The Long Island Power Authority (the “Authority”) was convened for the two-hundred-and-fortieth time at 9:10 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on May 20, 2013; and electronic notice posted on the Authority’s website.

The following Trustees of the Authority were present:

Lawrence Waldman, Chair
Laurence Belinsky
Matthew Cordaro
Gemma deLeon
John Fabio
Jeffrey Greenfield
Neal Lewis
Susan Gordon Ryan
Michael Maturo
Suzette Smookler

Trustee Peter Tully was not present.

Representing the Authority were John McMahon, Chief Operating Officer; Michael Taunton, Chief Financial Officer; Lynda Nicolino, General Counsel and Secretary; Kenneth Kane, Vice President - Finance; Paul DeCotis, Vice President - Power Markets; Michael Deering, Vice President - Environmental Affairs; and Nicholas Lizanich, Vice President of Transmission & Distribution Operations.

Chairman Waldman welcomed everyone to the 240th meeting of the Long Island Power Authority Board of Trustees and led the Pledge of Allegiance.

Chairman Waldman called for a motion to accept the minutes of the April 19, 2013 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 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 April 19, 2013 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 Waldman called for a motion to accept the minutes of the April 25, 2013 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 adopted with Trustee Belinsky abstaining.

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


RESOLVED, that the Minutes of the meeting of the Authority held on April 25, 2013 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.

***

Chairman Waldman then remarked on the following items:

➢ The agenda for today’s meeting;

➢ The proposed LIPA legislation and related items; and

➢ LIPA’s primary mission and focus.

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

➢ Mr. McMahon reported on the following items:

➢ The issue of utility pole replacements in Long Beach and other shore communities; and

➢ The success of LIPA’s research and development programs.

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

Mr. Lizanich reported on the Operations Committee’s recent meeting at which National Grid provided an update on storm related initiatives underway in preparation for the summer. Mr. Lizanich concluded his report and took questions from the Trustees.

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

Mr. Taunton then presented the Financial Report, which included the financial results for the four months ended April 30, 2013.

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

The Chair stated that the next item on the agenda is the Committee Reports. The first report would be presented by Trustee John Fabio on behalf of the Governance Committee.

Trustee Fabio reported to the Board on certain items as required by the Public Authorities Reform Act, including the Trustees’ attendance, training, participation and self-evaluation, as well as the Governance Committee’s recommendations to the Board.

Trustee Fabio took questions from the Trustees.

The Chair stated that the next report will be on the Operations Committee by Trustee de Leon on behalf of Trustee Peter Tully.

Trustee de Leon reported on the activities of the Operations Committee over the last several months, including the Committee’s involvement in the Authority’s resource decisions and the formation of a statewide transmission organization.

Trustee de Leon took questions from the Trustees.

The Chair stated that the last report will be from the Energy Efficiency and Environmental Committee by Chairman Jeffrey Greenfield.
Trustee Greenfield reported on the Committee’s recent meeting, which included reviewing the progress of the Authority’s Efficiency Long Island program.

Trustee Greenfield took questions from the Trustees.

The Chair stated that the next item on the agenda is the Consideration of Approval of the Finance and Audit Committee Charter.

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

Mr. Taunton presented the following action item:

Requested Action

The Trustees are being requested to adopt a revised Long Island Power Authority (the “Authority”) Finance and Audit Committee Charter in the form attached hereto.

Background

The Finance and Audit Committee Charter (the “Charter”), which was approved by the Board of Trustees on April 30, 2008, as updated on September 23, 2010, establishes, among other things, the purpose, powers, composition and key responsibilities of the Finance and Audit Committee (the “Committee”) and serves as the governing document for the Committee. Consistent with the Charter, the Committee has recently undertaken a thorough review of the Charter’s adequacy and determined that a number of changes are desirable to expand and clarify the scope of the Committee’s financial responsibilities to more clearly reflect current and desired practices.

The principle modifications proposed to be made to the Charter include the addition of certain key responsibilities, particularly with respect to the functions of the independent auditor and the internal auditor which the Authority now employs. The additions to the Charter include inter alia:

Independent Auditor:

- Mandating that the independent auditor report directly to the Committee and meet with the Committee at least annually to discuss the financial statements of the Authority.

- Requiring that the Committee approve, in advance, all requests for services to be performed by the independent auditor.

- Allowing Committee members to obtain any information and training needed to
enhance their understanding of the role of internal audit, the independent auditor, the risk management process, internal controls and familiarity with applicable financial standards and processes.

- Reviewing in consultation with management of the Authority and the Authority’s independent auditor, the planned scope of the annual audit of financial statements, including a review of staffing and coordination of audit efforts between the independent auditor and internal auditors.

**Director of Internal Audit:**

- Giving the Committee authority over the appointment, dismissal, compensation and performance reviews of the Director of Internal Audit who shall report functionally to the Committee and administratively to the President and Chief Executive Officer.

- Reviewing with management of the Authority and the Director of Internal Audit, the Charter, annual internal audit plan, activities, staffing and organizational structure of the internal audit function.

- Overseeing the implementation and/or management of an effective system of internal control that promotes the achievement of management’s objectives.

- Reviewing and presenting the results of any audit findings to the Board including those conducted by the State and any of its agencies, and recommend any policy changes related thereto.

- Reviewing the scope and terms of the Authority’s insurance policies and liability coverage on an annual basis.

Mr. Taunton noted that the proposed revised Charter also provides for other modifications in order to provide greater clarity and consistency of the responsibilities and activities set forth therein. I further note that the Committee believes that the proposed revised Charter is in all respects reasonable and appropriate. Accordingly, the Committee has adopted a resolution recommending approval of the Charter by the Trustees.

**Recommendation**

Based upon the foregoing, Mr. Taunton 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 then adopted with Trustee Lewis abstaining.*
1168. APPROVAL OF REVISED LONG ISLAND POWER AUTHORITY FINANCE AND AUDIT COMMITTEE CHARTER

WHEREAS, the Trustees adopted a Finance and Audit Committee Charter ("Charter") on April 30, 2008, as revised on September 23, 2010, which establishes, among other things, the purpose, powers, composition and key responsibilities of the Finance and Audit Committee (the "Committee"); and

WHEREAS, the Committee has reviewed the 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 Finance and Audit Committee Charter (as revised May 23, 2013)" in the form presented at this meeting; and be it further

RESOLVED, that this resolution take effect immediately.

***

The Chair stated that the next item on the agenda is the Approval of the Personnel and Compensation Committee Charter.

After requesting a motion on the matter, which was seconded, 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 approving the Long Island Power Authority’s (the "Authority") Personnel and Compensation Committee Charter (the "Charter") in the form attached hereto.

Background

On December 16, 1997, the Trustees established a Personnel and Compensation Committee (the "Committee"). The Authority’s By-Laws outline the Committee’s duties to review and make recommendations to the Board of Trustees regarding the development of the Authority’s personnel and compensation policies and programs, the hiring of Authority personnel, and the development of an overall staffing plan vis-a-vis the Authority’s needs with both internal staff resources and outside consultants. Additionally, the By-Laws provide that the Committee shall recommend for approval by the Trustees, the compensation of the President and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and General Counsel. 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.
Consistent with its responsibilities under the By-Laws, the Charter provides for certain key responsibilities related to the Authority’s personnel policies and programs, overall staffing plan, and compensation for the four highest-ranking officers in the Authority, and adds additional responsibilities related to employee compensation and benefit plans, executive compensation and performance and senior management succession planning.

Ms. Nicolino noted that the Committee believes that the proposed Charter is in all respects reasonable and appropriate and recently adopted a resolution recommending approval of the Charter by the Trustees.

**Recommendation**

Based upon the foregoing, Ms. Nicolino 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 then adopted with Trustee Lewis abstaining:*

**1169. ADOPTION OF THE LONG ISLAND POWER AUTHORITY PERSONNEL AND COMPENSATION COMMITTEE CHARTER**

WHEREAS, the Personnel and Compensation Committee (the “Committee”) of the Long Island Power Authority (the “Authority”) was established on December 16, 1997 to assist the Authority in reaching its goals with respect to the development of personnel and related issues and has been operating pursuant to the responsibilities set forth in the Authority’s By-Laws; 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 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 Personnel and Compensation Committee Charter presented at this meeting; and be it further

RESOLVED, that this resolution take effect immediately.

***

The Chair stated that the next item on the agenda is the Consideration of Approval of Revised Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Procurement Contracts.
After requesting a motion on the matter, which was seconded, 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 the Long Island Power Authority (“LIPA”) Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Procurement Contracts (the “Procurement Guidelines”), as revised, in the form attached hereto as Exhibit C.

**Background**

Section 2879 of the Public Authorities Law requires certain public authorities, including LIPA, to periodically review and approve procurement guidelines, which set forth LIPA’s operative policy and instructions regarding the use, awarding, monitoring and reporting of procurement contracts. LIPA’s Procurement Guidelines were last approved by the Trustees in May 2012.

Based on Staff’s review, it has been determined that no substantive changes are warranted at this time. However, as reflected in the attached blacklined version, certain minor clarifications and corrections are being recommended to improve the comprehension of the Procurement Guidelines regarding the use, awarding, monitoring and reporting of procurement contracts.

**Recommendation**

Based upon the foregoing, Ms. Nicolino recommended the approval of the above-requested action by adoption of a resolution in the form of the draft resolution attached hereto as Exhibit A.

After a discussion by the Trustees and the opportunity for the public to be heard, the following resolution was then adopted with Trustee Lewis abstaining:

1170. APPROVAL OF REVISED LONG ISLAND POWER AUTHORITY GUIDELINES REGARDING THE USE, AWARDING, MONITORING AND REPORTING OF PROCUREMENT CONTRACTS

WHEREAS, the Long Island Power Authority (the “Authority”) is required by Section 2879 of the Public Authorities Law to periodically review and adopt guidelines which set forth the Authority’s use, awarding, monitoring and reporting of Procurement Contracts and others; and

WHEREAS, the Authority wishes to revise its existing Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Procurement Contracts (“Procurement Guidelines”)...
to reflect minor clarifications and corrections to improve the comprehension of the Procurement Guidelines regarding the use, awarding, monitoring and reporting of procurement contracts:

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby approve and adopt the “Long Island Power Authority Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Procurement Contracts (May 23, 2013)” in the form presented at this meeting; and be it further

RESOLVED, that such Procurement Guidelines are to be effective with respect to the use, awarding, monitoring and reporting of Procurement Contracts and all other contracts, as defined in such Procurement Guidelines, entered into after the date hereof.

***

The Chair stated that the next item on the agenda is the Consideration of Approval of Modifications to LIPA’s Tariff for Electric Service Classification No. 16, Advanced Metering Initiative (AMI) Pilot Service.

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

Mr. Little presented the following action item:

Requested Action

The Trustees are being requested to approve a resolution adopting modifications to the Long Island Power Authority’s (“LIPA”) Tariff for Electric Service (“Tariff”) to: 1) modify the on-peak prices under Service Classification No. 16, Advanced Metering Initiative Pilot Service, in connection with LIPA’s Smart Grid Initiative (“AMI Pilot Service”); 2) authorize the extension of AMI Pilot Service for an additional five years and allow current participants to be enrolled in the new on-peak rates; and 3) authorize certain other changes in the Tariff to clarify provisions and remove outdated references.

Background

In August 2009, LIPA implemented the AMI Pilot Service program, which involves installing “smart meters” that have two-way communication capability and offering time-differentiated rates, giving LIPA the ability to provide customers with real-time energy usage information and time-of-use price signals. The goal of the AMI Pilot Service program is to study the change in customers’ energy consumption behavior in response to the real-time information that is collected, and to assess the value these smart metering systems have to LIPA in reducing on-peak demand and/or other anticipated benefits. By resolution dated June 25, 2009, LIPA’s Board of Trustees approved a Tariff modification adding the AMI Pilot Service rate which offers experimental time-differentiated rates to customers in certain geographical areas who volunteer for the program. LIPA Staff enrolled approximately 200
residential and commercial customers in the Hauppauge and Bethpage areas to participate in the pilot program; however, only 61 customers participate. The AMI Pilot Service program is set to expire on September 30, 2013.

LIPA Staff is preparing to expand the AMI Pilot Service program to a larger customer base of approximately 1,000 customers in the Route 110 corridor as part of the U.S. Department of Energy sponsored program that combines automated metering technology with distribution automation technology initiatives.

The AMI Pilot Service program resulted in an overall reduction in energy use. However, almost half the participants in the experimental rate used more on-peak energy, which suggests the need to adjust the rate design to further encourage a reduction in energy consumption during on-peak hours. LIPA Staff believes that a greater price differential between the on-peak and off-peak hours will provide customers additional incentive to shift their discretionary consumption from on-peak hours to off-peak hours. Accordingly, Staff issued a Proposal to increase the summer on-peak rate to approximately 3.5 times higher than off-peak rates. The goal is to shift consumption away from LIPA’s peak hours in the summer months when LIPA’s power supply and distribution capacity are most constrained.

LIPA Staff also proposes several administrative changes to Service Classification No. 16 that would:

- Extend the general authorization for the AMI Pilot Service for an additional five years, through September 30, 2018;
- Allow existing participants to be enrolled using the new experimental rate;
- Specifically reference rate codes M188, M288, M282, M284 and M285 on the relevant tariff leaves for the Energy Efficiency Cost Recovery Rate;
- Insert a reference under Adjustments to Rates and Charges on leaves 279I and 279J to the New York State Assessment, which applies to the AMI Pilot Service rate; and
- Remove a reference to Service Classification No. 2-VRTP for the Voluntary Real Time Pricing (VRTP) pilot because it was terminated by Staff with approval from the Trustees in December 2010.

The annual bill savings that might be experienced by enrolling 1,000 participants, based on current usage patterns, is expected to be approximately $30,000 for the first year (or $30 per participant), which represents lost revenue to LIPA. However, the lost revenue would be offset, to some extent, by expected savings in LIPA’s fuel and purchased power expense as a result of reduced usage. Staff’s proposal is intended to mitigate the financial impacts of the changes in customer behavior by limiting participation to 1,000 customers.

In connection with this request, LIPA issued a Notice of Proposed Rulemaking inviting public
comment on the Proposal which was published in the State Register on March 13, 2013. Two public hearings in Nassau and Suffolk counties were held on April 30, 2013, and the public was given the opportunity to submit written comments to LIPA by May 6, 2013. No comments were received by LIPA during the comment period, which has now expired.

Recommendation

For the reasons stated, Mr. Little 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:

1171. APPROVAL TO ADOPT MODIFICATIONS TO THE LONG ISLAND POWER AUTHORITY’S TARIFF FOR ADVANCED METERING INITIATIVE PILOT SERVICE

WHEREAS, the Long Island Power Authority ("LIPA") has implemented a Smart Grid Initiative in order to evaluate and understand, among other things, how new advanced metering systems interact with time-differentiated rates, and also to study customers’ interest in and response to time-differentiated rate structures; and

WHEREAS, in connection with LIPA’s Smart Grid Initiative, LIPA initiated the Advanced Metering Initiative Pilot Service ("AMI Pilot Service") under Service Classification No. 16 of LIPA’s Tariff for Electric Service ("Tariff") for experimental time-differentiated rates to customers in certain geographical areas who volunteered for the program; and

WHEREAS, Staff is now preparing to expand the AMI Pilot Service program to a larger customer base of approximately 1,000 customers in the Route 110 corridor as part of the U.S. Department of Energy sponsored program, and in connection with the expansion, Staff recommends an adjustment in the AMI Pilot Service rate design to further encourage a reduction in energy consumption during on-peak hours; and

WHEREAS, Staff issued a Proposal to modify LIPA’s Tariff to 1) increase the summer on-Peak rate to approximately 3.5 times higher than the off-peak rate with the goal of shifting customer consumption away from LIPA’s peak hours in the summer months when LIPA’s power supply and distribution capacity are most constrained; 2) authorize the extension of the AMI Pilot Service for an additional five years and allow current participants to be enrolled in the new on-peak rates; and 3) authorize certain other changes in the Tariff to clarify provisions and remove outdated references; and

WHEREAS, following Public Notice in the State Register on March 13, 2013, two public hearings were held on April 30, 2013, and the public was afforded the opportunity to submit written comments by May 6, 2013, and no comments were received from the public; and
WHEREAS, as discussed in the accompanying Memorandum, the Proposal is in the public interest:

NOW, THEREFORE, BE IT RESOLVED, that the Proposal is hereby adopted and approved; and be it further

RESOLVED, that the attached Tariff leaves reflecting our action herein are approved.

***

The Chair then allowed public comment to be heard, after which he announced that the next Board meeting is scheduled for June 27, 2013 at 11:00 a.m. in Uniondale. The Chair then asked for a motion to adjourn to Executive Session to discuss Litigation Matters and the Generation and Transmission RFP.

1172. 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 litigation and the Generation and Transmission RFP.

***

At approximately 11:30 p.m. the Open Session of the Board of Trustees was adjourned on a motion to enter into Executive Session, which commenced at 12:45 p.m.

After noting that no votes were taken in the Executive Session, Chairman Waldman entertained a motion to adjourn, which was duly made and seconded, after which the meeting ended at 12:46 p.m.

Respectfully submitted,

Lynda Nicolino