LONG ISLAND POWER AUTHORITY

MINUTES OF THE 247th MEETING

HELD ON FEBRUARY 26, 2014

The Long Island Power Authority (the “Authority”) was convened for the two-
hundred-and-forty seventh time at 11:04 a.m. at LIPA’s Headquarters, Uniondale, NY,
pursuant to legal notice given on February 21, 2014; and electronic notice posted on the
Authority’s website.

The following Trustees of the Authority were present:

Ralph V. Suozzi, Chair
Elkan Abramowitz
Marc S. Alessi
Sheldon L. Cohen
Matthew Cordaro
Mark Fischl
Jeffrey H. Greenfield
Thomas J. McAteer – Video Conference
Suzette Smookler

Representing the Authority were John McMahon, Chief Operating Officer;
Kenneth Kane, Interim Chief Financial Officer; Lynda Nicolino, General Counsel and
Secretary; Paul DeCotis, Managing Director of Contract Oversight, and Michael Deering,
Director of Communications & Clean Energy Program Oversight.

The Chair called for a motion to enter into Executive Session to discuss the
appointment of a candidate to the position of Chief Executive Officer.

At approximately 11:07 a.m. the Board of Trustees adjourned into Executive Session,
which ended at 11:42 a.m.

After noting that no votes were taken in the Executive Session, the Public Meeting of
the Board of Trustees of the Long Island Power Authority reconvened.
1200. 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 contract and personnel issues.

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Chairman Suozzi called for a motion to accept the minutes of the January 21, 2014 meeting of the Board of Trustees, which was seconded. He asked if there were any changes or deletions. Upon hearing none, the resolution was then unanimously adopted by the Trustees.

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


RESOLVED, that the Minutes of the meeting of the Authority held on January 21, 2014 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 Suozzi then remarked on the following items:

➢ Progress related to the initial months of the Operations Services Agreement with PSEG Long Island; and

➢ FEMA money in the amount of $1.4 billion related to SuperStorm Sandy damages and future storm hardening.

Chairman Suozzi then turned the meeting over to Mr. McMahon for the COO’s Report.

Mr. McMahon commented on the following items:
The creation of a Contract Oversight department within LIPA which is responsible for working with PSEG Long Island to ensure compliance with the LIPA Reform Act and the OSA;

The increase of natural gas prices due to volatility in the market as a result of the cold winter weather;

The Caithness II permit hearing for the Draft Environmental Statement that was held and staff’s upcoming meetings with the Board to discuss the process; and

LIPA’s Renewable Energy Initiatives.

The Chair stated that the next item on the agenda is the presentation of the Operating Report which will be presented by our Service Provider, PSEG-LI President, Dave Daly. Also reporting from PSEG-LI were John O’Connell, Vice President of T & D Operations, Bill Johnson, Vice President of Business Services and Dan Eichorn, Vice President of Customer Operations.

Mr. Johnson reported on the following items:

The January financial report.

Next, Mr. Daly reported on the following items:

A review of the performance metrics results from January;and

The tentative agreement with IBEW Local 1049 to extend the collective bargaining agreement for 21 months.

Next, Mr. O’Connell reported on the following items:

Safety incidents in February;

Storm activity in February; and

The repair situation of the Y-49 transmission cable owned by NYPA and under contract to LIPA.
Finally, Dan Eichorn reported on the following items:

- The accident report for January; and
- Procedures in place for storm events.

Mr. Daly concluded PSEG LI’s report and took questions from the Trustees.

The Chair stated that the next item on the agenda is the Financial Report, to be presented by Mr. Falcone.

Mr. Falcone then presented the Financial Report, which included the financial results through January 31, 2014.

Mr. Falcone concluded his report and took questions from the Trustees.

The Chair stated that the next item on the agenda, related to tariff changes, was being withdrawn until a later date.

The Chair stated that the next item on the agenda is the Consideration of Authorization to Establish a Regulatory Asset Related to the Employee Benefit Plan Settlement with National Grid.

After requesting a motion on the matter, which was seconded, the Chair indicated that the matter would be presented by Mr. Falcone.

Mr. Falcone presented the following action item:

**Requested Action**

The Trustees are being requested to approve a resolution authorizing the establishment of a regulatory asset related to recovery by the Long Island Power Authority (the “Authority”) of the costs associated with certain employee benefit plans for National Grid Electric Services (“NGES”) employees serving LIPA’s electric customers prior to January 1, 2014.

**Background**

On November 26, 2013, the Trustees authorized the negotiation and execution of a definitive settlement agreement and release with NGES and its affiliates related to certain employee benefit plan funding obligations associated with the expiration of the
Management Services Agreement and LIPA’s transition to a new business model. On December 31, 2013, the Authority signed such an agreement with NGES and its affiliates whereby the Authority agreed to pay NGES $263.5 million in full satisfaction of a potential liability of more than $400 million in underfunded employee pension and benefit costs for NGES employees serving LIPA’s electric customers (the “Settlement”). The Settlement provides for a $91.5 million cash payment, and the release of NGES’s payment obligations under a $155.2 million promissory note that dates back to 1998.

Discussion

Given that the Settlement was not finalized until December 31, 2013, it is now necessary to address collection of the cost of the Settlement going forward. In this regard, the Authority has been accruing for carrying charges associated with the underfunded liability and has a $32.6 million accrual as of December 31, 2013 to cover a portion of the costs associated with the Settlement. The remaining balance of approximately $216.4 million would require deferral accounting treatment to be recovered from customers in a future period. Staff recommends the balance be treated as a regulatory asset and recovered over a period of 10 years beginning in 2016 on a straight line amortization method to run coincident with the remaining term of the operations agreement with LIPA’s current service provider.

Mr. Falcone noted that this recommendation has been presented to the Finance and Audit Committee, which has adopted a resolution recommending approval by the Trustees.

Recommendation

Based on the foregoing, he recommended approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

After a discussion by the Trustees and the opportunity for the public to be heard, the following resolution was unanimously adopted by the Trustees:

1202. ESTABLISHMENT OF REGULATORY ASSET RELATED TO EMPLOYEE BENEFIT PLAN SETTLEMENT WITH NATIONAL GRID

WHEREAS, on December 31, 2013, as authorized by the Long Island Power Authority (the “Authority”) Trustees, a settlement agreement was executed with National Grid Electric Services and its affiliates (collectively “NGES”) which released, discharged and relieved the Authority from any liability or obligation with respect to past or future employee benefit plan and other benefit funding obligations for NGES employees dedicated to serving electric customers under certain operating agreements between the Authority and NGES (the “Settlement”); and
WHEREAS, the Authority agreed to pay $263.5 million in full satisfaction of a potential liability of more than $400 million to NGES related to the Settlement, which amount included a cash payment of $91.5 million and dissolution of National Grid’s obligations under the $155.2 million 1998 NYSERDA promissory note (plus accrued interest on the note of approximately $2.3 million); and
WHEREAS, the Authority has been accruing for carrying charges associated with this liability and has a $32.6 million accrual as of December 31, 2013 to cover a portion of the costs associated with the Settlement, leaving a balance of $216.4 million; and

WHEREAS, Staff recommends that the $216.4 million be approved as a regulatory asset to be recovered over 10 years beginning in 2016 on a straight line amortization method to coincide with the remaining term of the Amended and Restated Operations Services Agreement between LIPA and PSEG Long Island LLC; and

WHEREAS, the Finance and Audit Committee of the Board reviewed Staff’s request and has adopted a resolution recommending approval by the Trustees:

NOW, THEREFORE BE IT RESOLVED, that the Trustees authorize the establishment of a regulatory asset in the amount of $216.4 million to be incorporated into rates through straight-line amortization over a ten-year period starting in 2016 related to the Settlement; and be it further

RESOLVED, that this resolution take effect immediately.

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The Chair stated that the next item on the agenda is the Consideration of Approval of a Revised Mission Statement of the Long Island Power Authority.

After requesting a motion on the matter, which was seconded, the Chair indicated that the matter would be presented by Mr. McMahon.

Mr. McMahon presented the following mission statement to better reflect LIPA’s new organizational structure and purpose:

LONG ISLAND POWER AUTHORITY
MISSION STATEMENT

Our Mission is to ensure the provision of reliable, economical and responsive electric service to 1.1 million customers on Long Island and in the Rockaways, meet the expectations of our bond holders and be a trusted, valued member of the community. We will oversee the performance of our Service Provider, PSEG-Long Island, maintain a consistent focus on energy efficiency and renewable energy and carry out our public service, fiscal and contractual duties faithfully and professionally.

After a discussion by the Trustees and the opportunity for the public to be heard, it was agreed that the mission statement be revised to include the word “transparently” as follows:
LONG ISLAND POWER AUTHORITY
REVISED MISSION STATEMENT

Our Mission is to ensure the provision of reliable, economical and responsive electric service to 1.1 million customers on Long Island and in the Rockaways, meet the expectations of our bond holders and be a trusted, valued member of the community. We will oversee the performance of our Service Provider, PSEG-Long Island, maintain a consistent focus on energy efficiency and renewable energy and carry out our public service, fiscal and contractual duties faithfully, transparently and professionally.

Thereafter, the following resolution was unanimously adopted by the Trustees:

1203. APPROVAL OF LONG ISLAND POWER AUTHORITY MISSION STATEMENT

WHEREAS, in accordance with the Public Authorities Reform Act (Chapter 506 of the Laws of 2009) the Long Island Power Authority (the “Authority”), like all other public authorities, is required to adopt a mission statement and review it annually; and

WHEREAS, the mission statement should address the intent and purpose for which a public authority was created, and set forth a clear and concise statement of its philosophy, guiding principles, values and culture to staff and the public; and

WHEREAS, given the changes to the Authority’s purpose and structure resulting from the LIPA Reform Act (Chapter 173 of the Laws of 2013), it is necessary and valuable for the Authority to communicate its new strategic and organizational goals and objectives to its stakeholders through a clear, concise statement of its mission; and

WHEREAS, Staff has proposed significant revisions to the Authority’s existing mission statement and solicited comments from staff and the Governance Committee of the Board of Trustees; and

WHEREAS, it has been determined that the proposed, revised statement, as attached hereto, will better serve the Authority’s interests and provide the public with a better understanding of the services it provides, the community it serves, and the reasonable expectations of its stakeholders:

NOW, THEREFORE, BE IT IS RESOLVED, that the Trustees hereby approve and adopt a revised “Mission Statement” in the form presented at this meeting.

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The Chair stated that the next item on the agenda is the Consideration of Approval of Revised By-Laws of the Long Island Power Authority.

The Chair indicated that the matter would be presented by Ms. Nicolino.
Ms. Nicolino presented the following action item:

**Requested Action**

The Trustees are being requested to adopt revisions to the By-Laws of the Long Island Power Authority (the "Authority"), in the form attached hereto.

**Background**

The Authority’s By-Laws provide for, among other things, the regulation and management of the Authority’s business, and were last amended in 2010. Given recent changes to the Authority’s enabling statute as a result of the LIPA Reform Act, it is necessary to further revise the By-Laws at this time. Accordingly, the Governance Committee (the “Committee”) has undertaken a review of the By-Laws and determined that the following changes are necessary to more clearly reflect the Authority’s current and desired practices:

- Acknowledge changes to the law, including to the Authority’s enabling statute;
- Reflect the reduced size of the Board related to calling meetings and quorums;
- Reflect changes to the Authority’s organizational structure related to the elimination of a Chief Operating Officer, President and Vice President positions and creation of a General Manager position;
- Eliminate reference to Senate approval of the President and Chief Executive Officer;
- Reduce the number of Vice Chair positions from two to one;
- Update the description of the powers and duties of the officers appointed by the Trustees; and
- Modify the committee structure to better reflect the Authority’s new oversight role and reduced staff size by eliminating the Energy Efficiency and Environment Committee; modifying the powers and duties of the Personnel and Compensation Committee; and establishing a Contract Oversight Committee.

Ms. Nicolino noted that the Governance Committee has adopted a resolution recommending that the Trustees approve the revisions to the By-Laws as proposed.

**Recommendation**

Based upon the foregoing, she recommended approval of the above-requested action by adoption of a resolution in the form of the draft resolution attached hereto.

*After a discussion by the Trustees and the opportunity for the public to be heard, the*
following resolution was unanimously adopted by the Trustees:

1204. APPROVAL OF REVISED BY-LAWS OF THE LONG ISLAND POWER AUTHORITY

WHEREAS, the Long Island Power Authority (the “Authority”) has adopted By-Laws with respect to the regulation and management of the affairs of the Authority, as amended most recently in August, 2010; and

WHEREAS, in light of recent changes to the Authority’s enabling statute it is necessary to further revise the By-Laws of the Authority to better reflect its organizational and operational structure under the LIPA Reform Act:

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby approve and adopt the “By-Laws of the Long Island Power Authority (as amended February 26, 2014)” in the form presented at this meeting; and be it further

RESOLVED, that such By-Laws of the Long Island Power Authority are to be effective with respect to the regulation and management of the affairs of the Authority as of February 26, 2014.

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The Chair stated that the next item on the agenda is the Consideration of Approval of Appointment of Vice Chair.

The Chair indicated that the matter would be presented by Ms. Nicolino, who proposed that Tom McAteer be elected to the position of Vice Chair following input from the Governance Committee.

After a discussion by the Trustees and the opportunity for the public to be heard, the following resolution was unanimously adopted by the Trustees:

1205. APPROVAL OF ELECTION OF VICE CHAIR TO THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

WHEREAS, the By-Laws of the Long Island Power Authority (the “Authority”) provide for, among other things, the election and appointment of officers of the Authority, including a Vice Chair to the Board of Trustees (the “Board”); and

WHEREAS, pursuant to the Authority’s By-Laws, the Vice Chair “shall possess such powers and shall perform such duties as may be assigned to him from time to time by the Trustees”; and
WHEREAS, a Vice Chair is further empowered to be Acting Chairman in the absence, disability or incapacity of the Chairman, and shall assume the powers and perform all duties of the Chair if the Chair is unable to perform such duties for any reason; and

WHEREAS, the Trustees have determined that it is advisable at this time to elect a Vice Chair pursuant to the By-Laws:

NOW THEREFORE, BE IT RESOLVED, that Thomas McAteer be, and hereby is, elected to the office of Vice Chair of the Board of Trustees, effective as of February 26, 2014, until the earlier of his resignation or removal; and be it further

RESOLVED, that the incumbent of the Office of the Vice Chair shall be an officer of the Authority and its subsidiary, LIPA, within the meaning of the Authority’s enabling legislation (Chapter 517 of the Laws of 1986), as amended, including Section 1020-bb of the Public Authorities Law, and all other applicable laws.

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The Chair stated that the next item on the agenda is the consideration of Approval of Appointment of Chief Executive Officer.

The Chair indicated that the matter would be presented by Trustee Tom McAteer.

After Trustee McAteer’s presentation, a discussion by the Trustees and the opportunity for the public to be heard, the following resolution was then adopted with Trustee Cordaro opposing.

1206. APPOINTMENT TO OFFICE OF CHIEF EXECUTIVE OFFICER

RESOLVED, that John D. McMahon be, and hereby is, elected to the Office of Chief Executive Officer at an annual salary of $275,000, effective on or about February 26, 2014, until the earlier of his resignation or removal; and be it further

RESOLVED, that the incumbent of the Office of Chief Executive Officer shall be an officer of the Long Island Power Authority (“Authority”) and its subsidiary, within the meaning of the Authority’s enabling legislation (Chapter 517 of the Laws of 1986), as amended, including Section 1020-bb of the Public Authorities Law, and all other applicable laws.

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The Chair stated that the next item on the agenda is the Consideration of Approval of a Revised Personnel and Compensation Committee Charter.
The Chair indicated that the matter would be presented by Ms. Nicolino.

Ms. Nicolino presented the following action item:

**Requested Action**

The Trustees are being requested to adopt a resolution authorizing revisions to the Long Island Power Authority (the "Authority") Personnel and Compensation Committee Charter (the “Charter”) in the form attached hereto.

**Background**

In April 2013, the Trustees established a charter for the Personnel and Compensation Committee (the “Personnel Committee”) setting forth its duties related to various personnel policies and programs for staff at the Authority. In consideration of the subsequently enacted LIPA Reform Act (Chapter 173 of the Laws of 2013), certain changes to the Authority’s organizational structure have been made, which, among other things, has resulted in the Authority’s staff being reduced by approximately half as of January 1, 2014, with further reductions contemplated by or before year’s end. Given the significant down-sizing of staff, changes to certain of the Authority’s governance documents are necessary to better reflect the current needs of the Authority, such as the Personnel Committee’s Charter.

Accordingly, the main revisions proposed to the Charter provide for 1) a change of references to executive staff titles to conform to the updated By-Laws; 2) a narrowing of the existing requirement to provide for the monitoring of staffing needs rather than a staffing plan; and 3) an expansion of the existing requirement to include a review of compensation and benefit plans for all employees, rather than just executive staff.

Ms. Nicolino noted that the Personnel Committee believes that the proposed revised Charter is in all respects reasonable and appropriate and has adopted a resolution recommending approval of the proposed revisions by the Trustees at this time.

**Recommendation**

Based upon the foregoing, she recommended approval of the above-requested action by adoption of a resolution in the form of the draft resolution attached hereto.

After a discussion by the Trustees and the opportunity for the public to be heard, the following resolution was unanimously adopted by the Trustees:

**1207. APPROVAL OF REVISED LONG ISLAND POWER AUTHORITY PERSONNEL AND COMPENSATION COMMITTEE CHARTER**

WHEREAS, the Trustees adopted on April 25, 2013, a Personnel and Compensation Committee Charter (“Charter”) which establishes, among other things, the purpose,
powers, composition and key responsibilities of the Personnel and Compensation Committee (the “Personnel Committee”); and

WHEREAS, the Personnel Committee has reviewed the proposed revised Charter and believes it is reasonable and appropriate to revise it for the reasons set forth in the accompanying memorandum:

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby adopt the Long Island Power Authority’s “Personnel and Compensation Committee Charter (February 26, 2014)” in the form presented at this meeting; and be it further

RESOLVED, that this resolution take effect immediately.

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The Chair stated that the next item on the agenda is the Consideration of Approval of the Contract Oversight Committee Charter.

The Chair indicated that the matter would be presented by Ms. Nicolino.

Ms. Nicolino presented the following action item:

Requested Action

The Trustees are requested to adopt a resolution establishing the Long Island Power Authority’s (the “Authority”) Contract Oversight Committee Charter (the “Charter”) in the form attached hereto.

Background

In light of the new structure and responsibilities of the Authority pursuant to the LIPA Reform Act (Chapter 173 of the Laws of 2013), the By-Laws of the Authority, as recently revised, established a Contract Oversight Committee (the “Committee”) as a standing committee of the Board. The purpose of this Committee is to assist the Authority in reaching its goals with respect to the Authority’s Amended and Restated Operations Services Agreement (“Amended OSA”) with its new service provider, PSEG LI. The Amended OSA imposes substantive obligations and standards of performance on the service provider intended to achieve, among other things, superior customer service in connection with all aspects of its operations.

In furtherance of the Authority’s efforts in this regard, it is desirable to formalize the purpose, powers, activities, structure, composition and responsibilities of the Committee through the adoption and implementation of a governing Charter at this time.
The Charter provides that the Committee would consist of three or more members, meet at least four times a year, and report on and make recommendations to the full Board from time to time related to its activities. Consistent with its stated purpose, the Charter also provides for certain oversight responsibilities in connection with PSEG LI’s performance under the Amended OSA and related contracts, including compliance with and implementation of key contract provisions and standards, metrics, efficiency and renewables goals, stakeholder communications, reporting activities, power supply, fuel management and other operational matters. Among other things, the Committee will also monitor management audit and other recommendations made by the Department of Public Service related to the Amended OSA.

Ms. Nicolino noted that the Governance Committee has reviewed the proposed Charter and believes that it is in all respects reasonable and appropriate, and recently adopted a resolution recommending its approval by the Trustees.

Recommendation

Based upon the foregoing, she recommended that the Trustees adopt a resolution in the form of the draft resolution attached hereto.

After a discussion by the Trustees and the opportunity for the public to be heard, the following resolution was unanimously adopted by the Trustees:

1208. ADOPTION OF THE LONG ISLAND POWER AUTHORITY CONTRACT OVERSIGHT COMMITTEE CHARTER

WHEREAS, the newly revised By-Laws of the Long Island Power Authority (the “Authority”) established a Contract Oversight Committee (the “Committee”) as a standing committee of the Board in order to assist the Authority in reaching its goals with respect to the oversight of its contract with service provider, PSEG Long Island, related to the provision of electric service to customers on Long Island and in the Rockaways; and

WHEREAS, Staff believes it is desirable to formalize the purposes, powers, activities, structure, composition and responsibilities of the Committee through adoption and implementation of a governing charter (the “Charter”); and

WHEREAS, the Governance Committee has reviewed the proposed Charter, as attached hereto, and recommends, by way of resolution, that the Trustees adopt the Charter accordingly:

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby adopt the Contract Oversight Committee Charter presented at this meeting; and be it further

RESOLVED, that this resolution take effect immediately.
The Chair then allowed public comment to be heard, and announced that the next Board meeting is scheduled for March 27, 2014 at 11:00 a.m. in Uniondale.

At approximately 2:05 p.m. the Open Session of the Board of Trustees was adjourned.

Respectfully submitted,

Lynda Nicolino