LONG ISLAND POWER AUTHORITY

MINUTES OF THE 254th MEETING

HELD ON DECEMBER 17, 2014

The Long Island Power Authority (the “Authority”) was convened for the two-hundred-and-fifty fourth time at 11:02 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on December 12, 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, Jim Parmelee, Managing Director of Power Supply, and Barbara Ann Dillon, Director of Human Resources.

Bobbi O’Connor stated that Chairman Suozzi has delegated his Vice-Chairman powers to Trustee Fischl for the beginning of the meeting and that Chairman Suozzi will resume the meeting when he arrives.

After leading recitation of the Pledge of Allegiance and taking roll call, Trustee Fischl stated that Audrey Zibelman, Chair of the New York State Public Service Commission, will address important initiatives to reshape the approach to providing utility service under their

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1 Chairman Suozzi arrived was not present at the beginning of the meeting.
banner initiative called Reforming the Energy Vision or the REV. Ms. Zibelman then presented an overview of the State of New York’s overall energy policy objectives pursuant to the REV and specific policy ideas being considered.

Trustee Fischl stated that the next item on the agenda is consideration of the Renewables RFP, to be presented by CEO, John McMahon.

After requesting a motion on the matter, which was seconded, Trustee Fischl introduced John McMahon, who 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 their respective designees to conduct negotiations for individual 20-year Power Purchase Agreements (“PPA”) with each of the following eleven solar developers who proposed projects in response to the 280 MW RFP: 1) Hecate Energy (Calverton); 2) Community Energy Solar (Calverton); 3) Community Energy Solar (Eastport); 4) Invenergy (East Shoreham); 5) American Capital Energy (Medford); 6) Sybac Solar (Upton); 7) Sybac Solar (Calverton); 8) Sybac Solar (Yaphank); 9) BQ Energy I (Kings Park); 10) BQ Energy II (Kings Park); and, 11) sPower (Calverton). The Trustees are also being requested to authorize Authority and PSEG Long Island Staff to undertake additional actions to further diversify LIPA’s energy portfolio through the solicitation of additional renewable resources.

**Background**

LIPA’s 2010-2020 Electric Resource Plan (the “Resource Plan”) was approved by the Trustees in February 2010.

By resolution dated October 25, 2012, the Trustees set forth the strategy for LIPA to execute on its Resource Plan, which provided, among other things, a pathway to further diversify the supply portfolio available to its customers, and includes: continued efforts to enhance existing renewable energy programs; future renewable energy procurements; replacing inefficient peaking units and other actions and investments that might be necessary and/or feasible to meet future load reliably and economically. The resolution also directed LIPA staff to issue a competitive procurement for additional renewable energy resources of up to 280 MW of capacity to be in-service by 2018, and asked that a second competitive procurement be considered for renewable resources between 2018 and 2022 in the update of LIPA’s Electric Resource Plan.

At the July 25, 2013 meeting of the Trustees, LIPA set forth its plan to, among other things, seek to add 400 MW of new renewable energy generation to LIPA’s resource portfolio by 2018 through an expanded feed-in tariff and a competitive procurement and to consider an additional 300 MW of new renewable resources in the 2018 to 2022 timeframe. While
LIPA does not fall under the jurisdiction of New York State’s renewable portfolio standard ("RPS"), LIPA has stated a goal to strive toward incorporating a larger percentage of renewable resources in its resource portfolio.

Issuance of the RFP

On October 18, 2013, LIPA issued the 280 MW RFP for the addition of up to 280 MW of renewable energy, including all associated capacity and environmental attributes. Proposers were required to submit proposals on or before March 31, 2014. The RFP schedule contemplated Trustee selections of proposals in December 2014. Each proposal submitted was required to propose a commercial operation date ("COD") of no later than December 31, 2018 and include prices, terms, and conditions.

The RFP was distributed to 59 firms; advertised in the New York State Contract Reporter; and posted on both LIPA’s Web site and a Web site set up specifically for the RFP. Prior to proposal submittal, LIPA provided prospective Proposers the opportunity to submit written questions to which LIPA responded in writing via the RFP Web site.

The Evaluation Process

Prior to receipt of proposals, a Selection Committee, consisting of an interdisciplinary group of experts from LIPA’s Staff was designated to conduct the evaluation. Prior to the receipt of proposals, the Selection Committee designed a multi-phase evaluation process that focused on selecting those proposals that would provide the best value to LIPA’s customers based on the quantitative and qualitative merits of each proposal.

LIPA received 38 proposals from 18 entities on March 31, 2014. The Selection Committee first reviewed the proposals for compliance with the submittal requirements of the RFP and then evaluated the responsive proposals based on criteria set forth in the RFP, including, among other things: qualitative aspects of each proposal; prices for renewable energy, including associated capacity and environmental attributes; cost of fuel (gas), where applicable; costs of any required or avoided/deferred transmission system upgrades; and the cost impact on LIPA’s generation, purchases and sales of power on behalf of its customers. The evaluation considered the unique technical attributes of each proposal, including operational flexibility, environmental impacts, the interaction with LIPA’s other power supply resources, and the ability to get the projects developed on time. In light of the breadth of the proposals, which included a variety of technologies, project sizes and locations, the financial impact of each proposal selected as a semi-finalist was calculated based on each semi-finalist’s best and final offer as submitted on December 5, 2014. When measured against a base case, the financial impact of each of the various proposals ranged from millions of dollars to several billion dollars in additional (incremental) costs or a "premium" when measured over the 20 year PPA term of each proposal. Based upon the above described analysis, selection was limited to the solar proposals only which in aggregate represent a total of 122.1 MW of installed capacity. The wind projects were not selected for a number of reasons including: total cost relative to other alternatives; the concentrated development risk of only selecting a single project; and rate impacts. The fuel cell proposals were not selected due to the uncertainty of the total proposal price e.g. the total price of each fuel cell proposal and therefore the cost to LIPA’s ratepayers is not
known with any degree of certainty or price stability because the total price is, in significant part, a function of the price of gas used to fuel the projects which gas price is volatile and unpredictable.

The following eleven solar projects, totaling 122.1 MW were selected for contract negotiations. Once satisfactory terms and conditions have been negotiated and the project has completed its State Environmental Quality Review Act process, each contract shall be brought to the LIPA Board of Trustees for approval.

**Hecate Energy (7.5 MW)**

Hecate Energy, LLC (a privately held entity) proposed to develop, operate, and own a new 7.5 MW solar facility (Riverhead Solar) located between the south end of the southwest runway at the Calverton Airport and Grumman Boulevard located in Calverton, New York. Hecate Energy proposes to use approximately 25,000 single-axis panels which on an annual basis would operate at an approximate capacity factor of 22%.

Hecate Energy proposes to achieve an October 19, 2016 COD.

**Community Energy Solar (10.0 MW - Calverton)**

Community Energy Solar, LLC (a wholly owned subsidiary of Community Energy Holdings, Inc.) proposed to develop, operate, and own a new 10.0 MW solar facility (Calverton) located between 4300-4400 Middle Country Road on the southern side of the road in Calverton, New York. Community Energy Solar proposes to use approximately 41,500 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

Community Energy Solar proposes to achieve a September 12, 2016 COD.

**Community Energy Solar (16.0 MW - Manorville)**

Community Energy Solar, LLC (a wholly owned subsidiary of Community Energy Holdings, Inc.) proposed to develop, operate, and own a new 16.0 MW solar facility (Manorville) located along the northeast side of Captain Daniel Roe Highway between Moriches Riverhead Road and Sunrise Highway in Eastport, New York. Community Energy Solar proposes to use approximately 67,500 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

Community Energy Solar proposes to achieve a November 10, 2016 COD.

**Invenergy (24.99 MW)**

Invenergy, LLC (a privately held entity) proposed to develop, operate, and own a new 24.99 MW solar facility (Tallgrass Solar) located between 5-50 Cooper Street on the southern side of the road in East Shoreham, New York. Invenergy Solar proposes to use approximately 108,000 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.
Invenergy proposes to achieve a June 24, 2016 COD.

**American Capital Energy (10.0)**

American Capital Energy, Inc. (a privately held entity) proposed to develop, operate, and own a new 10.0 MW solar facility (Brookhaven) located between 10-100 Fairmont Avenue along the west side of the road in Medford, New York. American Capital Energy proposes to use approximately 42,000 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

American Capital Energy proposes to achieve a December 19, 2016 COD.

**Sybac Solar (9.8 MW – Yaphank)**

Sybac Solar, LLC (a privately held entity) proposed to develop, operate, and own a new 9.8 MW solar facility (Yaphank) located between 0-5 Ramsey Road along the southeast side of the road in Upton, New York. Sybac Solar proposes to use approximately 45,000 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

Sybac Solar proposes to achieve a July 25, 2016 COD.

**Sybac Solar (9.9 MW – Riverhead)**

Sybac Solar, LLC (a privately held entity) proposed to develop, operate, and own a new 9.9 MW solar facility (Riverhead) located between 450-500 Edwards Avenue on the western side of the road in Calverton, New York. Sybac Solar proposes to use approximately 44,500 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

Sybac Solar proposes to achieve a July 25, 2016 COD.

**Sybac Solar (10.0 MW – Horseblock)**

Sybac Solar, LLC (a privately held entity) proposed to develop, operate, and own a new 10.0 MW solar facility (Horseblock) located between 300-450 Horseblock Road on the north side of the road in Yaphank, New York. Sybac Solar proposes to use approximately 44,000 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

Sybac Solar proposes to achieve a July 25, 2016 COD.

**BQ Energy (2.0 MW – Indian Solar I)**

BQ Energy Development, LLC (a privately held entity) proposed to develop, operate, and own a new 2.0 MW solar facility located between 140-160 Old Northport Road on the north side of the road in Kings Park, New York. BQ Energy proposes to use approximately 9,000 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.
BQ Energy proposes to achieve a September 21, 2015 COD.

**BQ Energy (2.0 MW – Indian Solar II)**

BQ Energy Development, LLC (a privately held entity) proposed to develop, operate, and own a new 2.0 MW solar facility located between 140-160 Old Northport Road on the north side of the road in Kings Park, New York. BQ Energy proposes to use approximately 9,000 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

BQ Energy proposes to achieve a September 21, 2015 COD.

**sPower (20.0 MW - Riverhead)**

sPower (privately held firm owned by Fir Tree Partners, Sustainable Power Group, Silverado Power and Martifer Solar) proposed to develop, operate, and own a new 20.0 MW solar facility (Riverhead) located on two plots, one plot is located between 100-200 Edwards Avenue on the western side of the road and the other plot is between 400-500 Edwards Avenue on the eastern side of the road in Calverton, New York, sPower proposes to use approximately 93,000 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

sPower proposes to achieve a December 31, 2016 COD.

**Other Resource Plans**

As previously stated, the 280 megawatt target was adopted in 2012 as part of an overall target totaling 400 megawatts of renewable energy for Long Island. This program was in furtherance of the Authority Board's sense that Long Island should, along with the State's other utilities, support the State’s goal of obtaining 30 percent of its energy from renewable sources by 2015. Specifically, Authority Staff recommends that the Board authorize commencement of a supplemental solicitation to secure an additional 160 megawatts of renewable energy in order to achieve the target of up to 280 megawatts of renewable energy. Authority Staff believes that the new solicitation can be coordinated with the Integrated Resource Plan process being conducted by PSEG-Long Island so that new renewable resources can be developed in a manner that will minimize costs to the Long Island ratepayer.

The Authority also plans to continue to diversify the supply portfolio available for its customers, and includes continued efforts and investments to improve energy efficiency through the Efficiency Long Island Program; enhancements to existing renewable energy programs; future renewable energy procurements; replacing inefficient peaking units; and other actions and investments that might be necessary and/or feasible to reliably and economically meet future load. Evaluation of the options will be done by PSEG Long Island in the 2015 Integrated Resource Plan (IRP). The Board should authorize PSEG Long Island working with the Authority Staff and other stakeholders to develop an additional program, coordinated with the IRP, to develop renewable energy beyond the 280 megawatt target we are now implementing.
Recommendation

For the foregoing reasons, Mr. McMahon recommended that the Trustees adopt a resolution in the form of the resolution appearing below.

Trustee Fischl announced that public comment would be heard on this item, and opened the floor for public comment. Chairman Suozzi joined the meeting during the public comment session, took charge of the meeting, and continued to allow for public comment to be heard.

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

1242. AUTHORIZATION TO 1) CONDUCT NEGOTIATIONS FOR ELEVEN INDIVIDUAL POWER PURCHASE AGREEMENTS FOR THE PURCHASE OF RENEWABLE ENERGY INCLUDING ALL CAPACITY AND ENVIRONMENTAL ATTRIBUTES; AND 2) TAKE OTHER ACTIONS IN FURTHERANCE OF DIVERSIFYING LIPA’S ENERGY SUPPLY PORTFOLIO

WHEREAS, LIPA’s 2010-2020 Electric Resource Plan (the “Resource Plan”) was approved by the Trustees in February 2010; and

WHEREAS, by resolution dated October 25, 2012, the Trustees set forth the strategy for LIPA to execute on its Resource Plan, which set forth, among other things, a pathway to further diversify the supply portfolio available to its customers, and includes: continued efforts to enhance existing renewable energy programs; future renewable energy procurements; replacing inefficient peaking units and other actions and investments that might be necessary and/or feasible to reliably and economically meet future load; and

WHEREAS, by resolution dated October 25, 2012, the Trustees directed LIPA staff to issue a competitive procurement for additional renewable energy resources of up to 280 MW of capacity to be in-service by 2018, and asked that a second competitive procurement be considered for renewable resources between 2018 and 2022 in the update of LIPA’s Electric Resource Plan; and.

WHEREAS, at the July 25, 2013 meeting of the Trustees, LIPA set forth its plan to, among other things, seek to add 400 MW of new renewable energy generation to LIPA’s resource portfolio by 2018 through an expanded feed-in tariff and a competitive procurement and consider an additional 300 MW of new renewable resources in the 2018 to 2022 timeframe; and

WHEREAS, in recognition of these objectives, on October 18, 2013 LIPA issued the instant Request For Proposals for up to 280 MW of New, On-Island, Renewable Capacity and
Energy ("RFP" or "280 MW RFP") for the addition of up to 280 MW of renewable energy, including all associated capacity and environmental attributes; and

WHEREAS, the RFP Selection Committee reviewed proposals submitted in response to the RFP and has recommended that negotiations should commence for individual 20-year Power Purchase Agreements ("PPA") for each of the following eleven solar Proposers: 1) Hecate Energy (Calverton); 2) Community Energy Solar (Calverton); 3) Community Energy Solar (Eastport); 4) Invenergy (East Shoreham); 5) American Capital Energy (Medford); 6) Sybac Solar (Upton); 7) Sybac Solar (Calverton); 8) Sybac Solar (Yaphank); 9) BQ Energy 1 (Kings Park); 10) BQ Energy II (Kings Park); and, 11) sPower (Calverton); and

WHEREAS, upon the conclusion of such negotiating processes, LIPA would award a PPA to each of the eleven Proposers, subject to subsequent approval of each PPA by the Trustees; and

WHEREAS, in addition to the action related to the RFP, LIPA will authorize Authority Staff and PSEG LI Staff to issue a renewable energy solicitation for 160 MW of renewable capacity as soon as practical in conjunction with the Integrated Resource Plan currently underway; Authority Staff and PSEG-Long Island should report the results of this plan to the Board no later than June 30, 2016;

WHEREAS, to further develop renewable resources for Long Island, LIPA will authorize Authority Staff and PSEG LI Staff to use a stakeholder process and the IRP to develop a program to bring additional renewable energy into the LIPA portfolio; and

NOW, THEREFORE, BE IT RESOLVED, that the Trustees authorize the Chief Executive Officer, the Chief Financial Officer or their respective designees to conduct negotiations for individual 20-year Power Purchase Agreements ("PPA") with each of the following eleven solar Proposers: 1) Hecate Energy (Calverton); 2) Community Energy Solar (Calverton); 3) Community Energy Solar (Eastport); 4) Invenergy (East Shoreham); 5) American Capital Energy (Medford); 6) Sybac Solar (Upton); 7) Sybac Solar (Calverton); 8) Sybac Solar (Yaphank); 9) BQ Energy 1 (Kings Park); 10) BQ Energy II (Kings Park); and, 11) sPower (Calverton), it being understood that LIPA shall have no obligation to enter into a PPA with these proposers unless terms and conditions are satisfactory to LIPA, subject to the approval set forth in the next succeeding resolution; and be it further

RESOLVED, that any potential PPA with each of the eleven forenamed Proposals will be subject to further authorization of the Trustees; and be it further

RESOLVED, that the Trustees authorize commencement of a supplemental solicitation in coordination with the IRP process to secure renewable energy from up to an additional 160 megawatts of renewable capacity commencing delivery on or before December 31, 2020; and be it further

RESOLVED, that the Trustees authorize PSEG-Long Island working with the Authority Staff and other stakeholders to develop an additional program, integrated with the IRP, to develop renewable energy beyond the 280 megawatt target we are now implementing.

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The Chair called for a motion to enter into Executive Session to discuss litigation
related to certain contract matters, which was seconded.

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

1243. 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 related to certain contract matters, which was seconded.

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At approximately 12:26 p.m. the Board of Trustees adjourned into Executive Session, which ended at 12:50 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.

Chairman Suozzi called for a motion to accept the minutes of the October 30, 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 October 30, 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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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.

Mr. Johnson then took questions from the trustees.

Next, Mr. Daly reported on PSEG-LI’s operating results and performance metrics.
Mr. Daly concluded PSEG Long Island’s report and took questions from the Trustees.

Following a discussion with the Trustees, the Chair stated that the next item on the agenda is LIPA’s Financial Report, to be presented by Mr. Falcone.

Mr. Falcone then presented the Financial Report, which included LIPA’s financial results through November 30, 2014, and reported on the recent bond sale.

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

The Chair stated that the next item on the agenda is consideration of the 2015 Operating and Capital Budget and PSEG-LI 2014 Budget Matters.

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

Mr. Falcone and Mr. Daly then presented the following action item:

Requested Action

The Trustees are requested to adopt a resolution approving the proposed 2015 Operating and Capital Budgets (the “Budgets”) for the Long Island Power Authority and its subsidiary, LIPA (collectively the “Authority”), which appears below.

The Trustees are further requested to adopt a resolution approving certain amendments to the 2014 Operating and Capital Budgets in accordance with the terms of the Amended and Restated Operations Services Agreement ("OSA") for “Non-Storm Emergencies”.

Background on 2015 Operating and Capital Budgets

The proposed Budgets set forth the revenue, grant, other income, and expenditure forecasts for the year ending December 31, 2015, including the Operating and Capital Budgets submitted by PSEG Long Island in accordance with the Amended and Restated Operations Services Agreement (“OSA”). The proposed Operating and Capital Budgets continue initiatives designed to improve service, enhance customer satisfaction, improve storm response, accommodate system needs, promote energy efficiency, and complete the transition of operating functions from the Authority to PSEG Long Island.

The proposed Operating Budget totals $3.6 billion, which is an increase of $74 million or 2.1% from the approved Operating Budget for 2014. This primarily reflects higher projected fuel and purchased power costs of $80.4 million, decreased grant and other income of $114.7 million, and offsetting reductions in operating expenses of $127.4 million or 5.9%. Delivery rates will be maintained at the 2013 level.
The Operating Budget proposes a revenue decoupling mechanism, budgeted at zero, to mitigate sales-related variability in revenue arising from increased investment in demand-side management and end-use energy efficiency as well as weather and general economic conditions. The Operating Budget also proposes certain revenue neutral adjustments among the non-fuel rate components of customers’ bills, including the delivery charge, efficiency and renewables charge, and New York State assessment, so as to maintain the delivery rate flat at the 2013 level. The tariff changes required to implement these proposals will be brought to the Board for separate approval during 2015.

The proposed Capital Budget totals $641.9 million, representing a record level of investment in electric system resiliency and reliability. $140.1 million of this Capital Budget will fund the first year of a multi-year $730 million storm hardening program, better preparing the Long Island electric system to withstand severe weather. $657 million (90%) of this storm hardening program will be paid for by a grant secured during 2014 from the Federal Emergency Management Agency (“FEMA”). The OSA provides PSEG Long Island with the flexibility to reallocate or postpone expenditures within the proposed Operating and Capital Budgets to adapt to changing priorities and circumstances. However, this flexibility does not apply to the amounts budgeted for the above-mentioned storm hardening program, since third party funding is expected for 90% of these expenses, which would not otherwise be available to fund other priorities.

The proposed Operating Budget includes $2 million for additional Utility 2.0 program development. The proposed Operating and Capital Budgets also include projections for $13.3 million and $3.9 million, respectively, of Utility 2.0 program implementation expenditures during 2015. Utility 2.0 implementation expenditures will be brought to the Board for separate approval upon receipt of a recommendation by the Department of Public Service.

As part of the 2015 Operating and Capital Budgets, the Trustees are requested to adopt three accounting/ratemaking principles. Two of these principles provide for accounting requirements in the Budgets and match assets and liabilities so as to amortize certain benefits or costs to utility income over their period of benefit or use. The third principle follows conventional ratemaking practice for pension expense deferral and reconciliation.

First, the Trustees are asked to establish a regulatory liability for federal grants anticipated to be received related to the $730 million storm hardening program, which liability is to be amortized in amounts equal to the depreciation expense on the assets funded by the grant. This aligns the recognition of grant receipts with the depreciation expense of the assets so as to be neutral to net income in each year. The Authority projects to receive $126.1 million of such federal grants related to the $140.1 million of storm hardening-related projects funded in the 2015 Capital Budget.

Second, the Trustees are asked to establish a regulatory asset (the “Retirement Benefits Asset”) equal to the total projected obligations under the OSA to PSEG Long Island and its subsidiary service company, Long Island Electric Utility ServCo LLC (together, “ServCo”), for ServCo retiree employee benefits, including pension and post-retirement health and life insurance benefits (together “retirement benefits”) not previously reflected in cost of service. The liability corresponding to the regulatory asset had previously been
established on the Authority's books of account ($433.8 million at September 30, 2014). The asset, as adjusted periodically to reflect actuarial updates to the projected obligations for numerous factors including interest rates and mortality, will be amortized to income consistent with actuarial and generally accepted accounting principles, which are to amortize the cost over the average future working life of the affected employees (or their average future working life to qualify for benefits, as applicable). This is also consistent with the approach taken by other New York utilities.

Third, a corresponding regulatory asset attributable to the two-year period ending 2015 is also requested. As noted in the Budget approved in December 2013, the 2014-15 delivery rate freeze assumptions reflected pay-as-you-go costs for pension and OPEB expenses for PSEG Long Island employees and the actuarial study quantifying the expenses for the period, completed following the pension settlement with National Grid and the transition of employees to PSEG Long Island during 2014, indicate differences related to operating costs of approximately $50.6 million and $54.9 million, respectively, in 2014 and 2015. Utility ratemaking policy provides for reconciliation and future recovery of such differences, which will be amortized over the remaining life of the OSA. Pension and OPEB capital costs have been charged to capital accounts on a current basis.

The Authority conducted two voluntary public comment sessions, one each in Nassau and Suffolk Counties, on November 20, 2014. The Authority received no public comments at the session held in Nassau County and two comments at the session held in Suffolk County, both of which principally related to matters unrelated to the Budgets. The Authority also established an email address to receive public comments on the Budgets. To date, the Authority has received no such comments.

Projections of revenues and expenses, and sources and uses of cash are included with the Budgets for the years ending December 31, 2015 through December 31, 2017. These projections are based on assumptions, which may or may not occur, particularly with respect to fuel and purchased power commodity costs. Therefore, actual results may differ from those presented.

Mr. Falcone noted that the Finance and Audit Committee of the Board passed a resolution recommending the 2015 Operating and Capital Budgets for approval.

Background on 2014 Operating and Capital Budget Amendments

Section 5.2(B)(7) of the OSA recognizes that non-budgeted expenditures due to events or conditions beyond the reasonable control of the Service Provider may occur that result in the Service Provider incurring incremental expenses to provide Operations Services in accordance with the Contract Standards or to repair, replace, or restore damaged components of the T&D System (“Non-Storm Emergencies”). Under the terms of the OSA, PSEG Long Island requests that the Board of Trustees approve two budget amendments for such Non-Storm Emergencies that occurred during 2014.

The first Non-Storm Emergency occurred on Saturday, January 11, 2014 due to a transmission cable leak on Circuit 138-292 (located along Atlantic Avenue, the Rockaways). The cable leak, remediation, and long-term repair are events or conditions
beyond the reasonable control of PSEG Long Island. Due to the infrequent and potentially significant cost (when they do occur) of such transmission cable failures, such costs are not routinely budgeted expenditures. The costs, which amount to $3,189,081, were incurred beginning on January 11, 2014 and continued through October 2014.

The second such event was the award of two grants during 2014 that required the initiation of incremental planning, design, and grant compliance activities during 2014 so as to prepare for significant activity in 2015. The first such grant agreement, for a $730 million storm hardening program, was signed in February 2014 while the second, a Community Development Block Grant Disaster Recovery grant for $143 million, was signed in September 2014. The costs to initiate the planning, technical design, engineering, and grant compliance activities related to these two grants was not anticipated as part of the 2014 Operating and Capital budgets. Through December 31, 2014, such incremental costs are estimated at $2,900,000.

Recommendation

Based upon the foregoing, Mr. Falcone recommended approval of the above requested action by adoption of the below 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:

1245. APPROVAL OF THE 2015 OPERATING AND CAPITAL BUDGETS AND AMENDMENTS TO THE 2014 BUDGETS

WHEREAS, the Long Island Power Authority (“Authority”), through its wholly owned subsidiary, LIPA, owns the electric transmission and distribution system (“T&D System”) serving the counties of Nassau and Suffolk and a small portion of the County of Queens known as the Rockaways; and

WHEREAS, the Board of Trustees is required to approve annual budgets for the operation and maintenance of the T&D System and for capital improvements; and

WHEREAS, the Authority released its proposed 2015 Operating and Capital Budgets on November 17, 2014 and held two public comment sessions on November 20, 2014; and

WHEREAS, the latest proposed budget incorporates operating and capital budgets developed by PSEG Long Island for the operation and maintenance of the transmission and distribution system, customer services, business services, energy efficiency and renewable energy programs and power supply functions which are predicated on improving storm response and restoration, customer satisfaction, and reliability and storm hardening; and

WHEREAS, the latest proposed budget contains no change to the current non-fuel related delivery rates, consistent with the goal articulated in connection with the LIPA Reform Act; and
WHEREAS, the Finance and Audit Committee of the Board has passed a resolution recommending the 2015 Operating and Capital Budgets and the amendments to the 2014 budgets for approval:

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the proposed 2015 Operating and Capital Budgets, both of which were provided to the Trustees, are hereby approved; and

BE IT FURTHER RESOLVED, that the Authority establishes a regulatory liability for grant receipts in connection with a multi-year storm hardening program and subsequent amortization in amounts equal to depreciation expense on assets funded by such grants; and

BE IT FURTHER RESOLVED, that the Authority establishes a regulatory asset for the total projected obligations related to employee benefit arrangements for PSEG Long Island LLC and its subsidiary service company Long Island Electric Utility ServCo LLC employees (together “ServCo”) pursuant to Section 4.5(D)(5) of the Amended and Restated Operations Services Agreement, as actuarially determined, that have not previously been realized in the operating and capital expenditures of the Authority (the “Retirement Benefits Asset”). Such Retirement Benefits Asset will subsequently be amortized in a manner determined consistent with actuarial and generally accepted accounting principles.

BE IT FURTHER RESOLVED, that the Authority establishes a regulatory asset and subsequent amortization over a 10-year period starting in 2016 for the portion of the amortization of the Retirement Benefits Asset incurred as operating expenditures for the years ending December 31, 2014 and December 31, 2015 that exceed the amounts included in the 2014 and 2015 Operating Budgets for such retirement benefits; and

BE IT FURTHER RESOLVED, that the Authority intends to finance the requirements of the 2015 and 2016 Capital Budgets, as adjusted from time to time, through a combination of internally-generated funds and the issuance of tax-exempt or taxable debt of the Authority and authorizes the officers of the Authority to evidence such intent by appropriate certifications.

BE IT FURTHER RESOLVED, that the Authority approves an amendment to the approved 2014 Operating Budget for incremental costs of $3,189,081 for a Non-Storm Emergency (as defined in Section 5.2(B)(7) of the Amended and Restated Operations Services Agreement) related to the Atlantic Avenue Cable Leak and an amendment to the approved 2014 Capital Budget for $2,900,000 for a Non-Storm Emergency related to incremental planning, technical design, engineering and grant compliance costs related to grants awarded within 2014.

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The Chair stated that the next item on the agenda is Consideration of Establishment of OPEB Account and Investment.
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**

Pensions and other post employment benefits (“OPEBs”) are a cost of doing business. It is well established that the cost of pensions and OPEBs should be reflected during the employee's service rather than when the expense is realized during the employee’s retirement. Pension and OPEBs accounts are established to allow deposits during the employee’s service so that money is available to pay these costs when the employee is retired. This avoids future customers paying the cost of an employee’s past service and is consistent with New York State Public Service Commission policy as outlined in the “Statement of Policy and Order Concerning the Accounting and Ratemaking Treatment for Pensions and Postretirement Benefits Other Than Pensions” issued in 1993.

It is proposed that the Trustees authorize the establishment of an OPEB Account within the Authority’s existing Operating Expense Fund for the purpose of providing for the payment of Future OPEB Expenses (as described below) as they become due.²

It is further proposed that the Trustees authorize the deposit of moneys in such OPEB Account from time to time in amounts generally equal to the expense realized in operating and capital expenditures related to Future OPEB Expenses in each year, or such other amounts as determined in the Authority’s operating and capital budgets for such calendar year, and that the Trustees authorize the investment of such moneys in equity investments and other Investment Securities (as defined in the Authority’s Electric System General Revenue Bond Resolution, as amended and supplemented and permitted by the Authority’s Investment Guidelines). Investments in such securities are similar to investments commonly made in accounts dedicated to pension and OPEB liabilities. Together with investment earnings, such deposits are reasonably expected to be sufficient to fund the projected liabilities for Future OPEB Expenses that may accrue during the term of the OSA. For 2014, the OPEB Account deposit is estimated at $22 million.

Under the Amended and Restated Operations Services Agreement (the “OSA”), certain post-employment health and life insurance benefit plan expenses for the employees of the subsidiary service company (“ServCo”) of PSEG Long Island LLC are Pass-Through Expenditures (as defined in the OSA) ultimately payable by LIPA during the term of the OSA and at the termination of the agreement. Additionally, LIPA incurs similar liabilities for the post-employment health and life insurance benefits of its own employees (together with such ServCo benefits hereinafter referred to as “Future OPEB Expenses”).

Any such deposit to the OPEB Account will be subject to a determination by the Chief Executive Officer or the Chief Financial Officer that, on a projected basis in such officer’s

² PSEG has established a Pension Investment Trust to fund future pension payments to PSEG Long Island employees. The Authority made $69 million of contributions to the PSEG Pension Investment Trust during 2014 and estimates contributing $30 million during 2015. There is no corresponding OPEB Account.
judgment, making a deposit in the OPEB Account in such amount will not cause the Authority to be in violation of any debt service coverage requirements or other covenants reflected in the Authority’s financing documents. Furthermore, moneys in the OPEB Account would be applied solely to pay Future OPEB Expenses as they become due provided that in the event the Chief Executive Officer or Chief Financial Officer determine there would be insufficient other revenues to pay reasonable and necessary Operating Expenses or to make payments on bonds or parity obligations, then the Chief Executive Officer or Chief Financial Officer would be authorized after notifying the Finance and Audit Committee of the Board of Trustees to release moneys from the OPEB Account for such purposes.

No moneys in the OPEB Account will be applied to purchase Additional Permitted Investments until (i) the Authority Investment Guidelines are amended to expressly permit such investment and (ii) the banks party to agreements relating to letter of credit facilities or revolving credit arrangements have been amended to permit such purchase or such banks have waived any applicable restrictions in such agreements relating to such purchase. Additional Permitted Investments would be purchased in accordance with the limitations to be reflected to the Authority’s Investment Guidelines and would only be purchased with moneys held in the OPEB Account and not with any other moneys held by the Authority subject to the General Bond Resolution.

Recommendation

Based upon the foregoing, Mr. Falcone recommended the adoption of the below 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:**

1246. AUTHORIZATION TO ESTABLISH AN OPEB ACCOUNT AND INVEST MONEYS THEREIN

WHEREAS, under the Amended and Restated Operations Services Agreement (the “OSA”), certain post-employment health and life insurance benefit plan (“OPEB”) expenses for the employees of the subsidiary service company (“ServCo”) of PSEG Long Island LLC are Pass-Through Expenditures (as defined in the OSA) that are ultimately payable by LIPA during the term of the OSA and at the termination of the agreement, and LIPA incurs similar liabilities for the post-employment health and life insurance benefits of its own employees (together with such ServCo benefits hereinafter referred to as “Future OPEB Expenses”); and

WHEREAS, Future OPEB Expenses will constitute Operating Expenses (as defined in the Authority’s Electric System General Revenue Bond Resolution, amended and supplemented (hereinafter the “General Bond Resolution”) and the Authority wishes to establish and fund from time to time an OPEB Account to provide a source of payment of Future OPEB Expenses when they become due and to provide for the investment of moneys held in such OPEB Account in equity investments, as well in other investments permitted by the General Bond Resolution; and
WHEREAS, pursuant to Sections 502 and 505 of the Authority’s General Bond Resolution, the Authority is permitted to establish an OPEB Account as an account within the Operating Expense Fund held by the Authority under the General Bond Resolution for the purpose of establishing a reserve for the payment of Future OPEB Expenses when they become due; and

WHEREAS, Section 515 of the General Bond Resolution provides that moneys held in Funds held by the Authority are to be invested in Investment Securities, which as defined in the General Bond Resolution, include in addition to a specific list of securities set forth therein, any other investment in which the Authority is permitted to invest under applicable law; and

WHEREAS, pursuant to Section 1020-f(g) of the Long Island Power Authority Act, the Authority is authorized to purchase, among other investments, shares or other securities issued by others and securities are defined by such Act to include, among other investments, any common or preferred stock, transferable share, voting-trust certificate or any certificate of interest or participation in, or receipt for any of the foregoing;

NOW THEREFORE BE IT RESOLVED, that:

1. There is hereby established an OPEB Account within the Operating Expense Fund. Such OPEB Account shall be held by the Authority, subject to the lien and provisions of the General Bond Resolution.

2. Except as may otherwise be provided by subsequent resolution of the Trustees, moneys in the OPEB Account would be applied solely to pay Future OPEB Expenses as they become due and owing provided that in the event that the Chief Executive Officer or Chief Financial Officer determine at any time that there will be insufficient other revenues available to pay both reasonable and necessary Operating Expenses payable in any year and all debt service payable in such year on Bonds (as defined in the General Bond Resolution) and all amounts payable as Parity Obligations (as defined in the General Bond Resolution) under the General Bond Resolution and all Subordinated Indebtedness (as defined in the General Bond Resolution) from other moneys available therefor under the terms of the General Bond Resolution and Subordinated General Resolution, then the Chief Executive Officer or Chief Financial Officer are authorized after notifying the Finance and Audit Committee of the Board of Trustees to release moneys in the OPEB Account to pay other Operating Expenses in order to assure the sufficiency of Revenues to pay such Operating Expenses and debt service.

3. Except as the Trustees may otherwise provide by subsequent resolution, the amount of the Retirement Benefits Asset established by Board Resolution on December 17, 2014, as subsequently amended, amortized in operating and capital expenditures in that calendar year related to Future OPEB Expenses, plus the amortization of prior deferrals of such expense, plus the amount recognized in operating and capital expenditures of the Authority related to Future OPEB Expenses of its own employees (or such other amounts as determined in the Authority’s operating and capital budgets for such calendar year) shall be deposited in the OPEB Account. Such amount shall be deposited subject to a determination by the Chief Executive Officer or the Chief Financial
Officer that, on a projected basis in such officer’s judgment, making a deposit in the OPEB Account in such amount will not cause the Authority to be in violation of any debt service coverage requirements or other covenants reflected in the Authority’s financing documents.

4. Moneys in the OPEB Account may be invested in Additional Permitted Investments in addition to the Investment Securities listed specifically in clauses (i) through (xi) of the definition of Investment Securities in the General Bond Resolution. The Authority hereby determines that Additional Permitted Investments constitute Investment Securities described in clause (xii) of definition of such term in the General Bond Resolution. No moneys in the OPEB Reserve Account will be applied to purchase Additional Permitted Investments until (i) the Authority Investment Guidelines are amended to expressly permit such investment and to prescribe such limitations thereon as the Authority may determine appropriate and (ii) the banks party to agreements relating to letter of credit facilities or revolving credit arrangements have been amended to permit such purchase or such banks have waived any applicable restrictions therein relating to such purchase. Additional Permitted Investments shall only be purchased with moneys held in the OPEB Account and with no other moneys subject to the General Bond Resolution. Absent a contrary direction by resolution of the Trustees, all earnings on moneys held in the OPEB Account shall be deposited in the OPEB Account as an additional deposit thereto in accordance with the first clause of Section 505 of the General Bond Resolution. Subject to the preceding sentence and to Section 3 of this resolution, there shall be no minimum balance required to be deposited or held in the OPEB Account and there shall be no obligation of the Authority to make up any losses that may arise from investment of the OPEB Account.

5. Each of the Chief Executive Officer and the Chief Financial Officer is authorized to enter into such agreements and deliver such documents and instruments as may be necessary to effectuate the foregoing, including, without limitation, any amendments to existing agreements which restrict the investment of Authority moneys.

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The Chair stated that the next item on the agenda is the Consideration of Authorization to Execute an Amendment to the Energy Purchase Agreement with Entergy Nuclear Power Marketing, LLC.

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

Mr. Parmelee presented the following action item:
Requested Action

The Trustees are being requested to approve and adopt a resolution authorizing the Chief Executive Officer or his designee to execute an amendment to the energy purchase agreement between the Long Island Lighting Company d/b/a LIPA (“LIPA”) and Entergy Nuclear Power Marketing, LLC (“Entergy”) for the continued sale of nuclear energy from the FitzPatrick Nuclear Power Plant (the “FitzPatrick Plant”) to LIPA, as set forth herein.

Background

Currently, LIPA purchases power from the FitzPatrick Plant under a legacy contract dating back to 1975 (“Contract UD-3S”). Historically Fitzpatrick has supplied approximately five percent of Long Island’s energy requirements. Since March 28, 2003, LIPA and Entergy Nuclear FitzPatrick, LLC (“Entergy”) have been parties to Contract UD-3S, as amended, under which Entergy has been providing power to LIPA (the “Agreement”). The energy price under the Agreement is fixed for the full term, and serves as a financial hedge against volatile fossil fuel and electricity costs. Additionally, the energy provided under the Agreement is associated with LILCO’s transmission service agreements with Niagara Mohawk and Con Edison that have been used since 1975 to deliver the energy from the FitzPatrick Plant to Long Island.

In recognition of these transmission service agreements, the New York Independent System Operator (“NYISO”) has awarded LIPA “grandfathered” transmission congestion contracts (“TCCs”) which are valuable financial instruments that provide the financial equivalent of delivering the FitzPatrick energy to Long Island by compensating LIPA for the “congestion” (essentially, the difference in electricity price) between Scriba and Long Island. To maintain the full benefits of the grandfathered transmission agreements, the NYISO requires that LIPA have a corresponding energy purchase agreement in place. The Agreement, which was last approved by the Trustees in June 2008 and extended by amendments dated December 19, 2008 and November 14, 2011, is scheduled to expire on December 31, 2014.

Discussion

In recognition of the impending expiration of the Agreement, LIPA and Entergy have negotiated an amendment providing for another three-year extension, which would begin on January 1, 2015 and provide for the purchase by LIPA of annual energy volumes generally equivalent to those set forth in the current Agreement. The energy price would be fixed for the three-year term at a rate lower than the current price, which reflects the market prices which are expected to prevail in the next three years. LIPA Staff has concluded that this pricing, when combined with the net benefits of the TCCs (i.e., the amount by which the TCC revenues related to the contract are expected to exceed the charges under the transmission service agreements), would provide economic benefits to LIPA’s customers compared to the alternative of not extending the contract and

3 On January 30, 2007, the Federal Energy Regulatory Commission authorized the transfer of the Agreement from Entergy Nuclear FitzPatrick, LLC to Entergy Nuclear Power Marketing, LLC which has assumed all of the obligations under the Agreement with LIPA.
securing the energy elsewhere. Additionally the fixed price non-fossil based energy provides a hedge against fuel price volatility as well as providing a carbon free energy source to LIPA. The estimated total contract value of the 3-year extension would be approximately $159 million.

It should be noted that all of the other terms and conditions of the amendment are essentially the same as those in the current Agreement.

Recommendation

Based on the foregoing, Mr. Parmelee recommended approval of the above-requested action by adoption of the resolution below.

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

1247. AUTHORIZATION TO EXECUTE ENERGY PURCHASE AGREEMENT WITH ENTERGY NUCLEAR POWER MARKETING, LLC

WHEREAS, the Long Island Lighting Company d/b/a LIPA (“LIPA”) and Entergy Nuclear Power Marketing, LLC (“Entergy”) are parties to the Contract UD-3S Agreement, dated March 28, 2003, as amended by the amendments dated December 19, 2008 and November 14, 2011 (the “Agreement”) under which LIPA purchases energy from the FitzPatrick Nuclear Power Plant (the “FitzPatrick Plant”) in Scriba, New York; and

WHEREAS, LIPA is a party to valuable transmission agreements that have been “grandfathered” by the New York Independent System Operator (“NYISO”) to allow LIPA to receive transmission congestion revenues associated with the delivery of energy from the FitzPatrick Plant to Long Island; and

WHEREAS, to maintain the full benefits of the grandfathered transmission agreements the NYISO requires that LIPA have a corresponding energy purchase agreement in place; and

WHEREAS, in anticipation of the expiration of the Agreement on December 31, 2014, LIPA and Entergy have negotiated an amendment under which LIPA would continue purchasing nuclear energy from Entergy at a fixed price for a three-year period beginning on January 1, 2015, in annual amounts equivalent to the levels that had been purchased under the current Agreement; and

WHEREAS, Staff believes that the proposed amended Agreement provides for stable-priced nuclear energy for LIPA’s customers during its term, preserves the benefits of the grandfathered transmission agreements and otherwise provides economic benefits to LIPA’s customers:

NOW THEREFORE, BE IT RESOLVED, that the Chief Executive Officer or his designee be and hereby is authorized to execute the amended Agreement and any other related agreements, and to perform such further acts and deeds as may be necessary, convenient or
appropriate, in the judgment of the Chief Executive Officer or his designee, to implement LIPA’s continued receipt of energy from the FitzPatrick Plant.

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The Chair stated that the next item on the agenda is the Consideration of Adoption of the Employee Handbook.

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

Ms. Dillon presented the following action item:

Requested Action

The Trustees are being requested to adopt the Long Island Power Authority (the “Authority” or “LIPA”) Employee Handbook (the “Handbook”) in the form below.

Background

LIPA currently has a Handbook which outlines its policies and procedures for personnel and other related matters. The Handbook was last reviewed, revised and adopted in March 2009. As part of LIPA’s ongoing review of its governance documents, a comprehensive review of the Handbook was conducted by both LIPA’s Director of Human Resources and Administration and in-house counsel. The recommended changes to the contents of the Handbook and the policies therein reflect LIPA’s new organizational structure and mission pursuant to the LIPA Reform Act, recent changes and requirements established under the law, changes in policy over the past five years, and current best practices. The proposed Handbook has also been reviewed and commented on by the Personnel and Compensation Committee and found to be appropriate for consideration of adoption by the full Board.

Based on this review, numerous modifications to the existing Handbook have been made and are incorporated into the attached, proposed Handbook. Most notably, the 2009 LIPA Employee Handbook has been divided into two separate documents; the Handbook and a new Human Resources and Administration Manual (“Manual”). The revised Handbook is now a shorter, more manageable document and contains those policies that require approval by the Board of Trustees. The Manual contains much of what was previously in the Handbook but is designed to be a more flexible and dynamic document permitting changes to or the inclusion of policies that do not require Board approval but rather can be updated by LIPA management as necessary and appropriate.

The substantive policy changes to the Handbook are listed below:

1. Introductory Statement - Incorporated LIPA’s new Mission Statement;
2. Code of Ethics and Conduct – included language requiring employees to annually acknowledge they are in compliance with the Employee Code;
4. Prohibiting Harassment – Added language to include age, gender identity, military status, and victims of domestic violence. These additional categories reflect federal law, state law and NYS executive orders;
5. Employee Classification Categories – streamlined language regarding nonexempt and exempt status for clarity, limited types of employment to Regular Full-time and Part-time employees, and Temporary Full-time and Part-time employees and limited employee benefits to Regular Full-time employees unless otherwise required by law;
6. Work Week, Scheduled Hours of Work and Flexible Hours - Included language about working an additional ½ hour at the beginning or the end of the day if an employee takes a 1-hour lunch break; included a variable flex time option for Exempt employees;
7. Health Insurance - Limited the eligibility for Health Insurance to Regular Full-time employees anticipated to work for more than a year and included LIPA’s treatment of health insurance in retirement for eligible employees;
8. Vacation Credit Accumulation – Inserted language clarifying that vacation buyback opportunities are not automatic but are available only when authorized by the CEO;
9. Separation of Service and Accrued Vacation Payment – updated the policy to reflect that employees who leave LIPA either because they are terminated for cause or asked to resign or resign following disciplinary proceedings may not be eligible for accrued time payment, and employees who resign without a minimum of two weeks’ notice will not be eligible for accrued time payment; and
10. Storm Emergency Response Policy (“SERP”) – inserted the policy that accurately reflects LIPA current practices and was previously referenced in LIPA’s Emergency Response Policy.

Generally, the proposed Handbook outlines various employment policies related to, among other things, employment at will, time and attendance, scheduled hours of work, benefits, holidays, accrual of leave benefits, use of LIPA property and the prohibition of harassment. The Handbook also contains LIPA’s policies addressing Domestic Violence and the Workplace, Violence in the Workplace and a Drug-Free Workplace. The Manual addresses more day-to-day issues such as dress code, time keeping, workplace conduct, safety, travel reimbursement/approval process and insurance.

As proposed, LIPA believes the Handbook represents a comprehensive, reasonable and appropriate guide for its employees relating to important policies affecting their employment with LIPA.

**Recommendation**

Based upon the foregoing, it is recommended that the Trustees adopt the resolution below.
After a discussion by the Trustees and the opportunity for the public to be heard, the following resolution was unanimously adopted by the Trustees:

1248. ADOPTION OF THE LONG ISLAND POWER AUTHORITY EMPLOYEE HANDBOOK

WHEREAS, the Long Island Power Authority (“LIPA”) currently has an Employee Handbook (the “Handbook”) which outlines its policies and procedures for personnel and other related matters; and

WHEREAS, as part of LIPA’s ongoing review of its governance documents a comprehensive review of the Handbook was undertaken by LIPA staff to provide recommended updates based on the recent changes to LIPA’s structure and the mission and to reflect LIPA’s smaller employee population; changes in policy over the last five years; and current best practices; and

WHEREAS, based on this review, the Handbook was modified as set forth in the accompanying memorandum; and

WHEREAS, the Handbook was also reviewed and commented on by the members of the Personnel and Compensation Committee, and as proposed, found to be appropriate; and

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby adopt the “Long Island Power Authority Employee Handbook” in the form presented at this meeting; and be it further

RESOLVED, that future substantive revisions to the Handbook will be separately approved by the Trustees; 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 Appointment of General Counsel.

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

Mr. McMahon presented the following action item:

Requested Action

The Trustees are being requested to approve a resolution appointing Jon Mostel as General Counsel of the Authority and LIPA (collectively “LIPA”).
Background

I recommend that Jon Mostel be appointed to the position of General Counsel of LIPA. Mr. Mostel has almost thirty years of prior legal experience in the private sector, representing a wide range of clients in natural gas and electricity transactional and regulatory matters, including the formation, mergers, acquisitions, dispositions and regulation of energy sector companies; power generation project development; project and transmission line site selection; interconnection procedures and agreements; permitting; and environmental review. Mr. Mostel also has experience in the development of electric generation (including renewable energy) and transmission projects, including the regulation of such activities by state and federal agencies.

Prior to entering private practice, Mr. Mostel, whose undergraduate training is in chemical engineering, served in a variety of senior management, engineering and operating positions with the Brooklyn Union Gas Company.

I believe Mr. Mostel’s prior legal and utility experience make him well-suited to take over the daily management of LIPA’s Office of General Counsel with an annual salary of $240,000.

Recommendation

Based on the foregoing, I recommend approval of the above-requested action.

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

1249. APPOINTMENT OF GENERAL COUNSEL

WHEREAS, the Personnel and Compensation Committee of the Long Island Power Authority (“Authority”) Board of Trustees has recommended that Jon Mostel be appointed by the Trustees to the office of General Counsel of the Authority and its subsidiary, LIPA, with an annual salary of $240,000; now therefore be it

RESOLVED, that Jon Mostel be, and hereby is, appointed General Counsel, effective on or about January 1, 2015, with an annual salary of $240,000, until the earlier of his resignation or removal; and be it further

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

The Chair then announced that the next Board meeting is scheduled for January 22, 2015 in Uniondale. The Chair then asked for a motion to adjourn.

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

Bobbi O’Connor