The Long Island Power Authority (the “Authority”) was convened for the two-hundred-and-fifth time at 11:08 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on June 23, 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
Thomas J. McAteer
Suzette Smookler

Trustee Jeffrey Greenfield was not present.

Representing the Authority were John McMahon, Chief Executive Officer; Tom Falcone, Chief Financial Officer; Bobbi O’Connor, Acting General Counsel; Kenneth Kane, Managing Director of Finance and Budgeting; and Rick Shanksy, Managing Director Power Supply Long Island.

Chairman Suozzi welcomed everyone to the 250th meeting of the Long Island Power Authority Board of Trustees and led the Pledge of Allegiance.

Chairman Suozzi called for a motion to accept the minutes of the May 29, 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 May 29, 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 recent weather in the service territory and on the proper procedures to be followed by members of the public wishing to address the board or provide materials to the board during open meetings.

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

Mr. McMahon commented on the following items:

- PSEG Long Island capital budgeting;
- The Suffolk County Oversight Board;
- Pending New York State legislation regarding LIPA exit fees;
- The New York State conservation assessment;
- Wholesale power markets;
- Management changes at Nine Mile 2; and
- Transition of energy management and fuel supply functions to PSEG Long Island.

Following a discussion with the Trustees, the Chair stated that the next item on the agenda is the Operating Report, to be presented by Bill Johnson, PSEG Long Island’s Vice President of Business Services, and John O’Connell, PSEG Long Island’s Vice President of T & D Operations.

Mr. Johnson started the presentation and reported on the following items:

- PSEG Long Island financial results for May 2014 including budget variances, capital spending and energy efficiency;
- PSEG Long Island capital planning process and review by Utility Review Board.
Mr. Johnson and Mr. Falcone then responded to questions from the Trustees.

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

- PSEG Long Island Operations Services Agreement performance metrics including metrics on workforce safety, customer satisfaction, call center performance, system reliability, meter reading, timely billing and web transactions;

Mr. Johnson and Mr. Falcone then responded to 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 May 2014, the refinancing of LIPA’s senior credit facility, and the planned renewal of certain liquidity facilities in 2015.

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

The Chair stated that the next item on the agenda is the Consideration of Authorization Related to Iroquois Reimbursement Agreement.

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

Mr. Shansky presented the following action item:

**Requested Action**

The Trustees are being requested to adopt a resolution authorizing the Chief Executive Officer, the Chief Financial Officer or a designee to execute a Reimbursement Agreement (“Agreement”) between the Long Island Power Authority (“LIPA”) and Iroquois Gas Transmission System, L.P. (“Iroquois”) pursuant to which LIPA would agree to reimburse Iroquois for certain activities related to permitting of Iroquois’ proposed natural gas pipeline that would be built from Iroquois’ existing subsea pipeline in Long Island Sound to Shoreham, NY, and then approximately ten miles on land to National Grid’s Facilities in Yaphank, NY (the “Eastern Long Island Extension” or “ELIE” project).

**Background**

In 2010, LIPA issued a Request for Proposals to Provide Electric Capacity, Energy & Ancillary Services (“RFP”). At a LIPA Board of Trustees meeting on July 25, 2013, LIPA staff announced the selection of a proposal from Caithness Long Island II, LLC
(“Caithness”), involving the construction of a combined-cycle power plant (the “Caithness Project”) with an expected commercial operation date of May 1, 2018 (“Target COD”).

LIPA and Caithness have been negotiating a power purchase agreement (“PPA”), under which Caithness would be responsible for securing natural gas transportation facilities which LIPA would use to deliver natural gas to the Caithness Project. To that end, Caithness has had discussions with several potential gas transporters. At this time, the most promising option involves construction of Iroquois’ ELIE project with a connection to National Grid’s facilities in Yaphank. Local delivery of gas to the Caithness Project would be provided by National Grid. The Caithness Project requires natural gas beginning on May 1, 2017 to enable it to be commissioned to meet the Target COD. To meet this date, Iroquois has determined that it must begin its technical studies by July 1, 2014 in order to initiate the FERC pre-filing process by October 1, 2014, and to submit its FERC Application by June 30, 2015 (such efforts being “Pre-Development Activities”).

Discussion

As is customary with gas infrastructure projects, Iroquois will not proceed with ELIE Pre-Development Activities until one or more prospective shippers have committed to reimburse Iroquois for its expenditures, either through usage charges or through a lump sum payment. Since the PPA is not yet in place, LIPA cannot rely on Caithness to make such commitments. Instead, LIPA must directly make such commitments in order to assure that the natural gas infrastructure is completed in time to support the Target COD. Such actions were contemplated in the 2014 capital budget that was submitted to the Trustees in December 2013, and which assumed that LIPA would expend up to $33 million in 2014 to fund electric and gas transmission Pre-Development Activities subject to obtaining further authorization as appropriate. Moreover, in furtherance of these objectives, PSEG Long Island has commenced Pre-Development Activities for electric transmission facilities for the Project.

Accordingly, LIPA has negotiated the Agreement with Iroquois to facilitate the natural gas Pre-Development Activities. In addition to supporting the current development timeline for the Caithness Project, the ELIE project would enable further generation development on eastern Long Island and improve the reliability of National Grid’s gas system. The Agreement is intended to provide financial assurance to Iroquois for recovery of its permitting costs in the event that there are no subscribers for the construction and operation of ELIE; i.e., in the event that neither the Caithness Project nor any other central station or distributed generation projects become users of ELIE.

The following are the key terms of the Agreement:

- **Term** - through 12/31/15

- **Allows for early termination:**
  - By LIPA at its discretion
  - By Iroquois if the Agreement is not approved by the NY Attorney General and Comptroller by 9/30/14 (upon 30 days’ notice and if approval is received within those 30 days such notice shall deemed to be withdrawn)
- By Iroquois if there is no agreement in place committing an entity to build/use ELIE by June 30, 2015

- LIPA’s Cumulative Capped Costs:
  - Up to $3.0 million by 9/30/14
  - Up to $8.6 million by 12/31/14
  - Up to $15.6 million through 2015.

The Agreement also provides for recovery from Iroquois of reimbursable costs paid by LIPA if Iroquois proceeds with development of the ELIE project (or a substantially similar project) and achieves a service commencement date for such project no later than May 1, 2020. Similarly, the Agreement contemplates that Iroquois would bear some risk of cost recovery in the event that LIPA later commits to use ELIE but Iroquois fails to receive its permits. Finally, LIPA and Iroquois continue to explore the possibility of other users for ELIE who may share in the reimbursement responsibility under the Agreement. To the extent those efforts are successful, LIPA’s reimbursement obligations under the Agreement would be reduced by the percentage assumed by the new user. However, since no firm commitments have been obtained to date, the Agreement currently contemplates LIPA as the sole reimbursing party.

Although the term of the Agreement extends through December 2015, Staff intends to seek additional authorization from the Trustees before incurring reimbursement obligations under the Agreement beyond the $3 million cap applicable to the period ending September 30, 2014. PSEG Long Island is currently reviewing the need and economics underlying the Caithness Project. That review is expected to be completed in September 2014, at which time Staff will be able to further inform the Trustees as to the need to pursue the ELIE project.

Staff believes that, based on the need to preserve the Caithness Project timeline while further deliberations are in progress, as well as the risk mitigation provisions in the Agreement, and the potential benefits provided by ELIE, it would be prudent at this time to authorize execution of the Agreement, subject to LIPA staff seeking further authorization as discussed herein.

**Recommendation**

Based on the foregoing, Mr. Shansky 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 then adopted with Trustee Smookler and Cordaro opposed and the remaining Trustees in favor.
WHEREAS, after consideration of the proposals received in response to LIPA’s 2010 RFP, staff selected a proposal from Caithness Long Island II, LLC (“Caithness”); and

WHEREAS, LIPA and Caithness have been negotiating a power purchase agreement (“PPA”), under which Caithness would be responsible for securing natural gas transportation facilities which LIPA would use to deliver natural gas to the Caithness project; and

WHEREAS, based on Caithness’ discussions with several potential gas transporters, at this time, the most promising option involves construction by Iroquois Gas Transmission System, L.P. (“Iroquois”) of a proposed natural gas pipeline that would be built from Iroquois’ existing subsea pipeline in Long Island Sound to Shoreham, NY, and then approximately ten miles on land to National Grid’s Facilities in Yaphank, NY (the “Eastern Long Island Extension” or “ELIE” project); and

WHEREAS, the Caithness project requires natural gas beginning on May 1, 2017 to enable it achieve its expected commercial operation date of May 1, 2018 (“Target COD”); and

WHEREAS, to meet the Target COD, Iroquois has determined that it must begin the ELIE technical studies by July 1, 2014 in order to initiate the FERC pre-filing process by October 1, 2014, and to submit its FERC application by June 30, 2015 (such efforts being “Pre-Development Activities”), and

WHEREAS, LIPA has negotiated a reimbursement agreement with Iroquois to facilitate the natural gas Pre-Development Activities, which must commence while the PPA is not yet in place.

NOW, THEREFORE, BE IT RESOLVED, that the Chief Executive Officer, Chief Financial Officer or their designee be and hereby is authorized to execute the above-referenced reimbursement agreement in a form substantially consistent with the material terms of this resolution and the accompanying memorandum; 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 Authorization Related to Contract for Pump Out Oil Services

After requesting a motion on the matter, which was seconded, the Chair indicated that the matter would be presented by Mr. Shansky.
Mr. Shansky presented the following action item:

**Requested Action**

The Trustees are being requested to approve and adopt a resolution authorizing the Chief Executive Officer, the Chief Financial Officer or a designee to execute a Service Agreement ("Agreement") between the Long Island Lighting Company d/b/a Power Supply Long Island ("LIPA") and Alternative Fuels Transportation Inc. ("Alternative Fuels") for the provision of Pump Out Services to LIPA, as set forth herein.

**Background**

Pursuant to most of LIPA’s on-Island power purchase agreements, LIPA has the responsibility to procure the fuel used to generate electricity. Most of those power plants use fuel oil, either as a back-up fuel or as their only fuel. The plant owner has the obligation to maintain the plant and its related facilities, including the oil storage tanks. During oil tank maintenance, LIPA may be required to remove its oil and transport it to a storage tank at another location ("Pump Out Services").

The current service provider of Pump Out Services is Alternative Fuels. The current contract for Pump Out Services with Alternative Fuels expires by its terms on September 30, 2014 but contains a spending cap that could be reached as early as August 2014. Therefore, the new contract is drafted with a start date of September 1, 2014.

**Discussion**

In recognition of the impending expiration of the Pump Out Services contract with Alternative Fuels, LIPA’s fuel manager, Con Edison Energy (CEE), conducted an RFP for such services. The RFP was issued on May 2, 2014 with responses due May 28, 2014. Based on the RFP results, CEE recommends that Alternative Fuels be awarded the Pump Out Services contract with a term from September 1, 2014 to December 31, 2015. Alternative Fuels has provided satisfactory service to LIPA and its hourly rates for labor and equipment have been found to be reasonable as compared to same and related services from other vendors in the region.

The estimated cost of the contract is about $400,000, based on expected volumes of oil that will need to be pumped during the term of the agreement, though the contract would not require LIPA or its fuel manager to engage Alternatives Fuels for any minimum amount of services.

**Recommendation**

Based on the foregoing, Mr. Shansky 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:*
1225. AUTHORIZATION TO EXECUTE AN AGREEMENT FOR PUMP OUT OIL SERVICES

WHEREAS, pursuant to most of the Long Island Power Authority’s ("LIPA’s") on-Island power purchase agreements, LIPA has the responsibility to procure the fuel used to generate electricity;

WHEREAS, most of those power plants use fuel oil, either as a back-up fuel or as their only fuel and the plant owner has the obligation to maintain the plant and its related facilities, including the oil storage tanks;
WHEREAS, during oil tank maintenance, LIPA may be required to remove its oil and transport it to a storage tank at another location (so-called “Pump Out Services”)

WHEREAS, LIPA’s current contract for Pump Out Services, with Alternative Fuels Transportation Inc. ("Alternative Fuels"), expires by its terms on September 30, 2014 but contains a spending cap that could be reached as early as August 2014;

WHEREAS, in May 2014, LIPA’s fuel manager, Con Edison Energy, conducted a Request for Proposals for Pump Out Services on LIPA’s behalf and, thereafter, recommended that Alternative Fuels be awarded a new Pump Out Services contract with a term from September 1, 2014 to December 31, 2015;

WHEREAS, Alternative Fuels has provided satisfactory service to LIPA under the current contract and its hourly rates for labor and equipment have been found to be reasonable as compared to same and related services from other vendors in the region;

NOW THEREFORE, BE IT RESOLVED, that the Chief Executive Officer, Chief Financial Officer or his designee be and hereby is authorized to execute an agreement for Pump Out Services with Alternative Fuels as described herein and in the attached memorandum, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chief Executive Officer, Chief Financial Officer or his designee, to implement such agreement.

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The Chair stated that the next item on the agenda is the Consideration of Authorization Related to Waste-to-Energy Power Purchase Agreements

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

Mr. Shansky presented the following action item:
Requested Action

The Trustees are being requested to adopt a resolution approving an update to the pricing formula contained in the WTE PPAs and authorizing the Chief Executive Officer, the Chief Financial Officer or a designee to execute separate letter agreements between the Long Island Lighting Company d/b/a LIPA (“LIPA”) and Covanta Hempstead Company (“Hempstead”), the Islip Resource Recovery Agency (“Islip”), Covanta Huntington Limited Partnership (“Huntington”) and Covanta Babylon Inc. (“Babylon”) reflecting such update, as set forth herein.

Background

In May 2012, LIPA executed renewed contracts with the four Waste-to-Energy (“WTE”) plants on Long Island. These facilities came into service between 1989 and 1991 and have a combined nameplate rating of 137 MW. Three of the plants, Hempstead, Huntington and Babylon, are owned by Covanta while the fourth is owned by the town of Islip but operated by Covanta. The WTE plants meet the requirements of “Qualifying Facilities” under the Public Utilities Regulatory Policies Act of 1978 (“PURPA”), and therefore LIPA is required, under PURPA, to purchase the output of these plants at “avoided cost”.

After a lengthy negotiation in 2012, LIPA and the WTE plants agreed to separate five year contracts which established pricing tied to LIPA’s average cost of fuel and purchased power as a proxy for LIPA’s long run avoided costs. Specifically:

- the prices for 2012 and 2013 were fixed;
- thereafter, the price would be determined annually based on a formula that included LIPA’s Average Cost of Fuel and Purchased Power as shown on LIPA’s Statement of Fuel and Purchased Power Cost Adjustment (“FPPCA”), historically published annually in January; and
- beginning in 2014 the annual price would be subject to a specified floor and ceiling.

However, effective November 1, 2012, LIPA modified its tariff to provide for a monthly FPPCA statement instead of an annual statement. Therefore, the January FPPCA Statement is no longer representative of the annual costs originally contemplated in the WTE PPAs.

Discussion

The WTE PPAs provide that the parties shall agree to modify the computation of the price if the composition or definition of certain component terms of the price are materially revised. LIPA’s change from an annual FPPCA statement to a monthly one was considered a material revision.

LIPA and the WTE plants held numerous discussions on how to best preserve the benefits originally bargained for by each party. The result of these negotiations was an agreement to update the pricing calculation to be reset monthly using LIPA’s published monthly FPPCA statement as a starting point while keeping all the other adjustments in the original contract unchanged, including the floor and ceiling limits, which would now be applied monthly. The changes would apply retroactively to January 1, 2014.
LIPA staff believes that this methodology maintains the benefits enjoyed by the parties under the original agreement and remains true to the original intent of the parties to use a formula based on LIPA’s published FPPCA statements as a proxy for LIPA’s long run avoided costs.

Staff estimates that the cost of this pricing change will be approximately $4 million in 2014, as compared to the 2013 fixed price, though the monthly reset will track changes in LIPA’s fuel and purchased power costs, whether up or down. Staff believes the increased costs for 2014 are reasonable in light of increased market energy prices during the first quarter of 2014.

Recommendation

Based on the foregoing, Mr. Shansky 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:

1226. AUTHORIZATION TO UPDATE THE PRICING FORMULA IN THE WASTE-TO-ENERGY POWER PURCHASE AGREEMENTS

WHEREAS, the waste-to-energy (“WTE”) facilities owned by Covanta Hempstead Company, Covanta Huntington Limited Partnership, the Islip Resource Recovery Agency and Covanta Babylon (the “WTE Plants”) are “qualifying facilities” (“QFs”) pursuant to the Public Utility Regulatory Policies Act of 1978 (“PURPA”);

WHEREAS, PURPA requires electric utilities to purchase the electrical output of QFs at the utility’s avoided cost;

WHEREAS, in May 2012, the Long Island Lighting Company d/b/a LIPA (“LIPA”) executed separate five year power purchase agreements (the “WTE PPAs”) for each of the WTE Plants which established pricing tied to LIPA’s average cost of fuel and purchased power as a proxy for LIPA’s long run avoided costs;

WHEREAS, the prices for 2012 and 2013 were fixed at $78/MWh and $76/MWh, respectively and thereafter, the price would be determined annually based on a formula that included LIPA’s Average Cost of Fuel and Purchased Power as shown on LIPA’s Statement of Fuel and Purchased Power Cost Adjustment (“FPPCA”), historically published annually in January, subject to a minimum price of $70/MWh and a maximum price of $86/MWh;

WHEREAS, effective November 1, 2012, LIPA modified its tariff to provide for a monthly FPPCA statement instead of an annual statement and, therefore, the January FPPCA statement is no longer representative of the annual costs originally contemplated in the contracts;
WHEREAS, the WTE PPAs provide that the parties shall agree to modify the computation of the price if the composition or definition of certain component terms of the price are materially revised;

WHEREAS, LIPA’s change from an annual FPPCA statement to a monthly one was considered a material revision;

WHEREAS, LIPA and the WTE Plants held numerous discussions, the result of which was an agreement to update the pricing calculation to be reset monthly using LIPA’s published monthly FPPCA statement as a starting point while keeping all the other adjustments in the original contract unchanged, including the minimum and maximum price limits which the parties agreed will now be applied monthly;

WHEREAS, the parties have agreed that application of the updated pricing formula should be retroactive to January 1, 2014;

WHEREAS, Staff has concluded that the agreed upon update to the pricing formula compares favorably to the original proposals by the owners and operators of the WTE Plants and best preserves the benefits originally bargained for by each party.

NOW THEREFORE, BE IT RESOLVED, that the Chief Executive Officer, Chief Financial Officer or his designee be and hereby is authorized to execute letter agreements updating the pricing formula in the WTE PPAs, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chief Executive Officer, Chief Financial Officer or his designee, to implement LIPA’s continued purchase obligation from the WTE Plants.

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The Chair stated that the next item on the agenda is the Consideration of Authorization to Certify the Intention to Finance Actual and Projected Capital Expenditures.

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

In order to insure that certain expenditures originally financed with moneys other than bond proceeds remain eligible for later reimbursement with proceeds of tax-exempt bonds, the Trustees are being requested to authorize and direct the Chief Executive Officer or Chief Financial Officer, based on their periodic review of capital expenditures as incurred and adjustments to projected capital expenditures as furnished to the Long Island Power
Authority ("LIPA" or the "Authority") by PSEG Long Island LLC (the "Service Provider") in accordance with the Amended and Restated Operations Services Agreement (the "OSA"), as well as the capital expenditures within the LIPA-managed components of the Capital Budgets, to prepare written certifications setting forth the LIPA’s intention to finance such actual and projected capital expenditures with the issuance of debt of the Authority to extent such expenditures differ materially from those shown in the most recently Trustee-approved Capital Budget.

The Trustees have been furnished with the “Authorization to Declare Intention to Finance Actual and Projected Capital Expenditures” (attached as Exhibit A hereto) which sets forth such authorization.

Background

Treasury Regulation §1.150-2(e) and other provisions relating to tax-exempt bonds generally require, among other things, the timely adoption of a “declaration of intent” with respect to expenditures originally financed with moneys other than bond proceeds as a condition to later reimbursement of such expenditures with proceeds of tax-exempt bonds.

The Authority’s practice is to finance the requirements of the Authority’s Capital Budgets through a combination of internally-generated funds and the issuance of tax-exempt or taxable debt of the Authority. Consistent with and subject to the provisions of the OSA, Capital Budgets and their components may be adjusted from time to time by the Service Provider. LIPA-managed components of Capital Budgets may also be adjusted from time to time. LIPA wishes to assure that appropriate actions are taken to preserve the potential use of tax-exempt bond proceeds for the capital expenditures actually incurred pursuant to the OSA and within such LIPA-managed components.

Recommendation

Based on the foregoing, Mr. Falcone 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:

1227. AUTHORIZATION TO DECLARE INTENTION TO FINANCE ACTUAL AND PROJECTED CAPITAL EXPENDITURES

WHEREAS, the Authority intends to finance the requirements of the Authority’s Capital Budgets through a combination of internally-generated funds and, to the maximum extent possible, the issuance of debt of the Authority and the Trustees have previously adopted resolutions evidencing the Authority’s intention to so finance expenditures reflected in Capital Budgets heretofore approved; and

WHEREAS, applicable Treasury Regulations generally require, among other things, the timely adoption of a “declaration of intent” with respect to expenditures originally financed...
with moneys other than bond proceeds as a condition to later reimbursement of such expenditures with proceeds of tax-exempt bonds; and

WHEREAS, the Authority recognizes that, consistent with and subject to the provisions of the Amended and Restated Operations Services Agreement (the “OSA”), Capital Budgets and the components thereof may be adjusted from time to time by PSEG Long Island LLC (the “Service Provider”) and the Authority wishes to assure that appropriate actions are taken to preserve the potential use of tax-exempt bond proceeds for the capital expenditures actually incurred pursuant to the OSA; and

WHEREAS, the Authority recognizes that LIPA-managed components of Capital Budgets may also be adjusted from time to time and the Authority wishes to preserve the potential use of tax-exempt bond proceeds for the capital expenditures within such LIPA-managed components actually incurred;

NOW THEREFORE BE IT RESOLVED, that:

1. The Chief Executive Officer or Chief Financial Officer are hereby authorized and directed to periodically review capital expenditures as incurred and adjustments to projected capital expenditures as furnished to the Authority by the Service Provider in accordance with the OSA as well as the capital expenditures within the LIPA-managed components of the Capital Budgets and, to the extent such expenditures differ materially from the capital expenditures shown in the most recently Trustee-approved Capital Budget, prepare written certifications setting forth the Authority’s intention to finance such actual and projected capital expenditures with the issuance of debt of the Authority as described above, which certifications are intended to be declarations of official intent within the meaning of Treas. Reg. §1.150-2(e) and related provisions.

2. Copies of certifications of the Chief Executive Officer or Chief Financial Officer delivered pursuant to this resolution shall be furnished to the Authority’s Finance and Audit Committee.

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The Chair stated that the next item on the agenda is the Authorization to Designate PSEG Long Island Personnel Related to Long Island Power Authority Bank Accounts.

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

Ms. Falcone presented the following action item:

Requested Action

The Trustees are being asked to designate the officers and employees of the Long Island Power Authority (“LIPA” or the “Authority”) who would be authorized to (i) deposit funds of the Authority in banks satisfying certain specified credit standards and (ii) withdraw
funds from such accounts. The Trustees are also being asked to designate the officers or employees of PSEG Long Island LLC and its wholly-owned subsidiary, Long Island Electric Utility Servco LLC (together, the “Service Provider”), who would be authorized to withdraw funds from one or more LIPA accounts established as “Operating Accounts” pursuant to the OSA (as defined below) from which the Service Provider may draw funds from time to time to pay for actual Pass-Through Expenditures (as defined in the OSA).

The Trustees have been furnished with the “Designation of Authorized Persons to Sign Instruments for Payments Made from Authority Bank Accounts” (attached as Exhibit A hereto) which sets forth such authorization.

**Background**

The Trustees previously adopted resolutions designating the banks to act as depositories for Authority funds and authorizing the officers, employees and any agents eligible to make withdrawals from those accounts. Over time, through merger, acquisition or otherwise, the identities of certain of the authorized banks have changed. Therefore, Staff thinks it is prudent at this time to update the previous resolutions.

In order to limit the need for updated authorizations in the future in the event of additional bank mergers, acquisitions, etc., Staff has recommended that the Board not designate specific banks by name but instead require that any bank acting as a depository for Authority funds have long-term unsecured debt securities rated as follows: A- or better by Standard & Poor’s Corporation, A3 or better by Moody’s Investor Service, Inc. or A- or better by Fitch, Inc.

With respect to the persons authorized to withdraw funds from Authority accounts, Staff recommends that the following officers and employees of the Authority be so designated: for instruments or orders in a face amount in excess of $25,000.00, two signatures from among the Chief Executive Officer, the General Manager, the Chief Financial Officer, the General Counsel, the Managing Director Power Supply Long Island, the Managing Director Finance and Budgeting, the Managing Director Contract Oversight and the Controller (each an “Authorized Representative”), and for instruments or orders in the face amount of $25,000.00 or less, one signature from any Authorized Representative.

Additionally, the Operations Services Agreement, dated December 31, 2013 (“OSA”), between Long Island Lighting Company d/b/a/ LIPA and the Service Provider provides that LIPA will establish one or more operating accounts from which the Service Provider may draw funds from time to time to pay for actual Pass-Through Expenditures (as defined in the OSA) incurred by the Service Provider. In order to allow the Service Provider to efficiently utilize the Operating Accounts, Staff recommends that the Board authorize the following officers or employees of the Service Provider to make withdrawals from the Operating Accounts: the President, the Treasurer and any Assistant Treasurer.

Staff believes the procedures and standards specified in the attached resolution are prudent and consistent with industry standards.
Recommendation

Based on the foregoing, Mr. Falcone 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:

1228. DESIGNATION OF AUTHORIZED PERSONS TO SIGN INSTRUMENTS FOR PAYMENTS MADE FROM AUTHORITY BANK ACCOUNTS

WHEREAS, the Board of Trustees (“Board”) of the Long Island Power Authority (“Authority”) has previously adopted resolutions designating certain banks as depositories for funds of the Authority; and

WHEREAS, the corporate identities of the banks utilized by the Authority have, through merger, acquisition or otherwise, changed names over time; and

WHEREAS, the Authority’s Board has previously adopted a resolution providing that certain officers, employees and agents of the Authority be authorized to deposit any of the funds of the Authority in a designated bank either at its head office or at any of its branches; and

WHEREAS, the Authority’s Board has previously adopted a resolution providing that any funds of the Authority deposited in a designated bank be subject to withdrawal or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings or other instruments or orders for the payment of money when made, signed, drawn, accepted or endorsed on behalf of the Authority by two signatures from among certain enumerated persons, for instruments or orders in a face amount in excess of $25,000.00, and by one signature from among the persons listed in said resolution for instruments or orders in the face amount of $25,000.00 or less; and

WHEREAS, the Operations Services Agreement, dated December 31, 2013 (“OSA”), between Long Island Lighting Company d/b/a/ LIPA (“LIPA”) and PSEG Long Island LLC (the “Service Provider”) provides that LIPA will establish one or more operating accounts from which the Service Provider shall draw funds from time to time to pay for actual Pass-Through Expenditures (as defined in the OSA) incurred by the Service Provider:

NOW, THEREFORE, BE IT RESOLVED, that the Authorized Representatives (as defined below) of the Authority be and hereby are, and each of them hereby is, authorized to deposit any of the funds of the Authority in any commercial bank or financial institution whose long-term unsecured debt securities are rated A- or better by Standard & Poor’s Corporation, A3 or better by Moody’s Investor Service, Inc. or A- or better by Fitch, Inc. (each such institution referred to herein as the “Bank”), either at its head office or at any of its branches; and be it further
RESOLVED, that until further order of the Board, any funds of the Authority deposited in the Bank be subject to withdrawal or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings or other instruments or orders for the payment of money when made, signed, drawn, accepted or endorsed on behalf of the Authority by two signatures from among the Chief Executive Officer, the General Manager, the Chief Financial Officer, the General Counsel, the Managing Director Power Supply Long Island, the Managing Director Finance and Budgeting, the Managing Director Contract Oversight and the Controller (each an “Authorized Representative”) for instruments or orders in a face amount in excess of $25,000.00, and by one signature from an Authorized Representative for instruments or orders in the face amount of $25,000.00 or less; and be it further

RESOLVED, that the Bank is hereby authorized to pay any such instrument or make any such charge and also to receive the same instruments of issue or the disposition of the proceeds, whether drawn against an account in the name of the Authority or in the name of any officer or agent of the Authority as such, and, at the option of the Bank, even if the account shall not be in credit to the full amount of such instrument or charge; and be it further

RESOLVED, that any Authorized Representative of the Authority be, and each hereby is, authorized to certify to the Bank the names of the present officers of the Authority, and any other persons authorized by the Board to sign for it and the offices held by them together with specimens of their signatures, and in case of any change of any holder of any such office or holders of any such offices, the fact of such change and the names of any new officers and the offices held by them together with specimens of their signatures, and the Bank be, and hereby is, authorized to honor any instrument signed by any new officer or officers, in respect of whom it has received any such certificate or certificates with the same force and effect as if said officer or officers were named in the foregoing resolutions in the place of any person or persons with the same title or titles; and be it further

RESOLVED, that, until the further order of the Board, funds of the Authority deposited in an Operating Account (as defined in the OSA) in the Bank be subject to withdrawal or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings or other instruments or orders for the payment of money when made, signed, drawn, accepted or endorsed on behalf of the Authority by, (i) the officers of the Authority named in the foregoing resolutions consistent with the provisions of said resolutions or (ii) two signatures from among the following officers of the Service Provider: the President, the Treasurer and any Assistant Treasurer for instruments or orders in a face amount in excess of $25,000.00, and by one signature from among the persons listed above in this paragraph for instruments or orders in the face amount of $25,000.00 or less; and be it further

RESOLVED, that the Bank be promptly notified in writing by any Authorized Representative of the Authority of any change in these resolutions, such notice to be given to each office of the Bank in which any account of the Authority may be maintained and that until it has actually received such notice in writing it is authorized to act in pursuance of these resolutions, and that until it actually so received such notice it shall be indemnified
and saved harmless from any loss suffered or liability incurred by it in continuing to act in pursuance of these resolutions, even though these resolutions may have been changed.

* * *

The Chair stated that the next item on the agenda is the Approval of a Revised Finance & Audit Committee Charter.

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 adopt a resolution authorizing revisions to the Long Island Power Authority (the “Authority”) Finance and Audit Committee Charter (the “Charter”) in the form attached hereto.

Background

The Charter, which was approved by the Board of Trustees on April 30, 2008, as updated on September 23, 2010 and May 23, 2013, 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 undertaken a thorough review of the Charter’s adequacy and determined that a number of changes are desirable to take into account, among other things, enactment of the LIPA Reform Act (Chapter 173 of the Laws of 2013), and certain recommendations contained in Northstar’s management audit of LIPA.

Accordingly, the main revisions proposed to the Charter provide for a clarification of meeting attendance requirements and meeting frequency, clarifies the expression “annual budgets” to include “operating and capital budgets” and addresses other administrative changes to eliminate ambiguity.

Specifically, under Debt Management the Charter requires the Committee to review the Authorities Debt Management and interest rate hedging policies, transfers approval requirements from F&A to the full Board for the issuance of new debt, and adds an obligation to review reporting related to the interest Rate Swaps.

Under Energy Risk Management, language was modified to reflect operating changes anticipated to take place in the near term such that Energy Risk Management will become power supply hedging.

Under Financial Statement and Disclosure Matters, the Committee will be required to review Interim Financial information as opposed to monthly to reflect changes to meeting requirements;
Under Selection and Oversight of the Independent Auditor, the Committee will no longer approve the selection of the independent auditor but rather make a recommendation to the full Board regarding the selection. Language was also added here to require the Committee to discuss with the CFO (if deemed appropriate) financial information provided to rating agencies and other financial institutions with whom the Authority has business, and requiring a review of “additional audit services”, and that the Committee will be responsible for a review of the long-term strategic plan.

Under the heading Internal Audit staff titles and reporting responsibilities were clarified, and language was added to require that the annual audit plan include at least one audit related to power supply management.

I note that the 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, Mr. Falcone 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:

**1229. APPROVAL OF REVISED LONG ISLAND POWER AUTHORITY FINANCE AND AUDIT COMMITTEE CHARTER**

WHEREAS, the Trustees adopted on May 23, 2013, a Finance and Audit Committee Charter (“Charter”) which establishes, among other things, the purpose, powers, composition and key responsibilities of the Finance and Audit Committee (the “F&A Committee”); and

WHEREAS, the F&A 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 “Finance and Audit Committee Charter (June 26, 2014)” in the form presented at this meeting; and be it further

RESOLVED, that this resolution take effect immediately.

***

The Chair then allowed public comment to be heard, after which he announced that the next Board meeting will be in August. As soon as we have scheduled the date it will be
posted on LIPA’s website. The Chair then asked for a motion to adjourn.

At approximately 12:50 p.m. the Open Session of the Board of Trustees was adjourned.

Respectfully submitted,

Bobbi O’Connor