LONG ISLAND POWER AUTHORITY
MINUTES OF THE 253rd MEETING
HELD ON OCTOBER 30, 2014

The Long Island Power Authority (the “Authority”) was convened for the two-hundred-and-fifty third time at 11:03 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on October 27, 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 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 of 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, Daniel Eichhorn; Vice President of Customer Service and Paul Napoli, Vice President of Power Markets.

Chairman Suozzi welcomed everyone to the 253rd meeting of the Long Island Power Authority Board of Trustees and led the Pledge of Allegiance.

Chairman Suozzi announced that public comment would be heard at the beginning of the meeting and discussed the guidelines to be followed during public comment. The Chair
then allowed for public comment to be heard.

Chairman Suozzi then remarked on the following items:

- The anniversary of Hurricane Sandy and LIPA’s subsequent storm hardening measures and emergency planning;
- LIPA’s commitment to renewable generation sources; and
- LIPA’s pending procurement of electric resources.

The Chair called for a motion to enter into Executive Session to discuss personnel matters related to the appointment of one or more corporations in connection with certain pending requests for proposals, which was seconded.

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

**1239. 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 personnel matters related to the appointment of one or more corporations in connection with certain pending requests for proposals, which was seconded.

At approximately 11:41 a.m. the Board of Trustees adjourned into Executive Session, which ended at 12:44 p.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 September 23, 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 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 September 23, 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 turned the meeting over to Mr. McMahon for the CEO’s Report.

Mr. McMahon commented on the following items:

- The trend towards moderate energy prices with some volatility;
- The major projects underway at LIPA in October and those expected to be undertaken in the months ahead;
- LIPA’s ongoing oversight of PSEG Long Island;
- Settlement of the tax certiorari cases;
- Implementation of the NorthStar Management Audit recommendations;

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 and new storm preparation software applications.

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 LIPA CFO Tom Falcone.

Mr. Falcone then presented the LIPA Financial Report, which included the financial results through September 2014. Mr. Falcone also discussed LIPA’s upcoming bond
refinancing, meetings with 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 a resolution authorizing engagement of utility 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 were requested to approve a resolution authorizing the Chief Executive Officer, the Chief Financial Officer or their respective designees, to engage twelve firms to provide utility consulting services, in the technical areas described below, on an as-needed basis for a period of five years.

**Background**

Under the new structure created by the LIPA Reform Act and the Amended & Restated Operations Services Agreement (“OSA”), LIPA staff was reduced and the focus of many of its responsibilities changed from operational to oversight. The consulting services to be provided by the firms selected in the RFP (as defined below) will support LIPA’s contract oversight functions, including by providing specific technical expertise related to the Operations Services under the OSA, as well as support LIPA’s finance and ratemaking functions. The need for consulting assistance will vary depending on the nature and extent of performance monitoring issues that arise, the need to modify the existing metrics under the OSA, and the nature of projects or initiatives proposed by PSEG. Regardless of the specifics, LIPA staff believes it is likely that the needs will be diverse and best met by consultants rather than full-time staff.

Accordingly, on July 23, 2014, LIPA issued a Request for Proposals (“RFP”) from experienced firms to provide utility consulting 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 August 25, 2014, LIPA received timely proposals from 25 firms. One firm did not submit a cost proposal and was therefore deemed non-responsive. The remaining 24 proposals were evaluated by a team of LIPA technical staff under the guidance of LIPA’s legal and procurement staff.

Proposals were sought in the following areas or scopes of work:

1. Power Supply oversight
2. Transmission and Distribution oversight
3. Distributed Generation and Utility 2.0 project development
4. Customer Service oversight
5. Retail Rates and pricing support
6. Efficiency and Renewables program assessment
7. Information Technology assessment
8. Business Services assessment
9. Financial Support Services

However, upon considering the needs of the organization, the capabilities of LIPA staff, and the awards made in the RTO Advisory Services RFP, LIPA staff decided that, at this time, services would not be required for the following scopes:

1. Power Supply oversight
3. Distributed Generation and Utility 2.0 project development
6. Efficiency and Renewables program assessment

Discussion

The 24 responsive 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 recommended that the following firms be awarded contracts in the scopes indicated:

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The average hourly rates for these firms vary from $159/hr to $416/hr. When a need for services arises that is beyond the expertise or availability of LIPA staff, and would be inappropriate to obtain from PSEG Long Island (e.g., oversight function), LIPA will provide each selected contractor for the relevant scope of work with a description of the services required and experience necessary. Each contractor will be requested to provide resumes of available candidates, a plan for completing the work and an estimate of each consultant’s time. In deciding to engage a contractor on a particular project, LIPA staff will consider the contractor’s expertise and “fit” for the assignment and the cost of the work. Appropriate budgetary review will also be conducted.

The estimated value of these twelve contracts is $400,000, assuming a series of investigations and reports that might be required in a typical year, the labor intensity of specific projects this year and the range of rates among the recommended selections. Given the potential breadth of activities, LIPA staff concluded that it would not be practical or economic to increase staffing in lieu of engaging consultants.

Recommendation

Based upon the foregoing, LIPA staff 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 unanimously adopted by the Trustees:

1241. AUTHORIZATION TO ENGAGE FIRMS TO PROVIDE UTILITY CONSULTING SERVICES

WHEREAS, pursuant to the LIPA Reform Act and the Amended & Restated Operations Services Agreement (“OSA”) between LIPA and PSEG Long Island (“PSEG-LI”), LIPA has specific oversight and financial responsibilities;
WHEREAS, LIPA has adequate staff to carry out these functions, but from time to time will need specific technical expertise or advice to assist in monitoring the performance of PSEG-LI or in support of LIPA’s finance and ratemaking functions;

WHEREAS, the need for consulting assistance will vary depending on the nature and extent of performance monitoring issues that arise, the need to modify the existing metrics under the OSA, and the nature of projects or initiatives proposed by PSEG and such diverse needs are best met by consultants rather than full-time staff;

WHEREAS, on July 23, 2014, LIPA issued a Request for Proposals from experienced firms to be retained in order to provide utility consulting services on an as-needed basis;

WHEREAS, following a thorough evaluation of the 24 responsive proposals, LIPA staff recommended that 12 firms referenced in the memorandum accompanying this resolution be retained to provide consulting services on an as-needed basis;

NOW THEREFORE, BE IT RESOLVED, that the Chief Executive Officer, the Chief Financial Officer or their designees be and hereby are authorized to engage the 12 firms referenced in the memorandum accompanying this resolution to provide consulting services 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.

The Chair stated that there was a final item of business that Trustee Alessi wished to discuss.

Trustee Alessi then presented his remarks on Feed-in Tariff Number 1 (the “FIT”) and requested an internal staff review regarding a particular contract entered into pursuant to the FIT. After discussion among the Trustees, the Chair directed LIPA staff to conduct an internal review as requested.

The Chair then announced that the next Board meeting is scheduled for December 17, 2014 at 11:00 a.m. in Uniondale.

At approximately 1:48 p.m. the Open Session of the Board of Trustees was adjourned.

Respectfully submitted,

Bobbi O’Connor