

**LONG ISLAND POWER AUTHORITY**  
**MINUTES OF THE 133rd MEETING**  
**HELD ON MAY 1, 2001**

Pursuant to notice dated April 20, 2001, the Long Island Power Authority (the Authority") was convened for the one hundred and thirty-third time at 7:25 PM at the Omni Teleconference Center in Uniondale, NY.

The following Trustees of the Authority were present:

**Richard M. Kessel, Chairman**  
**Patrick Foye, Deputy Chairman**  
**Howard Steinberg, Deputy Chairman**  
**Michael Affrunti**  
**NancyAnn Akeson**  
**Thomas Doherty**  
**Michael Faltischek**  
**Rupert Hopkins**  
**Robert Maimoni**  
**Nancy Nugent**  
**Vincent Polimeni**  
**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 and Vice President and Controller, 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, 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 March 22 Board Meeting.**

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

**535. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MARCH 22, 2001 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY**

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**RESOLVED, that the Minutes of the meeting of the Authority held on March 22, 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.**

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**Chairman Kessel stated that the first item on the agenda is his report on some LIPA activities. He announced that Electric Safety month begins today. He stated that this morning he had the privilege to work with LIPA staff who prepared**

an electric safety demonstration given in Hicksville. He commended the LIPA staff, including Tracy Burgess Levy, for all of their very hard work on that demonstration. He reported that over 300 school children attended the demonstration. He stated that this month LIPA will have many programs on electric safety, and he invited the Trustees to attend.

Chairman Kessel indicated that following the acquisition of LILCO, LIPA's customers have enjoyed significantly lower electric bills and improved service, and he credited Governor Pataki and the Trustees for their hard work in making LIPA a success. Chairman Kessel reported that LIPA will be celebrating its third anniversary on May 28. He stated that in three short years LIPA has saved its ratepayers over a billion and a half dollars as compared to the former LILCO, and LIPA has provided a level of service reliability that is near the top as compared to all overhead utilities in the State. He commended all the employees in the call center for their excellent work during the past storms. He indicated that the average restoration time is less than ninety minutes, a great improvement from three years ago.

Chairman Kessel stated that demand for electricity continues to increase as the summer months approach, and that the Board should continue to move forward in promoting energy conservation and efficiency. He reported that Governor Pataki came to Long Island on May 21, 2001 to celebrate Earth Day and to make a dedication for Falla Direct Marketing in Farmingdale for its solar roof, the largest in the world for commercial use. He stated that Falla's solar roof is a major

step forward to attain the goal of having 10,000 solar roofs up and running by 2010. Chairman Kessel further indicated that LIPA has dedicated itself to bringing efficient energy alternatives to Long Island such as windmills, and that last year LIPA's Clean Energy Initiative saved 100 megawatt. At the same time, he continued, LIPA is working very hard in pursuing new transmission to Long Island as well as some new power plants.

Chairman Kessel reported that LIPA received a setback when the Connecticut Siting Council voted to reject TransEnergie s application for the cross-Sound cable project. However, he reported that LIPA has regrouped with TranEnergie, with the support of the Governor Pataki's office, to find alternative routes for that cable. Chairman Kessel indicated that a new application will be submitted within the next 45 days, and he hopes to have the cable running by Summer 2002. He also reported that LIPA is working aggressively on alternative measures, including replacing at least 200 megawatts of the 330 megawatts of capacity that would be made available by the cross-Sound cable. He indicated that the New York Power Authority expects to complete the construction of a 44-megawatt facility in Brentwood in June. He stated that LIPA is working with Florida Power and Light to install a 44-megawatt facility in Far Rockaway to enhance service to the Peninsula.

Chairman Kessel reported that LIPA has launched another new conservation program, the LIPA Edge Program, which is available to customers with central air conditioning. He indicated that LIPA will provide program

participants with an installed Carrier Corporation thermostat, free of charge, plus a \$25 rebate. He stated that the program allows customers to control their thermostat through the Internet, while giving LIPA the ability to remotely control the units briefly during peak summer demand days to save energy. He indicated that LIPA plans to have 5,000 customers signed on as volunteers for this summer, and 30,000 customers by 2002.

Chairman Kessel concluded his report by emphasizing the importance of conservation to LIPA's strategy. He indicated that conservation, along with building energy efficient features into new construction such as the new conference center in Woodbury, will help maintain adequate resources for Long Island. He stated that the new conference center, which is being built by Mr. Kulka, is entirely an Energy Smart building. Chairman Kessel indicated that LIPA will face some very big challenges in the near future, and he is confident LIPA will successfully meet those challenges.

Chairman Kessel stated that the next item on the agenda is the Operating Report, to be delivered by Mr. Hulkower. Mr. Hulkower commenced his report with a presentation on the Y-50 transmission line that runs from Westchester to LIPA's Shore Road substation at Glenwood. He reported that needed repairs to the line are underway. He stated that LIPA will be replacing a section of that line, and will vary the load on the Y-49 transmission line to ensure that a steady load is maintained on the Y-50 line. He reported on the upcoming scheduled outages of the KeySpan generating facilities and of the Nine Mile Point 2 facility.

Mr. Hulkower further reported that the sales and marketing load and revenue growth projections for year 2001 show LIPA will have 33.66 megawatts of added load as compared to a goal of 32.5 megawatts. He stated that the Clean Energy Initiative residential program for lighting and appliances year-to-date has distributed 158,000 units into the market, exceeding the goal of 157,000.

With respect to reliability performance measures, Mr. Hulkower stated that LIPA's System Average Interruption Frequency Index (SAIFI) is slightly up from 2000 but is still 7 percent lower than the five-year average. He indicated that the Momentary Average Interruption Frequency Index (MAIFI) is down to 6.4, attributable to the Digital Feeder Protection system.

Deputy Chairman Steinberg asked how the fuel cell project was progressing. Chairman Kessel reported that the project is progressing very well. He indicated that LIPA tested alpha fuel cell units at various sites on Long Island during the past year, with excellent results. He indicated that LIPA is considering the possibility, starting this summer, of having a number of fuel cells grouped together to generate electricity and to be connected to the grid.

Chairman Kessel stated that the next item on the agenda is the Finance Report, to be presented by Ms. Taylor. Ms. Taylor indicated that the books have been closed for January and February 2001, and the Board package includes the revenue statements for those months. She pointed out that the largest expense is

for fuel purchase, and for the period ended January 31, 2001 this expense was slightly higher than budget. She explained that, unlike in 2000, LIPA cannot defer the overages since they are not expected to be recovered. She stated that Operations and Maintenance expenses were higher since LIPA's capital expenditures were \$9 million lower. She indicated that the interest expense is lower due to there being less outstanding debt as compared to budget.

Trustee Faltischek asked if LIPA has adjusted the budget to reflect the increased fuel costs that LIPA is expecting. Mr. Feldman explained that the budget does include higher priced fuel, and that most of the overage is due to the fact that the amount that LIPA is able to defer is now capped, whereas the budget did not assume a cap. Trustee Faltischek then asked why the budget has not been accurately updated to reflect the now evident fuel costs for 2001. Mr. Feldman explained that it is not customary to change the budget once it has been approved. Ms. Taylor stated that LIPA is projecting to be somewhere between \$200 and \$300 million over budget with respect to fuel costs. She indicated that LIPA is looking into a hedging program to deal with these expected costs. Trustee Faltischek asked if LIPA could consider another fuel cost pass through. Chairman Kessel indicated that was something LIPA would consider but he is not prepared at this point to change or set aside the fuel cost tariff surcharge in effect. He explained that LIPA would closely monitor fuel costs and examine if there are other strategies that can be undertaken to mitigate the costs.

Chairman Kessel asked Mr. Horowitz to explain the fuel cost situation in comparison to retail gasoline prices. Mr. Horowitz gave a detailed explanation of the fuel market, stating that at this time it is volatile and natural gas prices are being pressured upward. He further explained that very recently fuel prices seem to be stabilizing, and he cautioned the Board not to view the first quarter high fuel costs as necessarily indicative of the next three quarters. Trustee Doherty requested that in the future more information be included in the finance report on fuel costs, including gross cost, how the fuel cost was booked, how much was unable to be booked, and how much was volume driven and price driven. Mr. Feldman indicated that such information would be included in the next report.

Deputy Chairman Foye inquired how much unrestricted cash LIPA will have at year end, and what is LIPA's projection of the earnings to total debt service coverage at year end. Ms. Taylor responded that the unrestricted cash will be somewhere in the vicinity of \$100 million and that the earnings coverage is expected to be 1.3. She indicated that she will send the Trustees a cash flow report for year end, including LIPA's cash position, the actual projections for year end, and the programs lined up for the year.

Deputy Chairman Steinberg asked whether it is expected that between now and year end will LIPA face a cash crunch and have to go to the debt markets to fund operations. Ms. Taylor responded no.

With respect to the Rate Stabilization Fund, Ms. Taylor stated that due to renegotiations of LIPA's reimbursement agreement with the letter of credit banks, LIPA is now required to keep \$250 million in that Fund, up from \$150 million. She indicated that this does not affect LIPA's financial statements since LIPA's policy has been to keep \$100 million more in the Fund than required.

Chairman Kessel requested that, in view of the volatility of fuel costs and the impact on LIPA's operations, part of the September Board meeting be dedicated to reviewing results for the first two quarters along with available information for the summer. 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 approve the execution and delivery of agreements relating to the sale of certain transmission assets associated with Unit 2 of the Nine Mile Point Generating Station. He explained that LIPA owns an 18 percent interest in that facility, which is a two-unit nuclear generating station located near the Town of Scriba, New York. He indicated that the other co-owners have already entered into an agreement to sell to Constellation Nuclear Services Inc. all of their undivided interests in Nine Mile Point 2 and all of the assets of Nine Mile Point 1, which is owned entirely by Niagara Mohawk. He indicated that the parties are seeking to close the transaction by the end of June. He asked Mr. Hulkower to further present this item to the Board.

Mr. Hulkower stated that a presentation package, entitled Sales-Related Documents Requiring Board Action, was distributed to the Trustees, summarizing each of the agreements related to the sale of Nine Mile 2. He stated that the four other co-owners, Niagara Mohawk, Rochester Gas & Electric, New York State Electric & Gas, and Central Hudson Gas & Electric, are selling their shares to Constellation as a result of a very competitive auction. He further explained that the regulatory approvals are moving forward; the Hart/Scott/Rodino process has been completed; the FERC is in the critical path at this point; and the Section 70 filing process with the Public Service Commission has to be concluded. He explained that LIPA staff along with Mr. Gillett of KeySpan, who on behalf of LIPA manages Nine Mile Point 2 oversight, have worked closely with Constellation on many issues and over 3000 action items. He stated that the target for the closing is July 1, 2001.

Deputy Chairman Steinberg asked how much money LIPA would put in under the Co-Tenant Agreement with respect to purchasing interests in existing inventory. Mr. Hulkower responded \$8.4 million.

Deputy Chairman Foye inquired about LIPA's responsibility for plant decommissioning costs, and whether LIPA could negotiate a cap on such cost responsibility. He also asked about Constellation's financial capability to bear decommissioning costs, given that Constellation is an unregulated utility in the State of New York. Mr. Hulkower replied that if the plant were to be shut down prematurely, the decommissioning fund would cover the process of closing the

plant, and LIPA is not in a position at this point in the negotiations to try to negotiate a cap on its liability without causing a delay in the transaction.

Deputy Chairman Foye stated that since LIPA is not pursuing the nuclear power business, it is important to ensure that LIPA and its ratepayers are protected in regard to any liabilities that may arise from decommissioning. Trustee Faltischek stated that the other co-owners obligations with respect to decommissioning costs should be investigated to make sure LIPA does not lose protection. Mr. Hulkower indicated he would examine this area.

Deputy Chairman Steinberg expressed concern that the Board have adequate time to review the Nine Mile Point 2 agreements before giving final approval. Mr. Hulkower indicated that it is in the best interest of LIPA to bring in a top rated operator like Constellation to make improvements to Nine Mile Point 2. Chairman Kessel stated that the transaction will reduce LIPA's costs and be very beneficial to LIPA's customers. Mr. Hulkower and Chairman Kessel explained that the Transmission Asset Purchase Agreement and the Co-Tenant Agreement are both essentially regulatory in nature and not nearly as significant as the other agreements, particularly the Operating Agreement.

Chairman Kessel emphasized that he wants to be sure the Board is comfortable with the overall transaction. He indicated that the Board should be further briefed on the Nine Mile Point 2 agreements prior to the next Board meeting. He suggested that the Board move forward at this time with approving

the Transmission Asset Purchase Agreement and Co-Tenant Agreement. He also suggested that the Board now permit the Transmission Owners Agreement, Interconnection Agreement and Operating Agreement to be executed subject to later approval by the Trustees. He indicated that the Operating Agreement should afford LIPA at least the same overall level of legal protection as applies currently with respect to liability for decommissioning costs.

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

**536. 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; and

WHEREAS, discussions among the co-tenants, the purchaser and LIPA to have identified certain arrangements that are necessary or desirable for LIPA to be a party to in connection with such sale, such as arrangements with respect to certain transmission assets currently owned in common by the co-tenants (the "Transmission Assets"), the inventory utilized by Niagara Mohawk Power Corporation ("Niagara Mohawk") in the operation of NMP2, and insurance balances currently held in the name of Niagara Mohawk; and

WHEREAS, it is not necessary for LIPA to continue to own transmission assets at NMP2 in order to be assured access to such facility for transmission purposes and the continued ownership of such assets will impose administrative and other burdens on LIPA without corresponding benefits; and

WHEREAS, Niagara Mohawk has advised LIPA that subject to certain regulatory approvals and other conditions, it will agree to purchase LIPA's interest in such

transmission assets for book value, with consideration to be payable in five years after transfer and Niagara Mohawk's payment obligation to be secured by a lien on the assets conveyed and to bear interest at nine and one-half percent per annum, payable annually; and

WHEREAS, on May 13, 1998 the Authority adopted its Electric System General Revenue Bond Resolution (the "General Bond Resolution"), which, consistent with the Act, authorizes bonds of the Authority, designated as "Electric System General Revenue Bonds" (the "Bonds"), as special obligations of the Authority in accordance with the terms thereof for, among other purposes, funding a program of customer rebates and credits associated with the Property Tax Settlement (as defined therein);

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

1. The Trustees hereby authorize and approve 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 hereby authorize 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.
2. The Trustees hereby authorize the Chairman, Chief Operating Officer and Chief Financial Officer to execute and deliver, subject to the 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 State Comptroller and the Public Authorities Control Board.
3. The Trustees hereby authorize the Chairman, Chief Operating Officer and Chief Financial Officer to execute and deliver, subject to the 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.
4. The Chairman, Chief Operating Officer and Chief Financial Officer are each hereby authorized and directed to execute and deliver any and all documents and instruments and to do any and all acts necessary or proper for carrying out and implementing the terms of, and the transactions contemplated by, this resolution and each of the documents authorized hereby and thereby.
5. The Chief Financial Officer is hereby authorized to arrange for the retirement of a portion of the Acquisition Debt (as defined in the General Bond Resolution) equal in amount to the sale price of LIPA's interest in the Transmission Assets and to evidence the retirement of a portion of the Acquisition Debt for purposes of the provisions of the General Bond Resolution by the delivery of a certificate to the Trustee under the General Bond Resolution.

**6. This resolution shall take effect immediately.**

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**Chairman Kessel indicated the next item on the agenda is the approval of a resolution to adopt Strategic Risk Management Policy and Hedging Guidelines Relating to Fuel and Purchased Power Costs. He stated that the proposed guidelines would govern the risk management activities undertaken on behalf of LIPA intended to mitigate price risk related to fuel and purchased power costs incurred by LIPA in connection with its provision of electric service. He indicated that the guidelines would enable LIPA to proactively manage the risks associated with its utility operations within prescribed limits in a volatile energy market. He commended the Finance Committee for all their work on this complicated issue.**

**Ms. Taylor explained that the purpose of the proposed guidelines is to allow LIPA to better manage its energy expenses, help provide a level of certainty for some expenses, and mitigate LIPA's future financial exposure by shifting the risk of volatile prices to a counterparty. She indicated that the guidelines would set up parameters under which the LIPA team can effect the entry into certain types of hedging transactions, for risk mitigation purposes only, including options, futures contracts, swaps and swap options.**

In regard to the proposed resolution, Ms. Taylor stated that the Finance Committee has proposed some amendments that she believes are needed, including: any hedging instrument or agreement having a maturity date of over two and one-half years and less than or equal to five years shall require the prior approval of the Finance Committee; LIPA staff shall brief the Finance Committee as needed regarding hedging activities, but at least on a monthly basis; any hedging transaction that would result in a cumulative hedging quantity that is more than fifty percent and less than or equal to eighty-five percent of the projected annual consumption of natural gas or fuel oil or the projected annual shortage of emission credits shall require the prior approval of the Finance Committee; the aggregate of hedging transactions on behalf of LIPA with any one counterparty shall at no time expose LIPA to potential loss of more than \$250 million; any hedging transactions on behalf of LIPA shall require the prior authorization of at least three Authorized Persons, as defined in the guidelines; and the defined Authorized Persons shall be expanded to include the Chairman and the Chief Operating Officer.

Trustee Polimeni stated that the Finance Committee would like to commend Ms. Taylor and Mr. Horowitz for their time and effort in formulating and explaining this hedging item to the Committee. Trustee Polimeni stated that Ms. Taylor and Mr. Horowitz's knowledge on this complicated subject is remarkable. Trustee Polimeni highlighted that hedging is an effective way to reduce some of LIPA's risk exposure, and that the Finance Committee has considered all factors and recommended amendments to ensure there are adequate checks and balances on LIPA hedging activities.

Deputy Chairman Foye inquired whether the proposed LIPA hedging activities will be in compliance with applicable State law. Mr. Klimberg responded yes and that LIPA's bond counsel, Hawkins, Delafield and Wood, has examined this question and is of the view that LIPA has the authority to go forward with these hedging transactions. Noting that KeySpan is pursuing hedging for its own portfolio, Deputy Chairman Foye inquired about potential KeySpan conflicts of interest warranting LIPA to authorize a second agent to enter into transactions on LIPA's behalf. Mr. Klimberg responded that if there is a potential conflict between LIPA's interests and KeySpan's interests in its proprietary capacity and not as agent to LIPA, then LIPA should not go forward with the hedging transactions through KeySpan and LIPA should authorize a second agent. Mr. Horowitz observed that it is unlikely any significant conflict of interest would arise in this area.

Deputy Chairman Foye suggested that another amendment be added indicating that the Board is acting on this resolution in part on the advice of Hawkins, Delafield & Wood. Chairman Kessel agreed and noted that what is being voted on tonight is hedging guidelines as opposed to hedging strategies.

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

**537. APPROVAL OF LONG ISLAND POWER AUTHORITY STRATEGIC RISK MANAGEMENT POLICY AND HEDGING GUIDELINES RELATING TO FUEL AND PURCHASED POWER COSTS**

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**WHEREAS, the Long Island Lighting Company d/b/a LIPA ("LIPA"), a wholly-owned subsidiary of the Long Island Power Authority (the "Authority"), has authorized, pursuant to the Energy Management Agreement dated as of June 26, 1997, KeySpan Energy Trading Services, LLC, as agent for LIPA, to enter into hedging transactions relating to fuel and purchased power costs (the "Transactions");**

**WHEREAS, the Authority has determined that the use of such Transactions is appropriate and prudent in certain circumstances but recognizes that there are certain risks that can arise in connection with their use;**

**WHEREAS, the Authority wishes to establish guidelines for the use of such Transactions in order to assure that such Transactions are entered into for appropriate purposes and to assure that the risks potentially associated with such Transactions are effectively managed and minimized, and proposed guidelines have been prepared and presented to the Trustees;**

**WHEREAS, the Authority wishes to appoint those persons who will serve as Authorized Persons and as the Responsible Officer (each as defined in the Guidelines) in connection with the Transactions; and**

**WHEREAS, the Authority wishes to authorize the execution of those Transactions so long as such Transactions are in compliance with the Guidelines;**

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

**1. The Authority hereby approves and adopts the Strategic Risk Management Policy and Hedging Guidelines relating to Fuel and Purchased Power Costs (the "Hedging Guidelines"), based in part on the legal advice of Hawkins, Delafield, & Wood in the form presented at this meeting, including the following changes:**

- a) Any hedging instrument or agreement having a maturity date of over two and one-half years and less than or equal to five years shall require the prior approval of the Finance Committee of the Authority Board of Trustees.**
- b) With respect to LIPA hedging activities, the Authority staff shall brief the Finance Committee as needed, but at least on a monthly basis.**
- c) The Authorized Persons shall authorize an agent in addition to the Energy Manager to enter into a Transaction on behalf of LIPA.**

d) Any Transaction that would result in a cumulative hedging quantity that is more than 50% and less than or equal to 85% of the projected annual consumption of natural gas or fuel oil or the projected annual shortage of emission credits shall require the prior approval of the aforementioned Finance Committee.

e) The aggregate of Transactions on behalf of LIPA with any one counterparty shall at no time expose LIPA to potential loss of more than \$250 million.

2. The Authority hereby authorizes the following individuals to serve as Authorized Persons and as the Authority Responsible Officer, as indicated, and acknowledges the provisions in the Hedging Guidelines with respect to the appointments of additional Authorized Persons.

Authorized Persons: Richard Kessel  
Seth Hulkower  
Diana Taylor  
Corey Horowitz

Responsible Officer: Authority Chief Financial Officer

3. The Authorized Persons are hereby authorized to enter into, or approve entry into, Transactions that comply with the Hedging Guidelines, but any such Transaction on behalf of LIPA shall require the prior authorization of at least three Authorized Persons.

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Chairman Kessel indicated the next item on the agenda is the approval of a resolution providing for negotiated fees for wireless communications attachments to LIPA poles. He stated this action does not approve any particular fee schedule, but simply enables LIPA to go forward with negotiating such fees and permitting wireless attachments to be made. He indicated that this approach of negotiated fees is accepted nationwide due to the fact that the wireless attachments generally are not standardized in terms of the types of equipment attached and

their location on the poles. He stated that this resolution should be approved on an expedited basis under the procedures of Section 202(6) of the State Administrative Procedure Act.

Trustee Faltischek inquired if the wireless attachments could be on free standing poles located on a LIPA right-of-way. Mr. Germano indicated yes. Deputy Chairman Steinberg asked if LIPA is relying on outside consultants in connection with determining the appropriate level of fees for wireless attachments. Mr. Germano responded yes.

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

**538. APPROVAL OF A POLICY OF NEGOTIATED FEES FOR WIRELESS COMMUNICATIONS ATTACHMENTS**

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**WHEREAS, staff of the Long Island Power Authority has recommended that LIPA establish a policy of negotiating fees for wireless communications attachments on a case-by-case basis; and**

**WHEREAS, for the reasons set forth in the preceding Memorandum, such a policy is reasonable and in the public interest; and**

**WHEREAS, in order to enable interested communications providers to promptly proceed with the process of making wireless attachments to LIPA s poles and towers, it is necessary and appropriate to act on this matter pursuant to the expedited procedures of Section 202(6) of the State Administrative Procedure Act; 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 a policy of negotiating fees for wireless communications attachments on a case-by-case basis is hereby adopted and approved, together with the attached, revised Tariff leaf.**

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**Chairman Kessel indicated the next item on the agenda is the approval of resolutions necessary to implement the Plan of Finance relating to the Authority's outstanding \$1.5 billion Electric System Subordinated Revenue Bonds, Series 1 through 6. He stated that in order to implement the Plan of Finance, which was approved by the Board at the March 22, 2001 meeting, approval is needed of the Fifth Supplemental Resolution under the Electric System General Revenue Bond Resolution that was adopted by the Authority on May 13, 1998. Ms. Taylor stated that the letter of credit for the \$1.5 billion expires in May, and this resolution would allow the Authority to continue to have a letter of credit on all its outstanding debt and debt to be issued in the near future. Deputy Chairman Steinberg asked if the rating agencies have been apprised of this action, and Ms. Taylor answered yes.**

**Ms. Taylor stated that approval of an additional resolution is needed for the selection of prospective fixed-to-floating interest rate swap providers.**

**Upon motion duly made and seconded, the following resolutions were approved unanimously:**

**539. ADOPTING CERTAIN RESOLUTIONS RELATING TO THE RESTRUCTURING OF THE SERIES 1-6 BONDS**

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**WHEREAS, Long Island Power Authority (the "Authority") is authorized by the Long Island Power Authority Act (the "Act") to issue its bonds for any purposes authorized thereby and to adopt bond resolutions establishing the contract with its bond and note holders; and**

**WHEREAS, on May 13, 1998 the Authority adopted its Electric System General Revenue Bond Resolution (the "General Resolution"), which, consistent with the Act, authorizes bonds of the Authority, designated as "Electric System General Revenue Bonds" (the "Senior Lien Bonds"), as special obligations of the Authority in accordance with the terms thereof for, among other purposes, refunding Subordinated Indebtedness (as defined therein); and**

**WHEREAS, Section 205 of the General Resolution requires that the issuance of each series of Senior Lien Bonds by the Authority shall be authorized by a supplemental resolution or resolutions of the Authority adopted at or prior to the time of issuance, subject to further delegation to certain officers to establish the details of the terms of such Senior Lien Bonds; and**

**WHEREAS, on May 28, 1998, the Authority issued \$1,500,000,000 of its Electric System Subordinated Revenue Bonds, Series 1 through 6 (the "Series 1-6 Subordinate Lien Bonds"); and**

**WHEREAS, the Authority plans to restructure the Series 1-6 Subordinate Lien Bonds by (i) issuing Senior Lien Bonds (the "Refunding Senior Lien Bonds") for the purpose of refunding up to \$850 million of the Series 1-6 Subordinate Lien Bonds, (ii) replacing the existing letters of credit which secure up to \$1.5 billion of the Series 1-6 Subordinate Lien Bonds with new liquidity and/or credit facilities and remarketing of the same, (iii) changing the interest rate determination method applicable to up to \$1.5 billion of the Series 1-6 Subordinate Lien Bonds to a different interest rate determination method and remarketing of the same, or (iv) any combination of (i), (ii) and (iii); and**

**WHEREAS, the First Supplemental Subordinated Resolution authorizing the Series 1-6 Subordinate Lien Revenue Bonds, adopted by the Authority on May 20, 1998 (the "First Supplemental Subordinated Resolution"), provides that the interest rate determination method applicable to all or portion of the Series 1-6 Subordinate Lien Bonds may be adjusted from time to time; and**

**WHEREAS, there has been prepared and submitted to the Trustees a form of Fifth Supplemental Resolution (the "Fifth Supplemental General Resolution") for the purpose of authorizing the issuance, sale and delivery of Refunding Senior Lien Bonds in order to refund up to \$850 million of the Series 1-6 Subordinate Lien Bonds and to finance certain other costs therein described;**

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

- 1. The Fifth Supplemental General Resolution, in the form presented to this meeting and made a part of this resolution as though set forth in full herein, is hereby approved and adopted. The Chairman of the Authority is hereby authorized to deliver the Fifth Supplemental General Resolution to United States Trust Company of New York, as the Trustee for the Senior Lien Bonds, with such amendments, supplements, changes, insertions and omissions thereto as may be approved by the Chairman, which amendments, supplements, insertions and omissions shall be deemed to be part of such resolution as approved and adopted hereby.**
- 2. Each Authorized Representative (as defined in the First Supplemental Subordinated Resolution) is hereby authorized from time to time to execute and deliver in connection with the remarketing of up to \$1.5 billion of the Series 1-6 Subordinate Lien Bonds one or more agreements providing for the delivery of Alternate Liquidity Facilities and/or Alternate Credit Facilities (as defined in the First Supplemental Subordinated Resolution) and reimbursement of moneys drawn or borrowed thereunder, in such form and with such banks, financial institutions or bond insurers as shall be approved by the officer executing the same upon the advice of counsel, which approval shall be conclusively evidenced by the execution thereof by such Authorized Representative.**
- 3. Each Authorized Representative (as defined in the Fifth Supplemental General Resolution and the First Supplemental Subordinated Resolution) is hereby authorized and directed to execute and deliver any and all agreements, documents and instruments and to do any and all acts necessary or proper for carrying out the issuance, sale and delivery of the Refunding Senior Lien Bonds and the remarketing of Series 1-6 Subordinate Lien Bonds and for implementing the terms of, and the transactions contemplated by, the Fifth Supplemental General Resolution and this resolution and each of the documents authorized thereby and hereby, including but not limited to the execution and delivery of one or more official statements or other disclosure documents and remarketing agreements.**
- 4. This resolution shall take effect immediately.**

**\* \* \***

#### **540. APPROVAL OF FIXED-TO-FLOATING INTEREST RATE SWAP AGREEMENTS**

**WHEREAS, the Electric System General Revenue Bond Resolution (the "General Bond Resolution") adopted by the Long Island Power Authority (the "Authority") on**

May 13, 1998 permits the Authority to enter into Financial Contracts (as defined therein), which include interest rate caps or collars and forward rate, future rate and certain swap agreements with Qualified Counterparties (as defined therein); and

WHEREAS, the Authority has determined that the use of such agreements is appropriate in certain circumstances but recognizes that certain risks can arise in connection with their use; and

WHEREAS, on September 10, 1998, the Authority adopted guidelines (the "Guidelines") for the use of such agreements in order to assure that such agreements are used for appropriate purposes and to assure that the risks potentially associated with such agreements are effectively managed and minimized; and

WHEREAS, on May 28, 1998, the Authority issued \$1,500,000,000 of its Electric System Subordinated Revenue Bonds, Series 1 through 6 (the "Series 1-6 Subordinate Lien Bonds"); and

WHEREAS, the Authority plans to restructure the Series 1-6 Subordinate Lien Bonds by (i) issuing senior lien bonds under the General Bond Resolution (the "Refunding Senior Lien Bonds") for the purpose of refunding up to \$850 million of the Series 1-6 Subordinate Lien Bonds, (ii) replacing the existing letters of credit which secure up to \$1.5 billion of the Series 1-6 Subordinate Lien Bonds with new liquidity and/or credit facilities and remarketing of the same, (iii) changing the interest rate determination method applicable to up to \$1.5 billion of the Series 1-6 Subordinate Lien Bonds to a different interest rate determination method and remarketing of the same, or (iv) any combination of (i), (ii) and (iii); and

WHEREAS, the Authority may issue up to \$300 million of the Refunding Senior Lien Bonds as fixed rate bonds (the "Fixed Rate Refunding Senior Lien Bonds") and enter into one or more fixed-to-floating interest rate swap agreements in connection therewith;

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

1. The Chairman and the Chief Financial Officer of the Authority are, and each of them hereby is, authorized as set forth herein to enter into one or more Financial Contracts (as defined in the General Bond Resolution), in connection with the issuance of the Fixed Rate Refunding Senior Lien Bonds, in the form of fixed-to-floating interest rate swap agreements with caps on the variable or floating interest rate exposure as described below. Such authorization is based on the following considerations and subject to the following limitations:

(a) The Authority's financial advisor, Morgan Stanley & Co. Incorporated ("Morgan Stanley"), has advised the Authority in writing that, in connection with the issuance of the Fixed Rate Refunding Senior Lien Bonds, it would be financially

advantageous for the Authority to maintain a portion (up to 30%) of the Authority's interest rate exposure in the form of variable rate instruments and that it is prudent for the Authority to do so in light of the Authority's assets and projected revenues, and that therefore the Authority should issue the Refunding Senior Lien Bonds as variable rate obligations. Morgan Stanley has further advised in writing that, in the current interest rate environment (and given the limited availability of credit enhancement for variable rate debt), the optimal method of accomplishing a variable rate exposure is to issue the Fixed Rate Refunding Senior Lien Bonds as fixed rate debt and enter into a related fixed-to-floating interest rate swap agreement with a cap on the variable or floating interest rate exposure rather than issuing variable rate debt directly. In comparing the alternatives of variable rate debt and "synthetic" variable rate debt accomplished through fixed-to-floating interest rate swap agreements, Morgan Stanley has provided the Authority an analysis which identifies the following factors affecting the decision of whether to issue variable rate debt or fixed rate debt with a fixed-to-floating interest rate swap:

**Factors favoring the fixed-to-floating swap agreements (synthetic variable rate):**

- (i) Potential for significant debt service savings, based on historical results
- (ii) Access to variable rates without:
  - securing letter of credit or revolving credit agreement
  - paying remarketing/letter of credit/revolving credit agreement fees
  - restrictive letter-of-credit bank/ revolving credit agreement covenants
  - risk of failed remarketing/auction
  - New York-specific remarketing risk
- (iii) Improved matching of assets and liabilities
- (iv) Ability to terminate for a gain if rates fall

**Factors favoring standard variable rate:**

- (i) No credit exposure to a swap counterparty (this credit exposure can be mitigated, however, by requiring the counterparty to post collateral upon downgrade or significant rate movement)
- (ii) Avoids the possibility that the Authority would have to post collateral
- (iv) Elimination of potential substantial cost if swap is terminated early
- (v) Elimination of counterparty risk (risk that the counterparty may default that results in additional cost to the Authority)

(b) The proposed fixed-to-floating interest rate swap agreements would require the Authority to pay to the counterparties a rate that would be based on a variable rate index against receipt from the counterparties of a negotiated fixed rate of interest. That fixed rate of interest would approximate the fixed interest rate payable by the Authority on the Fixed Rate Refunding Senior Lien Bonds. The obligation of the Authority to pay the variable rate under the swap agreements and the payment of any termination or other fees, expenses, indemnification or other obligations thereunder would be Subordinated Indebtedness (as defined in the General Bond Resolution).

(c) The Authority has been advised by the Authority staff that the investment banking firm serving as senior managing underwriter for the Fixed Rate Refunding Senior Lien Bonds has independently recommended variable rate exposure in connection with refunding of up to \$300 million of the Series 1-6 Subordinate Lien Bonds and the use of the fixed-to-floating rate swap agreements to achieve a synthetic variable rate.

(d) The Authority has received a copy of the form of an opinion letter proposed to be delivered by Hawkins, Delafield & Wood in connection with the fixed-to-floating swap agreements (attached hereto as Appendix 1). The letter in effect concludes that the Authority has the power to enter into the swap agreements and includes an opinion that the swap agreements are valid and binding agreements of the Authority, but points out that:

- Fixed-to-floating swap agreements are not referenced explicitly in the Authority's enabling legislation.
- Authorizing legislation for certain New York political subdivisions and public benefit corporations do not reference explicitly interest rate exchange agreements as being authorized thereunder.
- Certain New York political subdivisions and public benefit corporations have been unsuccessful in securing amendments to their enabling legislation which were sought in order to reference explicitly interest rate exchange agreements or similar arrangements.
- No New York court, or Federal court applying New York law, has decided whether or not the Authority or other New York political subdivisions or public benefit corporations have the power and authority to enter into agreements similar to the swap agreements under the statutes referenced above or other statutes that do not contain an explicit reference to interest rate exchange agreements or similar arrangements. As a result of the absence of judicial precedent, any action asserting the invalidity of the swap agreements or a similar agreement entered into without an explicit reference thereto in the authorizing legislation would present a case of first impression under New York law.

The General Counsel has advised the Trustees that he will be rendering an opinion to similar effect.

(e) The Authority staff has analyzed the risks as outlined by Morgan Stanley. The Authority has considered the risks, the recommendations of Morgan Stanley and the analysis of the Authority staff. The Authority, after careful consideration of all of the foregoing matters, finds that

(i) in conjunction with the issuance of the Fixed Rate Refunding Senior Lien Bonds, the execution of the fixed-to-floating interest rate swap agreements which contain caps on interest rate exposure will, in the judgment of the Authority, result in lowering the rate of interest payable in connection with the Authority's

indebtedness, and reduce the risks of variable rate exposure as compared to the alternative variable rate financing methods available to the Authority;

(ii) the risks of the fixed-to-floating interest rate swap agreements are both manageable and reasonable in relation to the potential benefits; and

(iii) the proposed swap agreements are necessary or convenient in the exercise of the powers and functions of the Authority under its enabling legislation.

In light of the foregoing, the Chairman and the Chief Financial Officer of the Authority are, and each of them hereby is, authorized

(i) to enter into fixed-to-floating rate swap agreements in connection with the issuance of the Fixed Rate Refunding Senior Lien Bonds, up to a maximum aggregate principal amount equal to the principal amount of such bonds and for a term not longer than the maturity of such bonds, with such Qualified Counterparties (as defined in the General Bond Resolution) as may be selected by the Authority in accordance with the Guidelines, which agreements shall be consistent with the Guidelines and substantially in the form of the floating-to-fixed interest rate swap agreements that were entered into by the Authority in connection with the issuance of the Authority's Electric System Subordinated Revenue Bonds, Series 7 (with appropriate modifications to reflect that the new swaps will be fixed-to-floating), with such changes and additions to and omissions from such form as such authorized executing officer deems in his discretion to be necessary or appropriate, such execution to be conclusive evidence of such approval, provided that (A) such fixed-to-floating interest rate swap agreements establish a maximum interest rate or interest rate cap not in excess of 18% for the term of such fixed-to-floating interest rate swap agreements, that would be payable by the Authority during the term of any such fixed-to-floating interest rate swap agreements, or (B) the Authority enter into interest rate cap agreements as authorized and described below, and

(ii) to execute on behalf of the Authority interest rate cap agreements relating to the Fixed Rate Refunding Senior Lien Bonds, with such Qualified Counterparties (as defined in the General Bond Resolution) as may be selected by the Authority in accordance with the Guidelines, which agreements shall be consistent with the Guidelines and with such agreements to be in the form as approved by such authorized executing officer, such execution to be conclusive evidence of such approval, provided that the term of such agreements is equal to the term of the fixed-to-floating swap agreements and the interest rate cap in each such agreement does not exceed 18%.

2. Each Authorized Representative (as defined in the General Bond Resolution) is hereby authorized and directed to execute and deliver any and all documents and instruments and to do any and all acts necessary or proper for carrying out the fixed-to-floating interest rate swap agreements and interest rate cap agreements entered into in connection with the issuance of the Fixed Rate Refunding Senior Lien Bonds and for implementing the terms of, and the

transactions contemplated by, the fixed-to-floating interest rate swap agreements, the interest rate cap agreements and this resolution and each of the documents authorized thereby and hereby.

3. This resolution shall take effect immediately.

\* \* \*

#### **541. APPROVAL OF SELECTION OF PROSPECTIVE FIXED-TO-FLOATING INTEREST RATE SWAP PROVIDERS**

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WHEREAS, the Electric System General Revenue Bond Resolution (the "General Bond Resolution") adopted by the Long Island Power Authority (the "Authority") on May 13, 1998 permits the Authority to enter into Financial Contracts (as defined therein), which include interest rate caps or collars and forward rate, future rate and certain swap agreements with Qualified Counterparties (as defined therein); and

WHEREAS, the Authority has determined that the use of such agreements is appropriate in certain circumstances but recognizes that certain risks can arise in connection with their use; and

WHEREAS, on September 10, 1998, the Authority adopted guidelines (the "Guidelines") for the use of such agreements in order to assure that such agreements are used for appropriate purposes and to assure that the risks potentially associated with such agreements are effectively managed and minimized; and

WHEREAS, the Guidelines permit the Authority to enter into interest rate swap agreements only with such Qualified Counterparties that are previously pre-approved by the Authority pursuant to a request for qualifications; and

WHEREAS, on September 18, 1998, the Authority issued a Request for Proposals for Qualified Interest Rate Swap Providers for the purpose of seeking proposals from financial institutions wishing to enter into certain interest rate swap agreements in connection with the Authority's future bond issues (the "Swap Agreements") and entering into Swap Agreements with such institutions; and

WHEREAS, proposals from numerous financial institutions have been obtained and reviewed; and

**WHEREAS, based upon such proposals Ambac Indemnity Corporation, Bear, Stearns & Co., Inc., Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities, Inc., Morgan Stanley & Co., Incorporated, Salomon Smith Barney, and Societe Generale (the "Prospective Counterparties") have been determined to be the most suitable prospective Qualified Counterparties for Swap Agreements;**

**WHEREAS, by resolution adopted on the date hereof, the Authority has authorized certain authorized officers to enter into fixed-to-floating interest rate swap agreements (the "Proposed Swap Agreements") in connection with the potential issuance of up to \$300 million of fixed rate senior lien bonds under the General Bond Resolution with such Qualified Counterparties as may be selected by the Authority in accordance with the Guidelines;**

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

**1. The selection of the Prospective Counterparties as potential Qualified Counterparties to the Proposed Swap Agreements is hereby approved.**

**2. The Chairman and Chief Financial Officer are hereby authorized to seek definitive proposals from any of the Prospective Counterparties and to enter into fixed-to-floating interest rate swap agreements with one or more of the Prospective Counterparties or any affiliates thereof in accordance with the Guidelines and the Swap Authorizing Resolution.**

**3. This resolution shall take effect immediately.**

**\* \* \***

**Chairman Kessel stated that the next item on the agenda is the readoption of the resolution approved at the March 1, 2001 meeting relative to partial recovery of unrecovered Year 2000 Fuel and Purchased Power costs. He explained that this action is needed under SAPA in order to maintain the effectiveness of that resolution, which was adopted under expedited procedures.**

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

**542. READOPTION OF RESOLUTION APPROVING PARTIAL RECOVERY VIA A SURCHARGE OF UNRECOVERED YEAR 2000 FUEL AND PURCHASED POWER COSTS**

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**WHEREAS, the Trustees, at the March 1, 2001 Board meeting, approved a resolution ( Resolution ) providing for LIPA s partial recovery through a surcharge (i.e., the Fuel and Purchased Power Cost Adjustment, FPPCA ) of its extraordinarily high year 2000 fuel and purchased power costs; 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 final action of the Trustees on the FPPCA surcharge, it is necessary to readopt the Resolution pursuant to Section 202(6) of SAPA; and**

**WHEREAS, such action will preserve the general welfare by enabling the FPPCA surcharge recovery to continue and thereby effect the goals of ensuring LIPA s financial integrity and mitigating bill impacts on customers, and it would be contrary to the public interest to delay accomplishment of either of these goals;**

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

**\* \* \***

**Chairman Kessel stated that the last item on the agenda is the appointment of Mr. Kane to the position of Controller. Chairman Kessel congratulated Mr. Kane and stated that Mr. Kane has done a great job for LIPA. Chairman Kessel indicated that since this Controller position is not an officer position, the Board is being asked to adopt a resolution giving the Chief Financial Officer the responsibilities of the Office of Vice President and Controller contained in LIPA s property acquisition and disposition guidelines and its procurement and contract guidelines. He**

stated that the Board is also being asked to revise a previous resolution concerning the designation of officers to sign instruments for payments made by LIPA to include the Chief of Staff, the Chief Administrative Officer and the Controller.

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

**543. APPROVAL OF ASSIGNMENT OF POWERS AND DUTIES TO THE OFFICE OF CHIEF FINANCIAL OFFICER**

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**RESOLVED**, that, effective May 1, 2001, the Long Island Power Authority ( Authority ) Board of Trustees approves the assignment to the Office of Chief Financial Officer of the powers and duties of the Office of Vice President and Controller, including but not limited to the powers and duties specified in the Authority Guidelines Regarding Property Acquisition and Disposition Contracts and in the Authority Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Procurement Contracts.

\* \* \*

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

**544. AMENDED DESIGNATION OF AUTHORIZED PERSONS TO SIGN INSTRUMENTS FOR PAYMENTS MADE BY THE AUTHORITY**

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**WHEREAS**, on May 20, 1998, the Long Island Power Authority ( Authority ) adopted Resolution No. 370 providing that Chase Manhattan Bank, Citibank, Bank of New York, European American Bank, Long Island Commercial Bank, U.S. Trust, and Fleet Bank be designated as depositories of the Authority; on September 10, 1998, the Authority adopted Resolution No. 397 approving KeyBank as a depository; and on June 22, 2000, the Authority adopted Resolution No. 498 approving North Fork Bank as a depository (each of the aforementioned banks is hereinafter referred to as the Bank );

**NOW, THEREFORE, BE IT RESOLVED, that the officers, the Controller and agents of the Authority be and hereby are, and each of them hereby is, authorized to deposit any of the funds of the Authority in the Bank either at its head office or at any of its branches; and be it further**

**RESOLVED, that until the further order of the Trustees, any funds of this Authority deposited in the Bank be subject to withdrawal or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings or other instruments or orders for the payment of money when made, signed, drawn, accepted or endorsed on behalf of this Authority by two signatures from among the Chairman, the Chief of Staff, the Chief Operating Officer, the Chief Financial Officer, the General Counsel, the Chief Administrative Officer, the Vice President — Power Markets, the Vice President — Communications, the Vice President — Retail Services, and the Controller for instruments or orders in a face amount in excess of \$25,000.00, and by one signature from among the persons listed above in this paragraph for instruments or orders in the face amount of \$25,000.00 or less; and be it further**

**RESOLVED, that the Bank is hereby authorized to pay any such instrument or make any such charge and also to receive the same instruments of issue or the disposition of the proceeds, whether drawn against an account in the name of this Authority or in the name of any officer, the Controller or agent of this Authority as such, and, at the option of the Bank, even if the account shall not be in credit to the full amount of such instrument or charge; and be it further**

**RESOLVED, that any officer and the Controller of this Authority be, and hereby is, authorized to certify to the Bank the names of the Chairman, present officers of this Authority, the Controller, and other persons authorized to sign for it and the offices or Controller position respectively held by them together with specimens of their signatures, and in case of any change of any holder of any such office or Controller position or holders of any such offices or Controller position, the fact of such change and the names of any new officers and Controller and the offices and Controller position respectively held by them together with specimens of their signatures, and the Bank be, and hereby is, authorized to honor any instrument signed by any new officer, officers, or Controller in respect of whom it has received any such certificate or certificates with the same force and effect as if said officer, officers, or Controller were named in the foregoing resolutions in the place of any person or persons with the same title or titles; and be it further**

**RESOLVED, that the Bank be promptly notified in writing by any officer or the Controller of this Authority of any change in these resolutions, such notice to be given to each office of the Bank in which any account of the Authority may be maintained and that until it has actually received such notice in writing it is authorized to act in pursuance of these resolutions, and that until it actually so received such notice it shall be indemnified and saved harmless from any loss suffered or liability incurred by it in continuing to act in pursuance of these resolutions, even though these resolutions may have been changed.**

\* \* \*

Chairman Kessel stated that he would like to commend the Generation Purchase Right Committee, including Deputy Chairman Foye and Trustee Sinnreich, for their ongoing work on the very important issue of whether LIPA should exercise its option to purchase all the interests in the on-Island generation owned by KeySpan. He pointed out that LIPA has a one-year window of time, beginning the end of this month, to exercise that option. Chairman Kessel requested Ms. Fama to set up a meeting of the Committee in the next few weeks.

Chairman Kessel indicated that LIPA needs to make a decision quickly on whether to issue a separate electric bill instead of the current approach of electric and gas being combined in a single bill. He indicated that the single bill has created substantial customer confusion, and LIPA's credibility is being affected since gas costs have increased sharply but many customers do not understand that LIPA is not responsible for gas service. He asked Mr. Furlong to briefly report on this matter.

Mr. Furlong stated that the review process is in the preliminary stages. He indicated that KeySpan, in response to LIPA's request, has submitted some cost estimates for separating the bill, including incremental costs from such separation. He indicated that KeySpan's estimated costs are very high and evidently KeySpan is resisting the separation. Chairman Kessel stated that,

assuming the costs were negotiated, LIPA should expect to pay a one-time cost of around \$1 to \$1.5 million, and the estimated annual recurring costs seem to be somewhere in the \$3 to \$5 million range. He stated that KeySpan has estimated ten months for this transition to a separate bill, a time that he believes is overly drawn out and could be shortened.

Deputy Chairman Foye suggested that LIPA look into alternatives to bill separation in the form of advertising. Chairman Kessel pointed out that LIPA has discussed with its advertising firm the possibility of undertaking a campaign to explain to LIPA customers the situation of the gas prices. He indicated that such a campaign would not be effective since the costs of advertising would be high and it would be necessary to criticize KeySpan, an approach that LIPA is not comfortable with and which would likely further confuse customers. He stated that unless LIPA moves forward to separate the bill before next winter, LIPA will be faced with the same criticism that it has faced this past year. He noted that LIPA has explored and will continue to explore alternatives but, in his view, the best course of action is to separate the bill.

Chairman Kessel announced that the Board meeting scheduled for May 17, 2001 has been canceled and the next Board meeting will be June 28, 2001 in Southampton.

Chairman Kessel entertained a motion to go into executive session to discuss personnel and litigation matters. Upon motion duly made and seconded, the following resolution was approved unanimously:

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

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

\* \* \*

At 9:50 p.m., the open session of the Board of Trustees was temporarily adjourned and an executive session of the Board of Trustees was convened. At 10:00 p.m., the executive session was adjourned and the open session was reconvened.

Chairman Kessel entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 10:01 p.m.

Respectfully submitted,

Stanley B. Klimberg