

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 268TH MEETING

HELD ON MAY 24, 2017

The Long Island Power Authority (the “Authority”) was convened for the two-hundred-and-sixty-eighth time at 10:45 a.m. at LIPA’s 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 Fischl¹
Sheldon L. Cohen
Matthew Cordaro
Peter Gollon
Jeffrey Greenfield
Suzette Smookler**

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

Representing PSEG Long Island were David Daly, President and COO; John O’Connell, Vice President of Transmission & Distribution; David Lyons, Vice President of Business Operations; Vaughn McKoy, Vice President of Legal; Paul Napoli, Vice President of Power Markets; and Suzanne Brienza, Director of Revenue Operations.

Acting Chair Fischl welcomed everyone to the 268th meeting of the Long Island Power Authority Board of Trustees and led the Pledge of Allegiance.

¹ Trustee Fischl was Acting Chair of the Board of Trustees Meeting, in Chairman Suozzi’s absence

Acting Chair Fischl then stated that the chair of each board committee would provide a brief summary of its most recent committee meeting to the full board. Trustee Cohen reported on the Finance and Audit Committee meeting and Trustee Fischl reported on the REV Committee Meeting and the Governance Committee Meeting, and Trustee Cohen² reported on the Oversight Committee meeting.

Acting Chair Fischl stated that the next item on the agenda is the consideration of Consent Agenda Items.

After questions and a discussion by the Trustees and the opportunity for the public to be heard, upon motion duly made and seconded, the following resolutions were passed by the Trustees based on the memos summarized below.

1359. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MARCH 29, 2017 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on March 29, 2017 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.

Requested Action

The Trustees are being requested to approve a resolution authorizing the Chief Executive Officer, or his designee, to engage five firms to provide as-needed legal services to the Authority and its subsidiary, Long Island Lighting Company d/b/a LIPA (collectively “LIPA”) in three practice areas, as set forth below, for a period of up to five years.

Background

To supplement its in-house resources, LIPA has found it necessary to engage law firms to provide various legal services and expertise on an as-needed basis. As LIPA’s needs continue, and certain of its existing contracts for legal services expire, it is necessary to solicit for new, additional and/or replacement legal services to ensure that LIPA has adequate and continuous advice, assistance and representation in its numerous existing and upcoming projects, initiatives and cases.

² Trustee Cohen was acting Chair of the Oversight Committee, in Trustee Abramowitz’s absence.

As such, on October 25, 2016, LIPA issued a Request for Proposals (“RFP”) seeking experienced law firms to provide legal services to LIPA for a period of up to five years in the following practice areas: 1) Environmental; 2) Asbestos Defense; and 3) Insurance Coverage. The RFP was distributed to twenty-two firms, including two minority/woman-owned businesses (MBE/WBE). The RFP was also posted on LIPA’s website and on the New York State Contract Reporter.

Twelve firms responded to the RFP, some in multiple practice areas. A selection committee comprised of LIPA’s legal staff carefully examined each proposal. Initially, the selection committee reviewed the proposals for compliance with the terms of the RFP. It then proceeded to evaluate each proposal on a qualitative basis in accordance with selection criteria set forth in the RFP. The selection committee then conducted interviews of the top-qualifying firms in each practice area to more fully evaluate the written proposals and to better assess the strengths and weaknesses of each firm with respect to LIPA’s needs.

Based upon the written proposals, interviews and an assessment of LIPA’s needs, it was determined that the firms listed below would provide the best value to LIPA for the services sought, considering both technical expertise and proposed hourly rates. In certain cases, Staff has determined that it is desirable to engage multiple firms with the capability to provide services in a given area. This affords LIPA the flexibility to choose the firms best-suited to provide services based on specific expertise, resource requirements, and/or where necessary to avoid a conflict of interest. As such the firms recommended are as follows: =

Recommendation

Environmental

**Carter Ledyard & Milburn LLP
Sive, Paget & Riesel, PC**

Asbestos Defense

Cullen and Dykman LLP

Insurance Coverage

**Whiteman Osterman & Hanna LLP*
Hurwitz & Fine, PC***

***New provider**

The hourly rates proposed by the firms have been determined to be reasonable and reflect discounts from current market rates for the services to be provided.

Recommendation

Based on the foregoing, I recommend approval of the above-requested action by adoption of the following resolution.

1360. ENGAGEMENT OF FIRMS TO PROVIDE LEGAL SERVICES

RESOLVED, that consistent with the attached memorandum, the Chief Executive Officer or his designee be, and hereby is, authorized to engage the following law firms to provide legal services to the Long Island Power Authority and LIPA on an as-needed basis, with the contract terms to be for a period of up to five years: (1) Carter Ledyard & Milburn LLP, (2) Sive, Paget & Riesel, PC, (3) Cullen and Dykman LLP, (4) Whiteman Osterman & Hanna LLP and (5) Hurwitz & Fine, PC.

Requested Action

The Board of Trustees of the Long Island Power Authority (the “Authority”) is requested to adopt a resolution approving a revised Investment Policy, as further described below.

Investment Policy

The Board is required by Section 2925(6) of the Public Authorities Law (“PAL”) to annually review and approve investment guidelines (herein referred to as the “Investment Policy”) that detail the Authority’s operative instructions to officers and staff regarding the investing, monitoring and reporting of funds of the Authority. The Authority’s Investment Policy was last reviewed and approved on May 18, 2016. The proposed revisions to the Investment Policy seek to clarify, simplify and ensure continued compliance with the various contractual and regulatory requirements. The Policy defines the investment objectives, permitted investments, provide parameters and controls, and enumerate the reporting requirements, while also making the Policy easier to use.

Based on staff’s review, which was performed in consultation with the Authority’s investment advisor, bond counsel and disclosure counsel, the proposed Investment Policy is intended to replace the prior policy and incorporates the following material modifications:

- (i) In section 1.31, modify standards of judgment and care in making investments using prudent investor language;
- (ii) In section 2.2, addition and modification of how investments are presented by listing permitted investments and defining them and now including collateralized investment agreements and supranationals. While, supranationals, not specifically excluded in the previous guidelines, are now separately delineated; provide clarity to floating rate notes and repurchase agreements;
- (iii) Provide in section 2.3 in tabular form the investments by sector and the attendant maximum percentage investment by sector and issuer, and the credit rating requirements in section 2.4, the maximum percentage of the portfolio in money market mutual funds has been increased from 75% to 100% and the maximum percentage of certificates of deposit has been

- increased from 40% to 50%. Furthermore, the single-issuer limit has been clarified to apply to underlying securities and not to a money market fund;
- (iv) Modify actions required when investments are downgraded;
 - (v) In section 3.5 require written custodial agreement and require collateralization of all bank deposits;
 - (vi) In section 4.3 better define qualifications for custodial banks;
 - (vii) In various sections change Managing Director of Finance to Chief Financial Officer;
 - (viii) In Appendix B, NDTF modify asset weightings from 35% equities to 50% equities to reflect the long-term nature of the fund (license expires in 2046)

Recommendation

Based upon the foregoing, I recommend the approval of the above requested action by adoption of the attached resolution.

1361. APPROVAL OF BOARD POLICY ON INVESTMENTS

RESOLVED, that the LIPA Board of Trustees hereby approves and adopts the Board Policy on Investments in the form presented at this meeting to be effective immediately.

Requested Action

The Trustees are being asked to approve 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:

- **Lowering the minimum amount of load relief an aggregator must enroll;**
- **Reducing limitations on when customers may enroll;**
- **Eliminating performance penalties from the commercial system relief program;**
- **Calling planned events more often;**
- **Letting Transmission voltage customers participate in the CSRP and DLRP program;**
- **Allowing the Authority greater flexibility to offer higher payments in areas that have greater need for load relief and higher avoided costs;**
- **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 CSRП event is called, subject to confirmation at least 2 hours prior to the event. Before this change was made, CSRП events were called 21 hours in advance, and the utilities had no way of canceling a CSRП 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 Trustees approve the modifications to the Tariff for Electric Service described herein and set forth in the referenced resolutions.

1362. 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 ("CSRП") 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 REV Committee of the Authority’s Board of Trustees has recommended approval of this proposal; 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, the proposed modifications to LIPA’s Tariff are hereby adopted and approved; and be it further

RESOLVED, that the Chief Executive Officer and his designees are authorized 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 redlined Tariff leaves are approved.

1363. 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 REV Committee of the Authority’s Board of Trustees has recommended approval of this proposal; 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, the proposed modifications to LIPA's Tariff are hereby adopted and approved; and be it further

RESOLVED, that the Chief Executive Officer and his designees are authorized 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 are approved.

The Acting Chair stated that the next item on the agenda is a presentation from Arlen Orchard, Chief Executive Officer of the Sacramento Municipal Utility District.

Mr. Orchard gave a presentation on his experience with renewables in the California market and then took questions from the Trustees.

The Acting Chair stated that the next item on the agenda is a presentation from Doctor Kathleen Araujo, Assistant Professor, Stony Brook University regarding Cost and Volume Trends in Renewable Energy.

Dr. Araujo gave her presentation and then took questions from the Trustees.

The Acting Chair stated that the next item on the agenda is the presentation of the CEO's Report by Thomas Falcone.

Mr. Falcone presented LIPA's CEO Report and then took questions from the Trustees.

The Acting Chair stated that the next item on the agenda is the presentation of Consideration of Approval of Power Purchase Agreements with Long Island Energy Storage, which would be presented by Rick Shansky.

Mr. Shansky presented the Consideration of Approval of Power Purchase Agreements with Long Island Energy Storage.

Requested Action

The Trustees are requested to approve and adopt a resolution authorizing the Chief Executive Officer, or his designee(s), to execute two Power Purchase Agreements (“PPA”), one with East Hampton Energy Storage Center, LLC (“East Hampton ESC”) and one with Montauk Energy Storage Center, LLC (“Montauk ESC”), and to take such other actions as may be reasonably necessary to implement arrangements for the Long Island Power Authority (“LIPA”) to purchase energy storage and generation capacity and related services from the East Hampton Battery Energy Storage Project (“East Hampton Project”) and from the Montauk Battery Energy Storage Project (“Montauk Project”). East Hampton ESC and Montauk ESC are both jointly owned by wholly-owned subsidiaries of NextEra Energy Resources, LLC and National Grid USA.

Background

The South Fork of Long Island is a load pocket with unique load characteristics served by highly constrained radial transmission connections to the rest of the LIPA transmission & distribution (“T&D”) system and a limited amount of existing local oil-fired generation. The peak load on the South Fork is approximately 300 megawatts (“MW”) and is projected, notwithstanding PSEG Long Island’s energy efficiency and other dynamic load management efforts, to grow at an average annual rate of 2.5 percent. Without adding new resources, PSEG Long Island projects that certain transmission enhancements would be needed between 2017 and 2022 to meet South Fork loads and maintain system reliability.

On June 25, 2015, PSEG Long Island issued the South Fork RFP (“RFP”) to acquire sufficient local resources to meet expected peak load requirements and, consistent with the New York State Public Service Commission’s Reforming the Energy Vision (“REV”), to defer the construction of new transmission lines or other enhancements until at least 2022 for the overall South Fork, and until 2030 for the far eastern area of the South Fork (east of the Buell Substation near the Village of East Hampton).

Upon completing its evaluation of proposals in response to the RFP in July 2016, PSEG Long Island identified a Portfolio consisting of load reduction, battery storage, and offshore wind resources that provided the best value to customers by deferring the construction of transmission enhancements in a cost-effective manner. In addition, to assure reliability between Summer 2017 and completion of the selected projects, PSEG Long Island plans to deploy up to 18 MW of temporary standby generation at the Montauk/Navy Road and East Hampton substations.

East Hampton Energy Storage Center, LLC (5 MW)

East Hampton ESC proposes to develop, own and operate a lithium ion battery storage facility located at the existing National Grid-owned power generation site west of Cove Hollow Road in the Town of East Hampton. The project would be rated at 5 MW and would be connected via a dedicated feeder into the East Hampton Substation. East Hampton ESC proposes to achieve a May 1, 2018 COD for this project.

Montauk Energy Storage Center, LLC (5 MW)

Montauk ESC proposes to develop, own and operate a lithium ion battery storage facility located in Montauk on Second House Road near LIPA's planned Navy Road Substation. The project would be rated at 5 MW and would initially be connected to the Montauk Substation via a new 1,800 ft. underground cable to be constructed by PSEG Long Island. During the Summer of 2018 the Navy Road Substation is expected to replace the Montauk Substation, at which time the Montauk Project will be connected to the Navy Road Substation and the new cable will become part of the Montauk area distribution system. Montauk ESC proposes to achieve a May 1, 2018 COD for this project.

East Hampton ESC and Montauk ESC PPAs

PPA negotiations commenced during the summer of 2016 and were completed in May 2017. Following is a discussion of the major terms and conditions of the East Hampton ESC and the Montauk ESC PPAs. Note that since the PPAs are substantively the same except for pricing and project descriptions, East Hampton ESC and Montauk ESC are each referred to throughout the following discussion as "Seller" and the singular term PPA refers to either PPA, unless specifically noted.

Pricing/Term

Under the terms of the PPA, LIPA purchases 5 MW of storage and generation capacity for a 20- year term. Each Project will be able to deliver 5 MW for an 8-hour period. Capacity payments are conditioned on each Project maintaining specified availability. In addition, there will be a monthly energy payment, which covers variable operation and maintenance costs and additional charges in the event the storage system is cycled more than a specified number of times each year. The estimated total cost of the East Hampton ESC PPA and the Montauk ESC PPA, is approximately \$51 million and \$58 million, respectively.

In addition to the foregoing, the PPA provides that LIPA will reimburse the Seller for certain interconnection costs paid by the Seller under the Interconnection Agreement between the parties.

Commercial Operation

As LIPA is depending on the Projects to support the South Fork peak load requirements beginning May of 2018, the PPAs include a target Commercial Operation Date (“COD”) of May 1, 2018.

Early Termination by Buyer

The PPA provides that if the Seller fails to complete the Major Construction Milestone (defined as commencement of construction) on or before a specified date, LIPA may terminate the PPA and collect specified liquidated damages from the Seller. Also, if the COD does not occur on or before a specified date, LIPA may terminate the PPA and collect additional liquidated damages from the Seller. As security for Seller’s performance of its obligations under the PPA, Seller is required to post security consisting of a letter of credit or a guaranty from a financially qualified entity.

Performance Guarantees

The PPAs require the Seller to maintain a specific equivalent availability level as measured monthly over a rolling 12-month period. Failure to maintain the required Equivalent Availability will result in an adjustment to the Monthly Capacity Payment. Should the Project’s equivalent availability fail to meet a specified minimum standard over a 24-month period and is not cured within the subsequent 12 months, LIPA may terminate the PPA.

Guaranteed Roundtrip Efficiency

As the Projects are energy storage facilities that involve conversion from alternating current to direct current and then to chemical energy and back again, some energy is consumed in this process and the amount of delivered energy is less than the charging energy. Under both PPAs, the Seller has agreed to credit LIPA for lost energy value (up to a specified limit) should the project’s efficiency fail to meet a specified level.

New York State Environmental Quality Review Act (SEQRA)

Following the review of potential environmental impacts undertaken pursuant to SEQRA Negative Declarations were [issued for both Projects on May17, 2017] by Town of East Hampton Planning Board.

Recommendation

For the foregoing reasons, I recommend that the Trustees adopt a resolution in the form of the resolution attached hereto.

After questions and a discussion by the Trustees and the opportunity for the public to be heard, upon motion duly made and seconded, the following resolution was passed by the Trustees.

1364. AUTHORIZATION TO EXECUTE POWER PURCHASE AGREEMENTS WITH (I) EAST HAMPTON ENERGY STORAGE CENTER, LLC FOR THE EAST HAMPTON BATTERY ENERGY STORAGE PROJECT AND (II) MONTAUK ENERGY STORAGE CENTER, LLC FOR THE MONTAUK BATTERY ENERGY STORAGE PROJECT

WHEREAS, on June 25, 2015, PSEG Long Island LLC, on behalf of LIPA, issued a Request for Proposals for South Fork Resources (“RFP”) to acquire sufficient local resources to meet expected peak load requirements and defer investment in new transmission lines or other enhancements until at least 2022 for all of the South Fork, and until 2030 for the far eastern area of the South Fork; and

WHEREAS, it is in the best interest of LIPA to enter into: (i) a power purchase agreement (“PPA”) and other related agreements regarding the East Hampton Battery Energy Storage Project and (ii) a PPA and other related agreements regarding the Montauk Battery Energy Storage Project, both of which will contribute to meeting the expected peak load requirements in the South Fork;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees (the “Board”) authorizes the Chief Executive Officer or his designee(s) to execute PPAs and other related agreements and arrangements, consistent with the terms of the accompanying memorandum, 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 purchase of energy storage and generation capacity and related services from the East Hampton Battery Energy Storage Project and from the Montauk Battery Energy Storage Project.

The Acting Chair then allowed public comment to be heard regarding off shore wind.

The Acting Chair stated that the next item on the agenda is the presentation of the CFO’s Report, which would be presented by Joseph Branca.

Mr. Branca presented the CFO Report and took questions from the Trustees.

The Acting Chair the next item on the agenda is the PSEG Long Island Operating Report to be presented by Dave Daly and his team.

Mr. Daly represented the PSEG Long Island Operating Report and took questions from the Trustees.

The Acting Chair stated that the next item on the agenda is the presentation of Consideration of Approval of Extension of Power Purchase Agreements with J-Power, which would be presented by Rick Shansky.

Mr. Shansky presented the Consideration of Approval of Power Purchase Agreement with J-Power.

Requested Action

The Trustees are requested to approve and adopt a resolution authorizing the Chief Executive Officer or his designee to execute an amendment to the Power Purchase Agreement (“PPA”) between the Long Island Lighting Company d/b/a LIPA (“LIPA”) and Shoreham Energy, LLC, a wholly-owned subsidiary of J-Power USA, to extend the term of the PPA on more favorable terms as summarized below.

Background

Since 2002, LIPA has purchased power from Shoreham Energy under the PPA that expires on August 13th, 2017. The Shoreham Energy facility consists of two oil fired-simple cycle LM6000 gas turbines with a combined capacity of 90 megawatts¹. The Shoreham Energy facility is used to meet peak loads and to support the reliability of the eastern part of the LIPA system. Unlike the older legacy combustion turbines nearby at Shoreham and Wading River, the Shoreham Energy facility is a modern design whose efficiency is comparable to baseload steam plants, but with lower emissions². Absent an agreement to extend the PPA, Shoreham Energy indicated it was preparing to retire the facility. Were that to occur, it would reduce the amount of local generating capacity available while several important system improvements are being made on the South Fork.

Discussion

In anticipation of the approaching expiration of the PPA, PSEG Long Island and Shoreham Energy negotiated an amendment providing an extension that would begin on August 14th, 2017 and terminate on October 31st, 2020. The significant changes included in the amendment are:

- Fixed payments for Capacity and Fixed O&M are reduced by approximately 60%.
- The responsibility for payments-in-lieu of taxes will shift from LIPA to Shoreham Energy.
- At LIPA's option, Shoreham Energy will modify the facility to reduce start-up time from 30 minutes to 10 minutes, at agreed upon terms and cost. Faster start up capability would help prepare the system for increased levels of intermittent renewable energy resources by providing greater operational flexibility.
- The site lease is extended to the end of the PPA term with additional three 5-year extension options granted to Shoreham Energy at fair market value.

Otherwise, the terms and conditions of the PPA would continue without material modification. Several minor provisions of the PPA would be updated in this amendment.

The total cost of the extension term is estimated to be approximately \$26,000,000. The terms of the proposed amendment compare favorably to replacement power costs and the continued availability of power from the Shoreham Energy facility will help support system reliability and allow for a more comprehensive review of peaking unit options.

Recommendation

Based on the foregoing, I recommend approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

After questions and a discussion by the Trustees and the opportunity for the public to be heard, upon motion duly made and seconded, the following resolution was passed by the Trustees.

1365. AUTHORIZATION TO EXECUTE THE AMENDMENT TO THE POWER PURCHASE AGREEMENT WITH SHOREHAM ENERGY, LLC

WHEREAS, LIPA currently purchases power from Shoreham Energy, LLC under a 15-year Power Purchase Agreement (“PPA”) that expires on August 13th, 2017; and

WHEREAS, it is in the best interest of LIPA to amend the PPA to extend the term to October 31, 2020 at the favorable terms outlined in the accompanying memo;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees (the “Board”) authorizes the Chief Executive Officer or his designee(s) to execute the amendment to the Power Purchase Agreement with Shoreham Energy, LLC and other related agreements and arrangements, consistent with the terms of the accompanying memorandum, 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.

The Acting Chair then allowed public comment to be heard, after which he announced that the next Board meeting is scheduled for July 26, 2017 at 11:00 a.m. in Uniondale.

The Chair then asked for a motion to adjourn to executive session to discuss pending litigation matters and announced that no votes would be taken and that the Trustees would not be returning to open session. The motion was duly seconded and the following resolution was adopted:

1366. 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 matters.

At approximately 1:15 p.m. the open session of the Board of Trustees was adjourned on a motion to enter into executive session which ended at approximately 1:35 pm.
