

**LONG ISLAND POWER AUTHORITY
MINUTES OF THE 135th MEETING
HELD ON SEPTEMBER 20, 2001**

Pursuant to notice dated September 13, 2001, the Long Island Power Authority (the "Authority") was convened for the one hundred and thirty-fifth time at 10:25 AM at the Omni Teleconference Center in Uniondale, NY.

The following Trustees of the Authority were present:

**Richard M. Kessel, Chairman
Patrick Foye, Deputy Chairman
Michael Affrunti
Nancy A. Akeson
Harvey Auerbach
Michael Faltischek
Edna Gerrard
Rupert Hopkins
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, Bert Cunningham, Vice President - Communications, Richard Bolbrock, Vice President - Power Markets, Christopher

Furlong, Director of Customer Relations, and Bruce Germano, Vice President - Retail Services.

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

Chairman Kessel indicated that in light of the terrible tragedy on September 11, today's meeting will be abbreviated and not deal with any issues of major substance or policy. A moment of silence was observed and he extended condolences to those Trustees who were directly impacted by losing a relative or friend. He thanked Mr. Raacke for his offer of assistance last week during the tragedy.

Chairman Kessel thanked Ms. Leat for graciously agreeing to serve as Acting Secretary to the Board for this meeting. He credited Ms. Leat for doing a great job as Secretary to the Nassau County Interim Finance Authority.

Chairman Kessel stated that the first item on the agenda is approval of the minutes of the June 28 Board Meeting.

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

559. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JUNE 28, 2001 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on June 28, 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 next item on the agenda is his report providing some updates on LIPA activities. He indicated that LIPA and KeySpan worked very closely last week, in conjunction with Governor Pataki and other government officials, to ensure appropriate security measures were taken. The Chairman stated that LIPA and KeySpan functioned on an emergency, twenty-four hour a day basis during that time. He also stated that during the tragedy LIPA worked with KeySpan to help Con Edison. He commended Mr. Catell for KeySpan's superb job working with LIPA, and he thanked the unions and Call Center personnel for their tireless work.

Chairman Kessel commended the Governor and the State Legislative leaders for working to help families that lost members in the tragedy. The Chairman asked Deputy Chairman Foye, Trustee Akeson, Mr. Grilli, Mr. Cunningham, Mr. Furlong and Ms. Raso to work on an expedited basis to develop a program for Board approval under which LIPA would provide needed financial assistance to customers who lost family members in the tragedy.

Chairman Kessel praised the senior staffs of LIPA and KeySpan, and especially the crews and work force, for successfully getting through the summer, and in particular the heat wave in August. He also explained that were it not for significant assistance from the Governor, plus the extraordinary cooperation of the people of Long Island in conserving energy during the heat wave, and a five percent voltage reduction directed by the New York Independent System Operator (ISO), LIPA would have had to shed load. The Chairman stated that LIPA set new records this summer for energy use.

Chairman Kessel noted the importance of conservation and LIPA's related initiatives involving new technologies, but stressed that LIPA needs to have additional turbines installed on Long Island by next summer (a minimum of 400 MW) to keep the lights on. He thanked NYPA and the Governor's staff for lending support to get those projects done. He mentioned that the situation may be compounded by LIPA needing to assist Con Edison next summer.

Chairman Kessel reported that while the TransEnergie Cross-Sound cable project is moving forward, there is no assurance that the cable will be available next summer.

Chairman Kessel indicated that LIPA has distributed an energy plan laying out the capacity needs to 2005 and how LIPA intends to meet those needs. He reported that LIPA has engaged one of its consultants, Stone and Webster, to

help marshal in one planning document the details and back-up of LIPA's existing energy plans that include the three-pronged approach of energy conservation, new on-Island generation and transmission improvements. He indicated that such plans are complicated by the fact that the ultimate decisions in siting new plants are not controlled by LIPA, but are dependent on the Siting Board and ISO.

Deputy Chairman Foye asked if the planning document will take into account the ISO master plan for generation on Long Island. Chairman Kessel responded yes and observed that not all the new plants referenced in that ISO master plan will be built. At Deputy Chairman Foye's request, the Chairman directed that the latest plan provided by LIPA addressing generation on Long Island be redistributed to the Board.

Chairman Kessel stated that the next item on the agenda is the Operating Report, to be delivered by Mr. Hulkower. Mr. Hulkower began by reporting on a fire at the Newbridge Road Substation, which is currently being attended to. He also reported that LIPA has projected added load of 37.3 MW for the year as compared to an original target of 32.5 MW. He indicated that the Mass Markets Security Lighting program is growing dramatically. He reported progress with LIPA's various Clean Energy initiatives. He stated with respect to revenue collections that arrears are up because of the effects of summer billings and the slowing economy. He indicated that following the World Trade Center tragedy, LIPA suspended on an interim basis outgoing collections calls and service

turnoffs. Finally, he reported on LIPA's continued very high reliability performance results.

Chairman Kessel stated that the next item on the agenda is the Finance Report, to be presented by Ms. Taylor. Ms. Taylor reported that for the period ended July 31, 2001, the excess of revenues over expenses was a negative of about \$40 million, due to high fuel costs and higher operations and maintenance costs, but this was a significant improvement from the preceding month. She stated that LIPA's cash position at this point (about \$600 million) is very strong. Finally, Ms. Taylor commended the investment banking firms for successfully remarketing LIPA's short-term paper even in the wake of the September 11th tragedy.

Chairman Kessel indicated that while fuel costs are not over budget by as much as anticipated, and August receipts are expected to be high, LIPA should maintain a conservative approach in light of the uncertain economic conditions.

As the next agenda item, Ms. Taylor reported on LIPA's hedging program. She credited Mr. Horowitz for formulating an excellent program. She noted that since oil and gas prices have shown some significant decreases, LIPA will seek to lock in those prices as they come within the range that was budgeted for.

Chairman Kessel stated that the next item on the agenda is to approve a resolution authorizing the Chairman to engage two firms to provide cash

management and advisory services to LIPA in order to assist with investment of cash balances, including the rate stabilization fund, and investment of the nuclear decommissioning trust funds for LIPA's interest in the Nine Mile Point Two plant. He indicated that, following a very competitive RFP process, it is recommended that BNY Asset Management and Morgan Stanley Investment Management be selected as LIPA's cash management and advisory consultants. Ms. Taylor highlighted the importance of engaging those firms to help manage LIPA's substantial cash balances, and she commended Ms. Horigan for her outstanding work in this area.

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

560. ENGAGEMENT OF CASH MANAGEMENT CONSULTANTS

RESOLVED, that the Chairman be, and hereby is, authorized to engage BNY Asset Management and Morgan Stanley Investment Management as cash management and advisory consultants to the Long Island Power Authority.

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Chairman Kessel indicated that the next agenda item is to approve on a final basis a resolution that provides for negotiated fees for wireless communication attachments to LIPA's poles and towers. He explained that this resolution was previously approved by the Trustees on an interim basis under the expedited procedures of the State Administrative Procedure Act.

Trustee Polimeni inquired about the status of the LIPA rulemaking proceeding on rates for wireline attachments. Chairman Kessel and Mr. Germano noted that a number of complex issues are involved in that proceeding, but LIPA is making progress and a decision could come by the end of the year. Trustee Maimoni asked about the KeySpan fiber attachment issue, and Chairman Kessel noted that issue is the subject of current arbitration. In response to a question from Deputy Chairman Foye, Mr. Klimberg observed that the wireless attachment resolution will not affect the arbitration.

Deputy Chairman Foye asked if LIPA's intent in the aforementioned rulemaking proceeding is to foster a level playing field for wireline attachments such that LIPA's costs are recovered without having punitive effects, and Chairman Kessel responded in the affirmative. Trustee Affrunti asked if that rulemaking pertains to poles owned by Verizon and Mr. Germano responded no.

Deputy Chairman Foye inquired as to whether criminal liability may apply to those who make unauthorized attachments to LIPA's facilities. Mr. Klimberg agreed to look into that question.

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

561. FINAL APPROVAL OF A RESOLUTION PROVIDING FOR A POLICY OF NEGOTIATING FEES FOR WIRELESS COMMUNICATIONS ATTACHMENTS TO LIPA'S POLES AND TOWERS

WHEREAS, on May 1, 2001, the Trustees approved on an interim basis a resolution providing for a policy of negotiating fees for wireless communications attachments to LIPA's poles and towers on a case-by-case basis ("Resolution")(incorporated by reference herein); and

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

WHEREAS, notice of the Authority's action was published in the State Register on May 23, 2001; the public comment period has expired; and no comments were received; and

WHEREAS, the Trustees desire to approve the action on a final basis;

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

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Chairman Kessel stated that the last matter for presentation to the Board today relates to the various new gas-fired generation projects planned for Long Island. He noted that at the last Board Meeting, he identified new gas-fired power generation projects planned for Far Rockaway, Spagnoli Road, a Nassau County site and Shoreham and discussed the status of the Cross-Sound Cable project as well as the need to enter into a risk sharing agreement with TransEnergie to keep the project on schedule. He observed that except for Spagnoli Road, all of these projects are planned to be in service for the summer of 2002. He then proceeded to update the Board on these and other projects.

Chairman Kessel indicated that LIPA and the affiliate of Florida Power and Light have negotiated the necessary agreements for a 45 MW gas-fired project at Far Rockaway and the project is proceeding. With respect to the 250 MW Spagnoli Road project, he stated that KeySpan has begun the process to obtain approvals from the State Siting Board. He further noted that the site for the project he identified as in Nassau County is planned to be located at Glenwood. He stated that KeySpan is developing a 79 MW gas-fired project at that site, permitting activities for the project are proceeding and LIPA has proposed to serve as lead agency under SEQRA.

Chairman Kessel reported that LIPA is also in negotiation with developers and others with respect to additional gas-fired generation for the summer of 2002. He indicated that this includes negotiations with KeySpan with respect to a 79 MW gas-fired facility at an existing generation plant site in Suffolk County. Further, he stated that LIPA is in negotiations with PPL Global with respect to gas-fired projects at Shoreham and another site in Suffolk County, each of which projects would be for 79 MW, and is talking to PPL about a third project. He also indicated that LIPA is in negotiations with a developer for a 45 MW gas-fired project at a Nassau County site. He stated that LIPA is discussing with the Village of Freeport the construction, by a developer to be selected by Freeport, of two additional 45 MW gas-fired units, one to be owned by Freeport and the other to be owned by the developer, where LIPA would purchase a portion of the capacity from one or both of these units.

With respect to the Cross-Sound Cable project, Chairman Kessel stated that LIPA has gone forward with the risk sharing agreement discussed previously with the Board to keep that project on schedule. He noted that hearings on the project have been scheduled for October 24 before the Connecticut Siting Council and a decision is expected before the end of the year.

Chairman Kessel indicated that at the June meeting the Board adopted resolutions with respect to moving forward with the projects at Far Rockaway, Spagnoli Road, a Nassau County site (Glenwood) and Shoreham, and with the Cross-Sound Cable project. He stated that to ensure LIPA's continued progress and adherence to schedules for these and other vital projects, including those that may be in planning, it is recommended that the Board adopt a resolution authorizing the Chairman to proceed with entering into and effecting the necessary agreements and arrangements to move those projects forward, and ratifying and approving the actions previously taken by the Chairman in that regard.

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

562. AUTHORIZATION FOR ENTRY INTO AGREEMENTS AND ARRANGEMENTS REGARDING POWER PURCHASES FROM NEW GENERATION ON LONG ISLAND AND REGARDING CROSS-SOUND CABLE PROJECT

RESOLVED, that the Chairman be and hereby is authorized to execute and effect power purchase agreements, property acquisitions and leases, and other related

agreements and arrangements, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chairman, to implement LIPA's purchase of power from new, gas-fired generation projects for operation in the summer 2002 including but not limited to projects at Far Rockaway, Glenwood, Shoreham, Port Jefferson, Brentwood, the Village of Freeport, an additional possible site in Suffolk County, and a possible additional site in Nassau County, and to implement LIPA's purchase of power from a new, gas-fired generation project at Spagnoli Road for operation in the summer of 2004, in order to ensure the availability of sufficient additional on-Island power supply resources to serve LIPA's customers on Long Island; and be it further

RESOLVED, that the Chairman be and hereby is authorized to execute and effect agreements with TransEnergie US and related agreements and arrangements, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chairman, to help ensure that the Cross-Sound Cable project is in service during the summer of 2002 to meet LIPA's resource needs; and be it further

RESOLVED, that all actions taken previously by the Chairman with respect to the projects addressed in the preceding two resolved clauses are hereby in all respects ratified and approved.

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Trustee Sinnreich commended Ms. Altmann and Mr. Bolbrock for recently providing a very helpful briefing on the Clean Energy Initiative.

Chairman Kessel indicated that a discussion on LIPA/KeySpan relationships has been deferred to the next Board meeting, which is scheduled for October 17, 2001 at Southampton Town Hall.

Chairman Kessel entertained a motion to adjourn. Upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 11:38 AM.

Respectfully submitted,

Stanley B. Klimberg