

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 127th MEETING

HELD ON OCTOBER 31, 2000

Pursuant to notice dated October 23, 2000, the Long Island Power Authority (the "Authority") was convened for the one hundred and twenty-seventh time at 11:24 AM at Southampton Town Hall in Southampton, NY.

The following Trustees of the Authority were present:

**Richard M. Kessel, Chairman
Patrick Foye, Deputy Chairman
Michael Affrunti
NancyAnn Akeson
Harvey Auerbach
Joseph Janoski
Robert Maimoni
Nancy Nugent
Vincent Polimeni
Jonathan Sinnreich**

Also representing the Authority were Seth Hulkower, Chief Operating Officer, Stanley Klimberg, General Counsel, David Warren, Chief Financial Officer, Edward Murphy, Vice President and Controller, Bruce Germano, Vice President – Retail Services, William Davidson, Director of Government Relations, Debra Raso, Special Assistant to the Chairman, Laurie Leat, Secretary to the Board, Alan Elberfeld, Manager of Retail Access & ISO Relations, Corey Horowitz, Manager of Energy

Services and Power Supply Administration, Daniel Zaweski, Manager of Energy Efficiency and Distributed Generation Programs and Michael Hervey, Director of Transmission and Distribution Operations.

(A moment of silence was observed with respect to the loss of the Americans on the USS Cole.)

Chairman Kessel thanked Supervisor Cannuscio for allowing LIPA to use Southampton's Town Hall for this meeting.

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 September 28 Board Meeting.

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

506. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE SEPTEMBER 28, 2000 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on September 28, 2000, 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 LIPA's staff is working with the Finance Committee on preparing LIPA's budget for 2001, which he expects to release to the public in mid-November.

Chairman Kessel stated that LIPA is continuing to monitor fuel costs, which may exceed budgeted amounts by approximately \$235 million. He indicated that the goal is to examine various options in an effort to minimize passing those costs on to the ratepayers, while ensuring that LIPA is financially strong going into the future. He stated that at the request of Trustee Sinnreich, LIPA will be reviewing this matter over the next few months and expects to have recommendations in January or February of 2001.

Chairman Kessel indicated that LIPA is working very hard on its capital program and is evaluating its resource needs for next summer as well as the summers thereafter. He stated that LIPA is moving forward with the under Sound

cable project for 2002, working with Enron on the barge project for next summer and working with the New York Power Authority on some possible smaller generators to be placed on Long Island in time for next summer. He indicated that if some new power plants are not built to be ready for the summers of 2004 and 2005, LIPA will not have enough resources.

Chairman Kessel credited Local 1049 for their great work. He then turned to the next item on the agenda, the operating report. He asked Mr. Hulkower to present the report to the Board.

Mr. Hulkower indicated that he is particularly proud of LIPA's efforts in the geothermal area, including installation of geothermal heating and cooling systems at the Riverhead Aquarium and at the Science Center at Jones Beach.

Mr. Hulkower reported that LIPA has decided to defer implementation of the Corridor Heating Program until next year.

Mr. Hulkower stated with regard to mass markets that even though LIPA expects to fall short of its load growth goal for 2000, LIPA expects to meet its revenue growth goal.

In reference to revenue collection, Mr. Hulkower stated that arrears this year are lower than last year due to relatively milder weather. Deputy Chairman Foye asked if the arrears as a percentage of revenues were increasing, decreasing or staying the same. Mr. Hulkower replied that they are decreasing.

Mr. Hulkower reported that LIPA continues to have a very high meter reading rate. He stated that LIPA is on target this year to handle about 2.2 million calls at the call center. Chairman Kessel asked if the call answer rate in September of ninety-seven percent was unusually high. Mr. Hulkower replied that that result is a little lower than some other months but it is an excellent rate.

Mr. Hulkower stated that in reference to the System Average Interruption Frequency Index (SAIFI), LIPA is averaging sixteen months between interruptions of five minutes or more per customer. Mr. Hulkower stated that the average customer interruption is about sixty-four minutes.

Mr. Hulkower stated that LIPA is making good progress in its circuit improvement and tree trimming programs.

As the next agenda item, Chairman Kessel asked Mr. Warren and Mr. Murphy to deliver the financial report.

Mr. Murphy stated that the excess of revenues over expenses for the period ended July 31 was about \$48 million over the forecast. He stated that he expects that figure to be approximately \$50 million at the end of the year.

Mr. Murphy reported that LIPA's cash position currently is about \$498 million, of which about \$338 million is designated to fund specifically identified items.

Mr. Murphy stated that thus far this year sales (normalized for weather) are ahead of last year by about 47,000 megawatt hours.

Mr. Warren stated that LIPA's projection of cash for the end of the year as compared to last year is being impacted by the additional fuel expenses. He indicated that after revising the year-end cash flow projections slightly downward, it is anticipated that LIPA will have at the end of 2000 about \$301 million in total working capital for non-designated, non-restricted funds.

Mr. Warren stated that with respect to LIPA's investments, as of yesterday, LIPA has a little under \$500 million.

Chairman Kessel stated that the next item on the agenda is a resolution authorizing the Chairman and Chief Financial Officer to proceed with all preliminary actions necessary to permit the Authority to issue notes and bonds to finance capital expenditures and refund or remarket certain outstanding bonds.

Mr. Warren explained that the documents provided to the Trustees reflect revisions to make more specific LIPA's authority to issue commercial paper. He indicated that the terms of the financing will be subject to the approval of the Trustees at a subsequent meeting.

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

507. AUTHORIZING CERTAIN OFFICERS TO PREPARE NECESSARY FINANCING AND OTHER DOCUMENTS AND SEEK NECESSARY APPROVALS OF FINANCING OF CERTAIN CAPITAL EXPENDITURES AND REFUNDING OR REMARKETING OF CERTAIN AUTHORITY BONDS

WHEREAS, the Long Island Power Authority (the "Authority") proposes to establish a commercial paper program and issue notes in an aggregate amount not to exceed \$300 million outstanding at any time for the purpose of funding ongoing capital and operating expenditures; and

WHEREAS, the Authority proposes to issue up to \$300 million of senior and/or subordinated lien revenue bonds over the next 2-6 months to (i) fund future capital expenditures and (ii) reimburse itself for capital expenditures already incurred; and

WHEREAS, the Authority has heretofore issued \$1.5 billion of Electric System Subordinate Revenue Bonds, Series 1-6 (the "Series 1-6 Subordinate Bonds") and wishes to pursue the refunding of, or the conversion of the interest rate mode applicable to, all or a portion of such Series 1-6 Subordinate Bonds in order to achieve savings and other benefits; and

WHEREAS, the Authority wishes to proceed with the issuance of notes (the "CP Notes") in an aggregate amount not to exceed \$300 million outstanding at any time and bonds (the "Bonds") in an aggregate principal amount not to exceed \$ 300,000,000 for the purpose of reimbursing itself for such capital expenditures, financing such future capital expenditures and refunding a portion of the Series 1-6 Subordinate Bonds or to convert the interest rate mode applicable to all or a portion of the Series 1-6 Subordinate Bonds and remarket the same, all in accordance with the plan of finance presented to this meeting as promptly as practicable;

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

1. The Chairman and Chief Financial Officer are each hereby authorized to proceed to take the preliminary actions necessary to permit the Authority to issue the CP Notes and the Bonds or to convert the interest rate mode applicable to all or a portion of the Series 1-6 Subordinate Bonds, including preparation of necessary resolutions, disclosure documents and other financing and remarketing documents and filing of requests for all necessary approvals of the issuance of the CP Notes and the Bonds.

2. The Authority hereby approves the preparation and distribution of a preliminary official statement in connection with the offering and sale of the Bonds and the remarketing of the Series 1-6 Subordinate Bonds in accordance with applicable legal requirements, in such form as may be approved by the Chairman or Chief Financial Officer. The Chairman and Chief Financial Officer are each hereby authorized to deem any such preliminary official statement to be "final" for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934.

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Trustee Sinnreich requested that the proposed budget be broken down in a way to facilitate a review of LIPA staffing issues, such as specific positions, vacant positions, filled positions and targeted positions. Mr. Warren responded that such a breakdown will be undertaken.

Trustee Auerbach indicated that there has been some controversy about a radio tower built in Bridgehampton being higher than reflected in original permits, but that this is entirely a KeySpan facility not involving LIPA. Mr. Hulkower confirmed Trustee Auerbach's observation.

Chairman Kessel stated in regard to the transmission line project on the North Fork that there has been some community opposition to having the line above ground. He indicated that it is very costly to place such lines underground, and that LIPA is putting the project on hold past 2001 in order to gather more input and further study this project, including the community and financial issues. He stated that Mr. Hulkower and Mr. Hervey will be closely reviewing this project. Trustee Maimoni asked what is the budget for this project and Mr. Hulkower responded that there is a wide range, between about \$17 million and over \$100 million, depending on whether the line is under or above ground and other factors.

Trustee Sinnreich stated that the project on the North Fork needs to be approved on an equitable basis as compared to the recently completed new

underground transmission line on the South Fork. Chairman Kessel pointed out that there are significant differences between these two projects, including that the South Fork project involved an entirely new line and the North Fork project involves upgrading an existing line.

Chairman Kessel stated in regard to LIPA's joint billing with KeySpan that while gas prices have increased, it is important for the public to understand that LIPA has neither raised electric rates nor has plans to do so. Trustee Polimeni agreed this is a significant issue for LIPA. Chairman Kessel indicated that Mr. Furlong and Mr. Cunningham will be working on this issue in terms of joint billing options and public communications.

Chairman Kessel entertained a motion to go into executive session to discuss the proposed acquisition of fuel-related securities relating to oil prices.

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

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

RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Trustees of the Long Island Power Authority shall convene in Executive Session for the purpose of discussing the proposed acquisition of fuel-related securities relating to oil prices.

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At 12:37 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 1:05 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 1:05 p.m.

Respectfully submitted,

Stanley B. Klimberg