee the projects, who have informed the merchant companies of the delays. He continued that changes were made in the Far Rockaway project as a result of LIPA's suggestions which have resulted in the completion of the unit on schedule.**

**Chairman Kessel stated that LIPA is hopeful that the Cross-Sound Cable would be energized on or about July 23, but LIPA would have more information as to the status of the cable by the end of the week. The Chairman thanked LIPA's Board for its support of the Cross-Sound Cable.**

**Chairman Kessel stated that LIPA made determinations on June 12 concerning the emergency need for temporary generation for this summer and that LIPA's temporary operation of portable TM2500 turbine generators is a Type II action exempt from review under SEQRA. The Chairman continued that LIPA's environmental consultants have completed an assessment of the potential environmental impacts of temporary operation of the generators for up to 90 days, even though the action is exempt from review under SEQRA, and he noted that this assessment indicates that the temporary operation of the generators would not have a significant adverse impact upon the environment. Chairman Kessel requested that LIPA's environmental consultants deliver a presentation as to the assessment of potential environmental impacts of the generators.**

**Mr. Kass, a partner at Carter, Ledyard & Milburn, stated that the firm has examined all of the environmental permitting issues in connection with this emergency project. He continued that the project is a Type II matter which is not subject to SEQRA. He added that the generators will operate during a 90-day period without adverse impacts, and there will be no adverse residue from the construction or operation of the generators.**

**Mr. Kass indicated that a waiver was secured from the Suffolk County Board of Health for double-wall piping requirements, and although not required, LIPA has requested rulings from the State Siting Board that Article X does not apply to these facilities. He continued that all but one of the sites will have a generating capacity of less than 80 MW. He added that the remaining site will be operated at less than 80 MW and will not be subject to Article X, but LIPA nevertheless requested declaratory rulings for all.**

**Mr. Kass indicated that no PSC permitting is required, but LIPA went ahead with this extensive environmental assessment which was conducted by the firm of Allee, King, Rosen & Fleming in conjunction with LIPA's staff and consultants. He stated that the proposal will have no significant adverse impacts, and LIPA will use ultra-low sulfur fuel to reduce emissions.**

**Chairman Kessel thanked Suffolk County Executive Gaffney and Brookhaven Town Supervisor LaValle for their support for this project. The**

Chairman stated that they have demonstrated a type of leadership that is hard to find.

Mr. Rosen, a principal with the firm of Allee, King, Rosen & Fleming, stated that his firm undertook a detailed and comprehensive environmental assessment of the sites in Shoreham, Wading River and Holtsville, where the temporary emergency units are to be placed. He continued that a wide array of environmental concerns were examined, including land use, zoning, community facilities, cultural resources, hazardous material, visual resources, traffic, air quality and other concerns. He added that, where possible, the firm examined coastal management concerns and even included an environmental justice analysis.

Mr. Rosen stated that the operation and construction of the temporary units would not result in any significant environmental impacts, including air quality and noise. He noted that the units run on an ultra-low sulfur fuel that is the cleanest fuel available other than gas.

Mr. Rosen stated that there will be increases in noise levels at some locations during the night, but the impact would not be significant. He noted that once the units were removed in September, there would be no long-term impacts.

Trustee Maimoni asked what fuel the generators run on. Mr. Rosen responded that they run on distillate oil.

Mr. Hulkower asked what the sulfur content of the fuel is, and Mr. Rosen answered .003 percent.

Chairman Kessel inquired as to percentage of sulfur used in traditional fuel oil for power plants. Mr. Rosen responded .05 percent, and he indicated that many of the plants on Long Island and in New York City use a fuel oil with a higher sulfur content of .5 percent.

Chairman Kessel stated that LIPA worked closely with the Governor and his staff, the Department of Environmental Conservation, and the Public Service Commission on this matter. The Chairman indicated that the Governor and the Commissioner of the DEC recommended that LIPA use the ultra-low sulfur fuel.

Trustee Doherty asked what type of waste was generated by the units. Mr. Rosen answered that there are some water waste and oils that will be transported away from the sites and disposed of by an approved contractor.

Trustee Gilliam inquired as to which sites were committed to use the ultra-low sulfur fuel. Mr. Rosen responded that Holtsville and Shoreham would use the ultra-low sulfur fuel, but it was not found to be absolutely necessary at Wading River due to air quality standards, although LIPA would use its best efforts to use the ultra-low sulfur fuel there as well. Mr. Hulkower added that all of the tanks would initially be filled with ultra-low sulfur fuel, but the only refinery that has it available is in New Jersey, an approximate twelve-hour round trip. Mr.

Hulkower continued that LIPA would make its best efforts to provide a sufficient supply.

Trustee Gilliam asked what the noticeable noise effects would be. Mr. Rosen answered that there are two locations where an approximate five or six decibel increase may occur because the existing ambient levels are extremely low. He continued that measurements were made to ascertain the quietest hours, and some areas with low levels were detected. He stated that the increased levels due to the generators in those areas would be negligible. Mr. Kass explained that while the marginal increase would be perceptible, the resulting noise levels would be within acceptable levels for residential communities.

Trustee Gilliam asked whether the study reflected all of the units in operation. Mr. Rosen answered affirmatively. Chairman Kessel stated that the units would not likely be used at night, but rather during peak hours.

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

- 595. RATIFICATION OF (i) DETERMINATION OF EMERGENCY NEED FOR SUMMER 2002 TEMPORARY GENERATION, (ii) DETERMINATION THAT LIPA'S LEASE AND OPERATION OF TEMPORARY GENERATION IS EXEMPT FROM SEQRA, AND (iii) LIPA'S ENTRY INTO AGREEMENTS TO OBTAIN EQUIPMENT AND SERVICES FROM GENERAL ELECTRIC NEEDED FOR TEMPORARY GENERATION; APPROVAL OF A NEGATIVE DECLARATION**

---

WHEREAS, on June 12, 2002, LIPA made a "Determination of Emergency Need for Temporary Generation for the Summer of 2002" ("Determination" – copy

attached and hereby incorporated by reference), which stated that the 600 MW Y-50 cable, one of LIPA's principal electric interconnections to the mainland, experienced a short circuit on May 18, 2002, and that the cable will be out of service until late July, if not the entire summer; and that the failure of the Y-50 cable has resulted in a total loss to the LIPA power grid of 500 MW, and has exacerbated a pre-existing electricity shortage, with the result that there is a projected shortage of up to 650-750 MW during the Summer 2002 peak period; and

WHEREAS, the Determination further noted that the Cross-Sound Cable completion date is not certain, and that when operational, the Cross-Sound Cable would provide up to 330 MW, still leaving a peak summer deficit of approximately 320-420 MW that would need to be met by early July 2002; and

WHEREAS, in view of the foregoing, the Determination concluded that emergency conditions have arisen requiring immediate action by LIPA to protect the public health and safety during the coming summer months; and

WHEREAS, on June 12, 2002, in light of the aforementioned Determination, LIPA also issued a determination that "LIPA's Temporary Lease and Operation of Portable TM 2500 Combustion Turbine Generators Is a Type II Action Exempt from Review Under SEQRA" ("SEQRA Determination" – copy attached and hereby incorporated by reference), which observed that LIPA has undertaken an expedited but thorough evaluation of the available options to respond to the emergency need for Summer 2002 temporary generation, and that based on that evaluation, LIPA has concluded that it is most appropriate to install on a temporary standby basis, 10 truck mounted General Electric TM 2500 combustion turbine generators ("Temporary Generators") at three sites, for operation this summer; and

WHEREAS, the SEQRA Determination found that LIPA's temporary use of the Temporary Generators during Summer 2002 is absolutely necessary to avoid electric service interruptions, which would unquestionably present a significant danger to public health and safety; and in view of these circumstances, the SEQRA Determination concluded that LIPA's limited and temporary use of the Temporary Generators qualifies as a Type II emergency action under 6 NYCRR § 617.5(c)(33) that is exempt from environmental review under SEQRA, but that nevertheless LIPA will undertake an environmental assessment of this emergency action in order to identify any potentially significant impacts and to take appropriate action to minimize any such impacts; and

WHEREAS, in accordance with the SEQRA Determination, LIPA has completed an assessment of the potential environmental impacts of the temporary operation of the Temporary Generators during Summer 2002, even though such action is an emergency action exempt from review under SEQRA; that assessment is set forth in an Environmental Assessment that has been distributed to the Trustees, which finds that the temporary operation of the

**Temporary Generators during Summer 2002 will not, either individually or cumulatively, have a significant adverse impact on the environment; and**

**WHEREAS, LIPA has entered into agreements through its agent, KeySpan Electric Services LLC, to receive from General Electric the equipment and services required to construct and operate the Temporary Generators, under which agreements: LIPA is leasing from GE Energy Rentals, Inc. ("GEER") 10 TM 2500 mobile CT generators plus associated auxiliary equipment for a term of 90 days and with a target commercial operation date of July 1, 2002, where GEER will provide supportive services including operation and maintenance, transportation and delivery, and assembly/disassembly of the Temporary Generators; and GEER is leasing 3 transformer units to LIPA and providing associated transportation services; and GE Industrial Systems ("GEIS"), a division of General Electric Company, is providing project management, design engineering, field engineering and balance of plant equipment to support the temporary installation of the 10 Temporary Generators; and**

**WHEREAS, the temporary emergency generation project is expected to cost approximately \$25 million, where more than one-half of these costs have been offset by General Electric credits LIPA obtained in connection with its acquisition of LILCO;**

**NOW, THEREFORE, BE IT RESOLVED, that the Determination and SEQRA Determination are hereby ratified and approved; and be it further**

**RESOLVED, that for the reasons set forth in and on the basis of the Environmental Assessment, LIPA hereby finds and determines that the temporary use of the Temporary Generators during Summer 2002, which constitutes an emergency action exempt from SEQRA, will not, either individually or cumulatively, have a significant adverse effect on the environment; and be it further**

**RESOLVED, that, although not required by SEQRA for exempt emergency actions, the Chairman and his designees are authorized to prepare, file and publish a Negative Declaration, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chairman or his designees, to carry out the foregoing; and be it further**

**RESOLVED, that LIPA's entry into and execution of agreements with GEER and GEIS as referenced above are hereby ratified and approved; and be it further**

**RESOLVED, that the Chairman and his designees are authorized to take all necessary actions, and to execute or cause the execution of all other related agreements and arrangements and to perform such further acts and deeds which may be deemed necessary, convenient or appropriate, in the judgment of the Chairman or his designees, to ensure that LIPA's temporary emergency generation for Summer 2002 as referenced above is carried out; and be it further**

**RESOLVED**, that all actions taken by the Chairman and his designees with respect to LIPA's temporary emergency generation for Summer 2002 as referenced above.

\* \* \*

Trustee Akeson indicated that the project costs were offset by credits from General Electric that LIPA obtained in connection with its acquisition of LILCO. She congratulated the staff for the cost reduction. Chairman Kessel concurred.

Trustee Gilliam asked whether General Electric or LIPA personnel will operate the units. Chairman Kessel responded that GE employees will operate the units. Trustee Gilliam inquired whether this would create a conflict with LIPA's labor agreement. Mr. Hulkower answered that the labor issues have been worked out with GE and the IBEW.

Trustee Maimoni asked whether the vendor was selected in an RFP process. The Chairman responded that emergency procedures were properly employed since it was necessary to obtain the generators extremely quickly.

Chairman Kessel stated that the next item on the agenda is Board consideration of revisions to LIPA's investment guidelines. The Chairman indicated that Section 2925(6) of the Public Authorities Law requires LIPA to adopt and periodically review its investment guidelines, and LIPA has not amended its guidelines since 2000. He stated that the principal substantive changes consist of providing for separate permissible investments and restrictions for the Nuclear Decommissioning Trust Funds for Nine Mile Point

Unit 2 and for all other LIPA funds, specifying a new list of authorized persons to make investment decisions, providing that cash settlements or trades be transacted by an authorized Authority signatory who did not participate in the trade execution, providing for additional internal controls and other miscellaneous revisions.

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

**596. APPROVAL OF REVISED LONG ISLAND POWER AUTHORITY INVESTMENT GUIDELINES**

---

**WHEREAS, the Long Island Power Authority (the "Authority") is required by Section 2925(6) of the Public Authorities Law, as amended, to periodically review and adopt investment guidelines which detail the Authority's operative policy and instructions to officers and staff regarding the investing, monitoring and reporting of funds of the Authority; and**

**WHEREAS, the Authority wishes to revise its existing Investment Guidelines to reflect the Authority's current investment needs and practices and to make certain other revisions;**

**NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves and adopts the "Long Island Power Authority Investment Guidelines (June 27, 2002)" in the form presented at this meeting; and be it further**

**RESOLVED, that such Investment Guidelines as revised are to be effective with respect to all Investment Securities, as defined in such Investment Guidelines, entered into after the date hereof.**

\* \* \*

Chairman Kessel stated that the next item on the agenda is Board consideration of a resolution to adopt revised LIPA guidelines regarding the use, awarding, monitoring and reporting of procurement contracts. The Chairman

indicated that the guidelines have changed in two respects; namely the Chief Financial Officer has been designated to approve, along with others, certain procurement contracts under \$750,000, and to prepare supplemental or revised procurement guidelines for the Board as necessary.

Deputy Chairman Foye suggested that a minor amendment be made to the resolution requiring that within a reasonable period after personal service contracts are signed, LIPA report to the Trustees on the identities of the parties and the terms of such contracts.

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

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

---

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

**WHEREAS, the Authority wishes to revise its existing Procurement Guidelines to reflect changes that have been previously approved by the Board on May 21, 2001;**

**NOW, THEREFORE, BE IT RESOLVED, that the Authority hereby approves and adopts the "Long Island Power Authority Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Procurement Contracts (June 27, 2002)" in the form presented at this meeting; and be it further**

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

**RESOLVED, that within a reasonable period after personal services contracts are signed, LIPA report to the Trustees on the identification of the parties and the terms of such contracts.**

**\* \* \***

**Chairman Kessel thanked all who helped with LIPA's successful wind symposium. The Chairman noted that he was impressed with the number of developers that are interested in bidding on LIPA's wind project. He added that LIPA expects to issue a request for information in July and an RFP by the end of this year.**

**Mr. Kane stated that although LIPA has no direct exposure to Enron, the New York ISO has exposure to the Enron bankruptcy proceedings and LIPA may have a \$1.8 million proportionate share as a member of the ISO.**

**Chairman Kessel entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 12:20 PM.**

**Respectfully submitted,**

**Stanley B. Klimberg**