LONG ISLAND POWER AUTHORITY

MINUTES OF THE 252nd MEETING

HELD ON SEPTEMBER 23, 2014

The Long Island Power Authority (the “Authority”) was convened for the two-hundred-and-fifty second time at 11:00 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on September 18, 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. Alessi¹
Sheldon L. Cohen
Matthew Cordaro
Mark Fischl
Jeffrey Greenfield
Thomas J. McAteer
Suzette Smookler

Representing the Authority were John McMahon, Chief Executive Officer; Tom Falcone, Chief Financial Officer; Bobbi O’Connor, Acting General Counsel; and Rick Shansky, Managing Director Contract Oversight.

Representing PSEG Long Island were David Daly, President and COO, Bill Johnson, Vice President of Business Services, John O'Connell, Vice President of Transmission & Distribution, and Daniel Eichhorn, Vice President of Customer Service.

Chairman Suozzi welcomed everyone to the 252nd meeting of the Long Island Power Authority Board of Trustees and led the Pledge of Allegiance.

The Chair called for a motion to enter into Executive Session to discuss personnel matters related to the appointment, employment, promotion, demotion, discipline, suspension,

¹Trustee Alessi was present from the beginning of the meeting until 11:45 a.m., at which time he left the meeting.
dismissal or removal of an individual, which was seconded.

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

1235. 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, contract and personnel issues.

At approximately 11:10 a.m. the Board of Trustees adjourned into Executive Session, which ended at 11:40 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.

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Chairman Suozzi called for a motion to accept the minutes of the August 6, 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 with Trustee Suozzi abstaining.

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

1236. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE AUGUST 6, 2014 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on August 6, 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 relatively mild summer, the calmness of the Atlantic hurricane season thus far, and the Trustees’ appreciation of the thoughtful public comments shared at the August 6th board meeting.

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

Mr. McMahon commented on the following items:
The evolution of the roles played by LIPA and PSEG Long Island over the past 15 months and contrasts with the role formerly played by National Grid;

Changes to the LIPA board of trustees and governance framework;

Developments in pricing of electricity and natural gas;

Changes in LIPA’s staff and management; and

Stable outlook in LIPA’s bond ratings.

The Chair stated that the next item on the agenda is the PSEG Long Island Operating Report, to be presented by PSEG Long Island President Dave Daly and Vice President of Business Services, Bill Johnson.

Mr. Johnson started the presentation and reported on PSEG-LI’s financial results.

Next, Mr. Daly reported on PSEG-LI’s operating results, including its performance metrics scorecard.

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

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

Mr. Falcone then presented the LIPA Financial Report, which included the financial results through August 2014. Mr. Falcone also discussed pending federal grant funds and the ratings agencies.

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 to Engage RTO Consulting 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 a resolution authorizing the Chief Executive Officer or his designee, to engage four firms to provide advisory services related to regional transmission organizations (“RTO”) on an as-needed basis, as set forth below, for a period of five years.

Background

As a transmission owner and a buyer and seller of wholesale power on behalf of its customers, LIPA is a stakeholder in the wholesale power markets conducted by the New York Independent System Operator, ISO-New England, and the PJM Interconnection (collectively, RTOs). The RTOs regularly study, develop and issue market rules that govern operations, pricing and billing. Under the Operations Services Agreement (“OSA”), PSEG Long Island (“PSEG-LI”) represents LIPA before most industry bodies, including the RTOs. Representation involves participation in RTO committee meetings, assessment of existing and pending market rules, and submission of documents stating LIPA’s position. During 2014, these activities have been carried out by LIPA’s Power Supply Long Island department with assistance from PSEG-LI. Beginning in 2015, PSEG-LI will be fully responsible for RTO representation, among other power supply and planning responsibilities. However, the OSA established certain limits to PSEG-LI’s RTO representation in that PSEG-LI would not represent LIPA before the Federal Energy Regulatory Commission (“FERC”), the agency that regulates the RTO markets; nor is PSEG-LI required to represent LIPA in the event that it would have to advocate for a position that conflicts with the interests of any of its affiliates. Moreover, the OSA reserves to LIPA the final decision-making authority in all areas of wholesale market policy. As of January 1, 2015, LIPA staff will be organized to direct and coordinate PSEG-LI’s activities in furtherance of such policy, but will not have the resources to carry out any significant degree of representation itself. LIPA may also from time to time require expert technical advice to support its policy determinations.

Accordingly, on June 19, 2014, LIPA issued a Request for Proposals (“RFP”) from experienced firms to provide RTO advisory services on an as-needed basis. The selected firms would be engaged under contracts, but would not be awarded any work unless and until a specific need arises. On July 22, 2014, LIPA received timely proposals from 12 firms. The proposals were evaluated by a team of LIPA technical staff under the guidance of LIPA’s legal and procurement staff.

Discussion

The 12 proposals were evaluated according to the guidelines set forth in the RFP, which included assessments of the firms’ experience and qualifications, their hourly rates, proposed changes to LIPA’s standard consulting contract, and their proposals to comply with state requirements for participation by minority and women-owned business enterprises. Based on the evaluation, LIPA staff recommends that the following firms be awarded contracts: Boston Pacific Company; Levitan & Associates, Inc.; PA Consulting Group; and ICF International. Three of these firms are currently providing services to LIPA as contractors or subcontractors.
The average hourly rates for these firms vary from $214/hr to $340/hr. When a need for services arises, the firms would be invited to submit quotes for the work they would perform, the particular staff they would assign, and the associated charges. LIPA staff would then select the firm best qualified to provide the services, considering both cost and non-cost factors.

The estimated value of these four contracts is $1.25 million, based on a five-year term, the proposed rates, and the estimated amount of work that would be awarded. At this juncture, LIPA staff expects that the need for services is likely to be sporadic, involving short notice, and requiring highly specialized expertise. For these reasons, LIPA staff concluded that engagement of contractors is an appropriate cost-effective means of obtaining the necessary expertise. Should such efforts become routine and sustained, addition of full-time staff would be considered in lieu of employing contractors.

Recommendation

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

After a discussion by the Trustees and the opportunity for the public to be heard, the following resolution was adopted by the Trustees with Trustee Cordaro opposed.

1237. AUTHORIZATION TO ENGAGE FIRMS TO PROVIDE REGIONAL TRANSMISSION ORGANIZATION ADVISORY SERVICES

WHEREAS, the Long Island Lighting Company d/b/a LIPA (“LIPA”) is a transmission owner and a participant in the wholesale power markets conducted by the New York Independent System Operator, ISO-New England, and the PJM Interconnection (each, an “RTO”, and collectively, “RTOs”);

WHEREAS, the RTOs regularly study, develop and issue market rules that govern operations, pricing and billing with respect to the wholesale power markets;

WHEREAS, the Board recognizes the importance of LIPA’s interests being represented before the RTOs and before the Federal Energy Regulatory Commission (“FERC”), the federal governmental agency that regulates the RTO markets, which representation entails participation in RTO committee meetings, assessment of existing and pending market rules, and submission of documents stating LIPA’s position;

WHEREAS, under the Operations Services Agreement (“OSA”), beginning in 2015, PSEG Long Island (“PSEG-LI”) will be responsible for representing LIPA before the RTOs, with certain limitations explained herein;

WHEREAS, under the OSA, PSEG-LI (a) shall not represent LIPA before FERC; (b) shall not be required to represent LIPA in the event of a conflict of interests; and (c) shall defer to LIPA as the final decision-making authority in all areas of wholesale market policy;
WHEREAS, as of January 1, 2015, LIPA staff will be charged with directing and coordinating PSEG-LI’s activities in furtherance of such policy, but will not have the resources to carry out any significant degree of representation itself before the RTOs or FERC, and may also from time to time require expert technical advice to support its policy determinations;

WHEREAS, following a thorough evaluation of the 12 timely proposals received in response to LIPA’s Request for Proposals, LIPA staff recommended that the following firms be awarded contracts: Boston Pacific Company; Levitan & Associates, Inc.; PA Consulting Group; and ICF International; and

WHEREAS, the engagement of the above-mentioned firms is an appropriate and cost-effective means of obtaining the necessary expertise with respect to RTO representation.

NOW THEREFORE, BE IT RESOLVED, that the Chief Executive Officer, the Chief Financial Officer or their designees be and hereby are authorized to engage Boston Pacific Company; Levitan & Associates, Inc.; PA Consulting Group; and ICF International to provide advisory services related to the RTOs and FERC on an as-needed basis for a period of five years, 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 their designees.

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The Chair then allowed public comment to be heard, after which he announced that the next Board meeting is scheduled for October 30, 2014 at 11:00 a.m. in Uniondale.

Trustee Greenfield then asked the record to reflect that Trustee Alessi left the meeting at 11:45 a.m.

The Chair then asked for a motion to adjourn to Executive Session to discuss matters related to the appointment or a particular corporation in connection with certain outstanding requests for proposals, which was duly seconded.

1238. 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 matters leading to the appointment of a particular corporation in connection with certain outstanding requests for proposals.

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At approximately 12:45 p.m. the Open Session of the Board of Trustees was adjourned on a motion to enter into Executive Session, which commenced at 12:55 p.m.

After noting that no votes were taken in the Executive Session, Chairman Suozzi entertained a motion to adjourn, which was duly made and seconded, after which the meeting ended at 1:36 p.m.

Respectfully submitted,

Bobbi O'Connor