

LONG ISLAND POWER AUTHORITY

Guidelines Regarding Property Disposition Contracts

October 23, 2008

Long Island Power Authority (referred to herein as the "Authority") is required by Section 2896 of the Public Authorities Law to adopt by resolution comprehensive guidelines, to be annually reviewed and approved by the Trustees of the Authority, regarding the use, awarding, monitoring and reporting of contracts for the disposal of Property. The following guidelines (the "Guidelines") are adopted pursuant to such requirement and are applicable with respect to the use, awarding, monitoring and reporting of all Property Disposition Contracts which are (i) entered into by the Authority and (ii) solicited or awarded by the Authority on behalf of the Long Island Lighting Company d/b/a LIPA (referred to herein as the "Subsidiary").

I. DEFINITIONS

1. "Contracting Officer" shall mean the officer or employee of the Authority who shall be appointed by resolution of the Trustees of the Authority to be responsible for the disposition of Property. The Contracting Officer shall be the Authority's Vice President of Operations.
2. "Dispose" or "disposal" shall mean transfer of title or any other beneficial interest in personal or real property in accordance with these guidelines.
3. "Property" shall mean personal property in excess of five thousand dollars in value, real property, and any inchoate or other interest in such property owned by the Authority or the Subsidiary, to the extent that such interest may be conveyed to another person for any purpose, excluding an interest securing a loan or other financial obligation of another party.
4. "Property Disposition Contracts" shall mean written agreements for the sale, lease, transfer or other disposition of Property.
5. "Real Property" shall mean real property and interests therein.

II. PRINCIPAL DUTIES OF CONTRACTING OFFICER

The Contracting Officer shall be an Authority officer appointed by the Trustees who is responsible for the supervision and direction over the custody, control and disposition of Property and responsible for the Authority's compliance with, and enforcement of, these guidelines. The Contracting Officer shall: (a) maintain adequate inventory controls and accountability systems for all Property under the Authority's control; (b) periodically inventory such Property to determine which Property shall be disposed of; (c) produce a written report of such Property, at least annually, listing its Real Property, including a full description of all real and personal property disposed of during the

reporting period, the price received and the name of the purchaser for all such Property sold during the reporting period, which must be delivered to the State Comptroller, the Director of the Budget, the Commissioner of General Services, and the State legislature; and (d) transfer or dispose of such Property as promptly as possible in accordance with these guidelines.

III. PROPERTY DISPOSITION CONTRACTS

A. Reason(s) for Use of Property Disposition Contracts

Property Disposition Contracts may be entered into for the purpose of disposing of Property which is no longer necessary or useful for the operations of the Authority or the Subsidiary to warrant retention, if the disposition of such Property will result in cost savings or other benefits to the Authority or the Subsidiary and/or the disposition thereof will result in the receipt of valuable consideration or other benefits by the Authority or the Subsidiary.

B. Method of Disposition

The Authority may dispose of Property for at least the fair market value by sale, exchange, or transfer, for cash, credit or other Property, upon such terms and conditions as are determined by the Contracting Officer. However, no disposition of Real Property, or any other Property which, because of its unique nature, is not subject to fair market pricing shall be made unless an appraisal of such Property has been made by an independent appraiser and included in the record of the transaction.

C. Award of Property Disposition Contracts; Selection Criteria for Property Disposition Contracts

1. All sales or other dispositions of Property shall be conducted in accordance with these Guidelines by or under the supervision of the Contracting Officer.
2. All Property Disposition Contracts shall be made after publicly advertising for bids unless the criteria set forth below in the Guidelines at Section III.C.3. have been met for such contracts to be made by negotiation or public auction. Whenever public advertising for bids is required, (i) the advertisement for bids shall be made at such time prior to the disposal or contract, through such methods, and on such terms and conditions, as shall permit full and free competition consistent with the value and nature of the Property; (ii) all bids shall be publicly disclosed at the time and place stated in the advertisement; and (iii) the award shall be made with reasonable promptness by notice to the responsible bidder whose bid, conforming to the invitation for bids, will be most advantageous to the state, price and other factors considered; provided, that all bids may be rejected when it is in the public interest to do so.
3. Property Disposition Contracts may be negotiated or made by public auction without regard to the criteria set forth above in the Guidelines at Section III.C.2. but subject to obtaining such competition as the Contracting Officer determines is feasible under

the circumstances, if (i) the personal property involved is of a nature and quantity which, if disposed of by publicly advertising for bids, would adversely affect the state or local market for such property, and the estimated fair market value of such property and other satisfactory terms of disposal can be obtained by negotiation; (ii) the fair market value of the Property does not exceed fifteen thousand dollars; (iii) bid prices after advertising therefor are not reasonable, either as to all or some part of the Property, or have not been independently arrived at in open competition; (iv) the disposition of Property will be to the state or any political subdivision, and the estimated fair market value of the Property and other satisfactory terms of disposal are obtained by negotiation; (v) the disposition of Property is for an amount less than the estimated fair market value of the Property, the terms of such disposal are obtained by public auction or negotiation, the disposal of the Property is intended to further the public health, safety or welfare or an economic development interest of the state or a political subdivision, the purpose and the terms of such disposal are documented in writing and approved by the Trustees of the Authority; or (vi) such action is otherwise authorized by law.

4. The Contracting Officer shall provide a statement explaining the circumstances of the negotiated disposition of Property by at least ninety days prior to such disposal to each of the State Comptroller, the Director of the Budget, the Commissioner of General Services, and the State legislature and a copy thereof shall be preserved in the files of the Authority. Such a statement shall be prepared in connection with a negotiated disposition of Property of any of the following: (i) any personal property which has an estimated fair market value in excess of fifteen thousand dollars; (ii) any Real Property that has an estimated fair market value in excess of one hundred thousand dollars; (iii) any Real Property disposed of by lease for a term of five years or less, if the estimated fair annual rent is in excess of one hundred thousand dollars for any of such years; (iv) any Real Property disposed of by lease for a term of more than five years, if the total estimated rent over the term of the lease is in excess of one hundred thousand dollars; or (v) any Real Property or related personal property disposed of by exchange, regardless of value, or any Property any part of the consideration for which is Real Property. Each such statement shall be transmitted to persons entitled to receive copies of the report under these guidelines not less than ninety-days in advance of such disposal, and copy thereof shall be preserved in the files of the Authority.
5. To the extent that Property Disposition Contracts are competitively awarded, such awards shall be made upon receipt and evaluation of bids or proposals or other information obtained from persons/firms responding to a request for proposals or other form of solicitation on the basis of the criteria specified in the request for proposals or other solicitation. The Contracting Officer shall document the processes by which Property is sold or otherwise disposed of, by making a record summarizing the nature and scope of the Property disposed, the name of each person or organization submitting, or requested to submit, a bid or proposal, the price or other

consideration bid and received, and the basis for selection of both the purchaser and method of disposition of the Property.

6. All dispositions of Property also shall be subject to compliance with Section 6.15 of the Financing Agreement, dated as of May 1, 1998, between the Authority and the Subsidiary (the "Financing Agreement") and Section 714 of the Electric System General Revenue Bond Resolution adopted by the Authority on May 13, 1998, as supplemented (the "General Resolution"). In furtherance thereof, no Property of the Authority or the Subsidiary shall be sold or otherwise disposed of unless the Chief Financial Officer has determined that such disposition (i) is desirable in the conduct of the business of the Authority or the Subsidiary, (ii) is not disadvantageous in any material respect to the holders of the Authority's Obligations (as defined in the General Resolution), (iii) does not materially impair the ability of the Authority and the Subsidiary to comply with their respective obligations to comply with the rate covenants contained in Section 6.1 of the Financing Agreement and Section 701 of the General Resolution, and (iv) does not breach any covenants of the Authority or the Subsidiary relating to the exclusion of interest on the Authority's Obligations, which determinations shall be evidenced in writing and maintained with the records of the Authority relating to the disposition of such Property.

D. Approval Process for Property Disposition Contracts

The award of Property Disposition Contracts and any determinations made in connection therewith shall be approved as follows:

1. Property Disposition Contracts in amounts equal to or less than \$250,000 and related determinations shall be approved by the Contracting Officer, the Chief Financial Officer and the President and Chief Executive Officer.
2. Property Disposition Contracts in amounts greater than \$250,000 and related determinations shall be approved by the Trustees of the Authority.

IV. GENERAL

A. Implementation of Guidelines

The Contracting Officer is empowered to prepare such supplemental procedures as may be required to effectively implement these Guidelines, copies of which shall be provided to the Trustees.

B. Reports

1. Property Disposition Guidelines approved by Authority shall be annually reviewed and approved by the Trustees of the Authority. On or before the thirty-first day of March in each year, the Authority shall file with the State Comptroller a copy of the most recently reviewed and adopted guidelines, including the name of the

Contracting Officer, and must post such guidelines on the Authority's website. Guidelines posted on the Authority's website shall be maintained at least until the procurement guidelines for the following year are posted on the website.

2. No less frequently than annually, the Contracting Officer shall prepare and submit to the Trustees a report listing all Real Property of the Authority and the Subsidiary. Such report shall consist of a list and full description of all real and personal property disposed of during such period. The report also shall contain the price received by the Authority or the Subsidiary and the name of the purchaser for all such Property sold by the Authority or the Subsidiary during such period and the status of any pending Property dispositions.

C. Effect of Awarded Contracts

These Guidelines are intended for the guidance of the officers and employees of the Authority and the Subsidiary only. Nothing contained herein is intended or shall be construed to confer upon any person, firm or corporation any right, remedy, claim or benefit under, or by reason of, any requirement or provision hereof, or be deemed to alter, affect the validity of, modify the terms of or impair any contract or agreement made or entered into in violation of, or without compliance with, these Guidelines. In accordance with Section 2897.5 of the Public Authorities Law, a deed, bill of sale, lease, or other instruments executed by or on behalf of the Authority, purporting to transfer title or any other interest in Property shall be conclusive evidence of compliance with these guidelines insofar as concerns title or other interest of any bona fide grantee or transferee who has given valuable consideration for such title or other interest and has not received actual or constructive notice of lack of compliance with these guidelines prior to the closing.