

LONG ISLAND POWER AUTHORITY
MINUTES OF THE REV COMMITTEE MEETING
HELD ON MAY 24, 2017

The REV Committee of the Long Island Power Authority (the "Authority") was convened at 10:20 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on May 19, 2017 and electronic notice posted on the Authority's website.

The following Trustees of the Authority were present:

Mark Fischl, Committee Chair
Sheldon Cohen
Matthew Cordaro
Peter Gollon
Jeffrey Greenfield
Suzette Smookler

Representing the Authority were Thomas Falcone, Chief Executive Officer; Joseph Branca, Chief Financial Oversight; Jon Mostel, General Counsel & Assistant Secretary to the Board of Trustees; Kenneth Kane, Vice President of Financial Oversight; Bobbi O'Connor, Deputy General Counsel & Assistant Secretary to the Board of Trustees; Rick Shansky, Vice President of Operations Oversight; and Justin Bell, Director of Rates and Regulation.

Representing PSEG were Mike Voltz, Director of Energy Efficiency and Renewables and Curt Dahl, Director of T&D Planning.

Committee Chair Fischl welcomed everyone to the REV Committee meeting of the Long Island Power Authority Board of Trustees and stated that the first item on the agenda is the adoption of the minutes from the March 29, 2017 Committee meeting.

Trustee Cohen made a motion to accept the minutes of the March 29, 2017 meeting. Upon motion duly made and seconded, the minutes were approved unanimously.

The Chair then stated that next on the agenda is the Overview of PSEG Long Island's Plans for Addressing Load-constrained Areas, which would be presented by Mike Voltz and Curt Dahl.

Mr. Voltz and Mr. Dahl presented the Overview of PSEG Long Island's Plans for Addressing Load-constrained Areas and took questions from the Trustees.

Chair Fischl stated that the last item on the agenda is the Consideration of Recommendation to Approve DLM and Streetlighting Tariffs, which would be presented by Justin Bell.

Mr. Bell presented the following item and took questions from the Trustees:

Requested Actions

The REV Committee of the Board of Trustees (the "REV Committee") is being asked to recommend to the full Board the following changes to the Tariff for Electric Service ("Tariff"):

- (1) Update the dynamic load management provisions of the Tariff to increase the enrollment in, participation in, and effectiveness of the Authority's dynamic load management programs, and to make the programs consistent with the policies and principles set forth in the *Order Adopting Dynamic Load Management Program Changes with Modifications* issued by the New York Public Service Commission ("PSC") in Proceeding No. 14-E-0423, which directed the regulated New York utilities to make changes to their dynamic load management programs; and
- (2) Modify the street lighting provisions of the Tariff to clarify the notification requirements and the billing impacts that result from inventory changes and to give street lighting customers more time to report and receive credit for downward adjustments to their lighting inventories.

Dynamic Load Management Updates

On April 1, 2016, the Authority modified its Tariff to add three dynamic load management programs, a Commercial System Relief Program ("CSR") to shave peak load, a

Distribution Load Relief Program (“DLRP”) to support local reliability, and a Direct Load Control (“DLC”) Program focused on residential and small commercial customers. The proposed tariff changes are intended to increase the enrollment in, participation in, and effectiveness of the programs. In addition, the proposed changes will make the programs consistent with the policies and principles set forth in the *Order Adopting Dynamic Load Management Program Changes with Modifications* issued by the New York Public Service Commission (“PSC”) in Proceeding No. 14-E-0423.

The proposed changes include:

- (1) Lowering the minimum amount of load relief an aggregator must enroll;**
- (2) Reducing limitations on when customers may enroll;**
- (3) Eliminating performance penalties from the commercial system relief program;**
- (4) Calling planned events more often;**
- (5) Letting Transmission voltage customers participate in the CSRP and DLRP program;**
- (6) Allowing the Authority greater flexibility to offer higher payments in areas that have greater need for load relief and higher avoided costs;**
- (7) Lowering the participation requirement to 50% of all events, down from 80% of all events in the direct load control program.**

Street Lighting Modifications

The Authority provides unmetered street lighting service to municipalities within the Authority’s service territory, and the Authority relies on municipalities to notify PSEG Long Island of changes to their street lighting inventories. The proposed changes clarify the notification requirements and the billing impacts that result from inventory changes.

The Authority is also proposing to change its rules so that street lighting customers have 12 months to report reductions to their street lighting inventories or reduced wattage from energy efficiency upgrades. Previously, street lighting customers were not eligible for downward adjustments to prior bills.

Finally, PSEG Long Island plans to conduct a reconciliation initiative that will provide the opportunity for municipalities to correct and/or update their street lighting inventories. The inventory reconciliation initiative does not require any changes to the existing Tariff language but instead is being developed pursuant to PSEG Long Island’s existing authority under the Operation Services Agreement and the Tariff for resolving billing disputes with customers.

Financial Impacts:

None of the requested tariff changes are expected to result in a material financial impact.

1. The dynamic load management programs have benefit/cost ratios ranging from .99:1 to 1.49:1. However it is not possible to estimate the degree to which the proposed dynamic load management program changes will increase or decrease participation levels.
2. The financial impacts of the street lighting proposal are estimated to be immaterial to the overall financial condition of the Authority. Total revenues from all Street Lighting customers were approximately \$20 million in 2016, and comprise less than 1% of the Authority's annual revenues. The proposal affects only the small fraction of that revenue related to unreported changes in inventories and the impact is expected to be *de minimus*. In addition, when street lighting customers install lower wattage lighting or reduce inventory, they use less electricity, so allowing those customers to receive downward bill adjustments for up to one year does not constitute a windfall to the customer, but rather establishes the appropriate level of sales and revenue related to this class of customer.

Comments Received from the Public:

Public hearings were held on May 1st, 2017 in Nassau and Suffolk Counties, and written comments were accepted through May 8th, 2017. We received comments from one member of the public on behalf of the demand response company, ThinkEco, regarding the dynamic load management tariff proposal. Currently, participation in the Direct Load Control program is limited to devices with the ability to reduce load, individually or when combined with other devices, by at least 1 kW. ThinkEco recommended that this limitation be relaxed to allow participation by smaller devices. This would allow window and room air conditioners to participate and would increase the total effectiveness of the program. ThinkEco recommended that window air conditioners and other smaller devices receive lower, pro-rated enrollment payments. ThinkEco also submitted a proposal to PSEG Long Island to administer the Direct Load Control program for devices under 1 kW.

The staff of the Authority and PSEG Long Island evaluated ThinkEco's comments and proposal and determined that cost per kW of load reduction offered in the ThinkEco proposal outweighed the potential benefits to the system. Accordingly, staff does not at this time recommend modifying the Tariff in response to ThinkEco's comment. If at a later date a cost-effective proposal is received for administration of the Direct Load Control Program to devices under 1 kW, staff is open to revisiting this issue at such later date.

No comments were received regarding the street lighting tariff proposal.

Comments Received from the Department of Public Service:

The Department of Public Service ("DPS") has reviewed and is supportive of the dynamic load management and street lighting tariff proposals. With respect to the dynamic load management proposal, the DPS has made three comments. The first comment from the DPS is that the Authority should consider making a change to the Commercial System Relief Program that the Public Service Commission recently approved for Orange & Rockland's

Commercial System Relief Program, which allows O&R to issue an advisory notice at least 21 hours before a CSRP event is called, subject to confirmation at least 2 hours prior to the event. Before this change was made, CSRP events were called 21 hours in advance, and the utilities had no way of canceling a CSRP event if circumstances changed such that the event was no longer needed after it was called. The staff of the Authority and PSEG Long Island are supportive of this recommendation and have revised the proposed Tariff leaves accordingly.

The second comment from the DPS is that transmission-voltage customers should not be allowed to participate in the DLRP. The purpose of the DLRP is to support the reliability of the distribution system, and load reduction by transmission-voltage customers generally has no impact on distribution system reliability. The staff of the Authority and PSEG Long Island are supportive of this recommendation and have revised the proposed Tariff leaves accordingly.

The third comment from the DPS staff comment is that the tariff should make clear that the Authority's ability to exclude certain geographic areas from the DLC program is intended to be used in coordination with non-wires alternative solutions, such as those under development in the South Fork of Long Island. The staff of the Authority and PSEG Long Island are supportive of this recommendation and have revised the proposed Tariff leaves accordingly.

Recommendation:

For the foregoing reasons, I recommend that the REV Committee recommend approval of the modifications to the Tariff for Electric Service described herein and set forth in the accompanying resolutions.

A motion was made and seconded, and the Trustees unanimously adopted the following resolutions:

RECOMMENDATION OF APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF FOR ELECTRIC SERVICE IMPLEMENTING UPDATES TO THE AUTHORITY'S DYNAMIC LOAD MANAGEMENT PROGRAMS

WHEREAS, the Tariff for Electric Service ("Tariff") of the Long Island Power Authority ("LIPA" or the "Authority") includes three dynamic load management programs, a Commercial System Relief Program ("CSRP") to shave peak load, a Distribution Load Relief Program ("DLRP") to support local reliability, and a Direct Load Control ("DLC") Program focused on residential and small commercial customers; and

WHEREAS, the New York Public Service Commission has issued orders in Proceeding No. 14- E-0423 directing the regulated New York utilities to make changes to their dynamic load management programs to increase the enrollment in, participation in, and effectiveness of the programs; and

WHEREAS, the Authority has analyzed the changes to other utilities' dynamic load management programs and determined that similar changes to the Authority's programs are appropriate; and

WHEREAS, the Department of Public Service is supportive of this proposal; and

WHEREAS, following the issuance of public notice in the State Register on March 15, 2017, two public hearings were held in Nassau and Suffolk counties on May 1, 2017, comments were received at the hearing from the public, and the public comment period has since expired;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, we hereby recommend that the full Board of Trustees adopt the proposed modifications to LIPA's Tariff; and be it further

RESOLVED, that the Chief Executive Officer and his designees should be authorized by the Board to carry out all actions deemed necessary or convenient to implement this Tariff; and be it further

RESOLVED, that the Tariff amendments reflected in the attached redlined Tariff leaves should be approved by the Board.

RECOMMENDATION OF APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF FOR ELECTRIC SERVICE IMPLEMENTING CLARIFICATIONS AND CHANGES REGARDING STREET LIGHTING SERVICE

WHEREAS, pursuant to the Tariff for Electric Service ("Tariff") of the Long Island Power Authority ("LIPA" or the "Authority"), the Authority provides unmetered street lighting service to municipalities within the Authority's service territory, and the Authority relies on municipalities to notify it of changes to their street lighting inventories; and

WHEREAS, the Authority and its Service Provider have identified provisions of the Tariff regarding notification requirements for changes in street lighting inventory and the billing impacts that result from inventory changes that would benefit from additional clarification; and

WHEREAS, several of the Authority's street lighting customers have made changes to their street lighting inventories, or have expressed interest in making such changes, including by installing lower wattage energy efficiency street light bulbs; and

WHEREAS, the Authority and its customers have an interest in ensuring that its records of street lighting inventories and bills for street lighting service are fair and accurate; and

WHEREAS, the Department of Public Service is supportive of this proposal; and

WHEREAS, following the issuance of public notice in the State Register on March 15, 2017, two public hearings were held in Nassau and Suffolk counties on May 1, 2017, no comments were received at the hearing from the public, and the public comment period has since expired;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, we hereby recommend t hat the full Board of Trustees adopt the proposed modifications to LIPA's Tariff; and be it further

RESOLVED, that the Chief Executive Officer and his designees should be authorized by the Board to carry out all actions deemed necessary or convenient to implement this Tariff; and be it further

RESOLVED, that the Tariff amendments reflected in the attached redlined Tariff leaves should be approved by the Board.

Chair Fischl then entertained a motion to adjourn, which was duly made and seconded, after which the meeting concluded at approximately 10:40 a.m.