

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 274TH MEETING

HELD ON MAY 23, 2018

The Long Island Power Authority (the “Authority”) was convened for the two-hundred-and-seventy fourth time at 10:23 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on May 18, 2018, and electronic notice posted on the Authority’s website.

The following Trustees of the Authority were present:

**Ralph Suozzi, Chair
Elkan Abramowitz
Drew Biondo
Sheldon Cohen
Matthew Cordaro
Mark Fischl
Peter Gollon
Jeffrey Greenfield**

Representing the Authority were Thomas Falcone, Chief Executive Officer; Jon Mostel, General Counsel; Rick Shansky, Vice President of Operations Oversight; Kenneth Kane, Interim Chief Financial Officer, Bobbi O’Connor, Vice President of Policy, Strategy and Administration & Secretary to the Board of Trustees; Donna Mongiardo, Vice President and Controller, Sid Nathan, Director of Communications; and Barbara Ann Dillon, Director of Human Resources and Administration.

Representing PSEG Long Island were Daniel Eichhorn, President and COO; Rick Walden, Vice President of Customer Service; John O’Connell, Vice President of Transmission & Distribution; David Lyons, Vice President of Business Operations; Paul Napoli, Vice President of Power Markets; and Vaughn McKoy, Vice President of Legal.

Chairman Suozzi welcomed everyone to the 274th meeting of the Long Island Power Authority Board of Trustees and led the Pledge of Allegiance.

Chairman Suozzi stated that the first item on the agenda was the Chairman's remarks.

After the Chairman's remarks, Chairman Suozzi stated that the first item on the agenda was the Consideration of the Consent Agenda Items.

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

1413. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MARCH 29, 2018 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, 2018 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 Board of Trustees ("Board") is requested to approve a Board Policy for the Evaluation of Public Policy Requirements for Transmission Planning within the Long Island Transmission District. In June 2015, the Board first adopted procedures regarding public policy transmission planning. As described below, the Board is requested to amend those procedures in the form of a Board policy consistent with other Board policies that have been adopted since 2016.

Background

In 2011, the Federal Energy Regulatory Commission's ("FERC") Order 1000 required transmission providers to expand their transmission planning processes to address "Public Policy Requirements" that may drive the need for new transmission facilities. Order 1000 was implemented in New York by the New York Independent System Operator ("NYISO") which amended its Open Access Transmission Tariff ("OATT") through a series of filings with FERC between 2012 and 2015. As defined in the OATT, a Public Policy Requirement is a "federal or New York State statute or regulation, including a New York Public Service Commission order adopting a rule or regulation subject to and in accordance with the State Administrative Procedure Act, any successor statute, or any duly enacted law or regulation

passed by a local government entity in New York State, that may relate to transmission planning on the bulk power transmission facilities.”¹

Section 31 of the NYISO OATT describes the process for carrying out public policy transmission planning by the NYISO in cooperation with the New York Public Service Commission (“PSC”) and the Long Island Power Authority (“Authority”). The process has two main parts: (1) determination of transmission needs; and (2) solicitation, evaluation and selection of transmission and non-transmission projects to meet any identified needs. A key aspect of the process is the potential allocation of costs on a statewide basis for any public policy transmission projects that are selected, which is subject to review by the PSC and approval by FERC.

While the PSC is responsible for determining whether there are Public Policy Requirements that may drive the need for transmission on a statewide basis (which would then be referred to the NYISO for solicitation of proposed projects), the Authority retains responsibility for transmission planning on Long Island. However, the OATT provides that projects identified on Long Island may qualify for statewide cost allocation if so designated by the PSC. Thus, it is important for the Authority and PSC processes to be coordinated.

In August 2016, the NYISO issued a solicitation for proposed transmission needs that might be driven by Public Policy Requirements.

On October 3, 2016 the NYISO filed for consideration by the PSC and the Authority, 12 Proposals for Public Policy Transmission Needs, including three pertaining to Long Island: (i) North American Transmission LLC’s reference to New York’s Clean Energy Standard (“CES”) driving the need for internal transmission; (ii) Poseidon LLC’s reference to CES driving the need for new external transmission ties from LI to PJM; and (iii) PSEG Long Island’s reference to CES driving the need for Long Island transmission to accommodate off-shore wind. During the PSC’s evaluation of these proposals, Authority staff consulted with the Department of Public Service (“DPS”) to assure that the Authority’s evaluation would be informed by the work conducted by DPS.

On March 16, 2018, the PSC declined to identify any Public Policy Transmission Needs. The PSC recognized that “while there are certain regions in the Northern and Southeastern areas of New York State where additional transmission facilities may support the development of renewable resources, the extent and magnitude of such needs requires further consideration.” The PSC directed the NYISO, DPS and market participants to continue to “work towards identifying potential transmission constraints on both the bulk and non-bulk transmission systems that may warrant the future identification of a Public Policy Requirement, considering current and projected resources.”

Discussion

Authority staff and PSEG Long Island have reviewed the proposed Public Policy Transmission Needs, as well as the PSC’s assessment thereof, and concur with the PSC that

¹ NYISO OATT, Section 31.1.1

none of the proposals should be considered as Public Policy Transmission Needs at this time. However, Authority staff has identified certain changes to the evaluation procedures approved by the Board in 2015 to facilitate improved coordination between the Authority and the PSC processes. Staff proposes that issuance of a report for public comment should occur subsequent to consultation with DPS on a potential determination of a Public Policy Transmission Need (see Exhibit B).

The next consideration of public policy transmission needs is expected to commence in August 2018.

Authority staff and PSEG Long Island will work with the NYISO and DPS to identify potential transmission constraints and requirements on both the bulk and non-bulk transmission systems that may warrant the future identification of a Public Policy Requirement, including transmission requirements that may arise from the pending statewide solicitations of up to 800 megawatts of offshore wind in 2018 and 2019.

Recommendation

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

1414. RESOLUTION APPROVING A BOARD POLICY FOR THE EVALUATION OF PUBLIC POLICY REQUIREMENTS FOR TRANSMISSION PLANNING

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby approves the proposed Policy for the Evaluation of Public Policy Requirements for Transmission Planning in the form attached hereto

Chairman Suozzi stated that the next item on the agenda was the CEO's Report presented by Thomas Falcone.

Mr. Falcone presented the CEO Report and took questions from the Trustees.

Chairman Suozzi stated that the next item on the agenda was the CFO's Report, to be presented by Kenneth Kane.

Mr. Kane presented the CFO Report and then took questions from the Trustees.

Chair Suozzi stated that the next item on the agenda was NYSERDA's Briefing on the Off-Shore Wind Master Plan, to be presented by Doreen Harris, NYSERDA Director of Large Scale Renewables.

Ms. Harris presented NYSERDA's Briefing on the Off-Shore Wind Master Plan, and then took questions from the Trustees.

The Chair then allowed public comment to be heard.

The Chair then asked for a motion to adjourn to Executive Session and announced that no votes would be taken and that the Board would be returning to open session. The motion was duly made and seconded, and the following resolution was adopted:

1415. 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 11:09 a.m. the open session of the Board of Trustees was adjourned on a motion to enter into Executive Session, whereupon the Board resumed in open session at approximately at 12:02 p.m.

The Chair stated the next item on the agenda was the PSEG Long Island Operating Report presented by Daniel Eichhorn.

Mr. Eichhorn s presented the PSEG Long Island Operating Report and took questions from the Trustees.

The Chair stated the next item on the agenda was the appointment of General Counsel, to be presented by Barbara Ann Dillon.

After requesting a motion on the matter, which was seconded, Ms. Dillon presented the following action item and took questions from the Trustees

Requested Action

The Trustees are requested to approve a resolution appointing Anna Chacko as General Counsel of the Authority and its wholly-owned subsidiary, Long Island Lighting Company d/b/a LIPA (collectively “LIPA”), effective July 5, 2018.

Background

In late 2017, Jon Mostel, LIPA’s current General Counsel, informed the Board of his desire to retire upon the appointment of his successor. The Chair of the Personnel and Compensation Committee, Tom McAteer, asked staff to lead the search for the next General Counsel.

LIPA used Mycoff Fry & Prouse (“Mycoff”), an executive search firm that serves many publicly owned utilities across the country, to lead a search. Mycoff is under a multi - year Board - approved contract, which was procured to address the concerns of the Trustees about the limited pool of qualified applicants for LIPA’s most senior positions in past searches. Mycoff has no financial interest in the outcome of the search.

Mycoff advertised the position and conducted targeted outreach to over 100 industry contacts. These efforts resulted in 14 potential candidates submitting resumes for consideration. Mycoff conducted 13 phone interviews with these individuals before recommending eight candidates to LIPA for in-person interviews. In addition, LIPA identified two candidates independent of Mycoff’s process. In total, seven candidates were interviewed by a panel of 14 LIPA staff members, including LIPA’s CEO, CFO, and current General Counsel.

Based on those interviews, I recommend that Anna Chacko be appointed to the position of General Counsel of LIPA. Ms. Chacko has 20 years of utility, energy, and regulatory law experience, beginning as an Assistant General Counsel in the energy regulatory practice of National Grid in 1997. Her responsibilities included electric rate cases before the Federal Energy Regulatory Commission (“FERC”) and the New York Public Service Commission (“PSC”), electric transmission siting projects, negotiation of power plant and commercial contracts, energy deregulation issues, wholesale market rules, and advising energy trading subsidiaries on federal and state compliance.

After 13 years with National Grid, Anna joined Noble Americas, a natural gas and power market trading firm, and managed regulatory compliance for generation, transmission, and energy markets including FERC, NYISO, ISO - NE, PJM, NERC, CFTC, and DOE.

Ms. Chacko then joined Con Edison as their most senior regulatory counsel. She managed 10 attorneys, filed three major rate proceedings with the PSC, and handled all state regulatory initiatives, including REV and the Clean Energy Standard. In 2017, Anna returned to National Grid as a regulatory and legal consultant.

Prior to her utility and energy career, Anna trained as a litigator for 12 years and was a litigation partner in a New York law firm handling general commercial litigation. Anna completed her undergraduate and legal training in the United Kingdom and has a Master of Laws (LL.M.) from Duke University. Anna currently resides on Long Island, and serves on the Boards of Hands Together NY and the Jeremiah Program.

Comments of the LIPA staff about Ms. Chacko included:

•“best internal manager [of the candidates]”	•“experience with LIPA and knows people”
•“very personable, good with the Board”	•“will be up and running Day 1”
•“knows how to deal with difficult people”	•“industry experience and the best-New York experience [of the candidates]”
•“thoughtful and collected”	•“will coach people”
•“New York rate case experience”	•“has the utility IQ for the position”
•“knows LIPA and New York”	•“would be good with the Board”

I believe Ms. Chacko’s prior legal and utility experience make her well-suited to take over the daily management of LIPA’s Office of General Counsel with an annual salary of \$260,000. This is significantly below the level of compensation Ms. Chacko can earn in the private sector.

In addition, a recent survey of the top 20 largest publicly - owned electric utilities indicated an average base salary for General Counsel of \$280,000, with most utilities in the survey providing performance - based compensation in addition to salary. LIPA does not offer a performance compensation program and has a significantly higher cost of living than nearly all the utilities in the survey.

LIPA staff believes the salary request of \$260,000 is well-supported for a professional of Ms. Chacko’s caliber, and is below average for similar publicly-owned utilities.

Recommendation

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

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

1416. APPOINTMENT OF GENERAL COUNSEL

WHEREAS, the Personnel and Compensation Committee of the Long Island Power Authority (“Authority”) Board of Trustees has recommended that Anna Chacko be appointed by the Trustees to the office of General Counsel of the Authority and its subsidiary, LIPA, with an annual salary of \$260,000; now therefore be it

RESOLVED, that Anna Chacko be, and hereby is, appointed General Counsel, effective on or about July 5, 2018 with an annual salary of \$260,000, until the earlier of her 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 stated the next item on the agenda was the PSEG Long Island Annual Discussion of the Board’s Policy on System Reliability, to be presented by John O’Connell.

Mr. O’Connell presented the PSEG Long Island Annual Discussion of the Board’s Policy on System Reliability and took questions from the Trustees.

The Chair stated the last item on the agenda was Consideration of Greenport and Jamaica Bay Power Purchase Agreement Extensions, to be presented by Rick Shansky.

Trustee Greenfield stated he must recuse himself on the Greenport vote.

After requesting a motion on the matter, which was seconded, Mr. Shansky separately presented the following action items and took questions from the Trustees:

Requested Action

The Trustees are requested to adopt resolutions authorizing the Chief Executive Officer or his designee to execute (i) Amendment No. 5 to the Power Purchase Agreement (“HEG PPA”) between the Long Island Power Authority (the “Authority”) and Hawkeye Energy Greenport, LLC (“HEG”) and a wholly owned subsidiary of Haugland Energy Group, to extend the term of the HEG PPA at more favorable terms for the purchase of capacity, energy, and ancillary services from the electric generating facility located in Greenport, New York; and (ii) Amendment No. 4 to the Power Purchase Agreement (“JBPF PPA”) between the Authority and Jamaica Bay Peaking Facility, LLC (“JBPF”), a wholly owned subsidiary of NextEra Energy, to extend the term of the JBPF PPA at more favorable terms for the purchase of capacity, energy, and ancillary services from the electric generating facility located in Far Rockaway, New York, as summarized below.

A. Amendment No. 5 to the Hawkeye Energy Greenport, LLC Power Purchase Agreement

Background

Since 2003, the Authority has purchased capacity, energy, and ancillary Services from HEG under the HEG PPA that expires on July 1, 2018. The electric generating facility consists of one oil-fired simple cycle FT 8 gas turbine with a capacity of 54MW, that is used to meet peak loads and to support the reliability of the eastern part of the Authority’s system. Continued operation of the HEG facility is especially important while system improvements are being made on the South Fork.

Discussion

In anticipation of the HEG PPA’s approaching expiration, PSEG Long Island and HEG have negotiated an amendment to the HEG PPA (“Amendment No. 5”) that provides an initial five-year extension of the agreement’s term at a reduced price, after which either party may elect to extend for an additional five years at specified prices. Both the initial five-year extension and the elective five-year extension provide for a significant reduction in the Authority’s capacity payments to HEG. Amendment No. 5 also provides for remote start capability, which will facilitate increased participation in the real-time energy market and help prepare the system for increased levels of intermittent renewable energy resources.

Certain provisions of the HEG PPA would also be updated by Amendment No. 5, but the other material terms and conditions would continue without substantive modification.

The total cost, if LIPA elects to exercise its option to extend the term for the full 10 years, is estimated to be approximately \$79 million. The terms of the proposed amendment compare favorably to alternative means to support system reliability, including construction of transmission reinforcements. The need for the facility and the economics of any further extension will be examined prior to the end of the extended term.

B. Amendment No. 4 to the Jamaica Bay Peaking Facility, LLC Power Purchase Agreement

Background

Since 2003, LIPA has purchased capacity, energy, and ancillary services from Jamaica Bay Peaking Facility under the JBPF PPA that expires on July 1, 2018. The JBPF consists of two Pratt & Whitney FT8 oil-fired simple cycle combustion turbines with combined capacity of 54MW. The Facility is used to meet peak loads and to support the reliability of the western part of the LIPA system. The JBPF is adjacent to and shares some common facilities with the Bayswater Facility, which is also owned by NextEra Energy. The Bayswater Facility is under contract with LIPA through June 27, 2020.

Discussion

In recognition of the approaching expiration of the JBPF PPA, PSEG Long Island and NextEra negotiated a two-year term extension at a reduced price, which would align the termination date for the JBPF with that of the Bayswater Facility.

The total cost of the term extension is estimated to be approximately \$13 million. The terms of the proposed amendment are consistent with other recent contracts and compare favorably with the cost of alternative means to support reliability in the western part of the LIPA system, including the construction of transmission reinforcements.

Certain provisions of the JBPF PPA would also be updated by Amendment No. 4, but the other material terms and conditions would continue without substantive modification.

The continued need for the JBPF and the economics of any further extension beyond 2020 will be examined prior to the end of the term.

Recommendations

Based on the foregoing, I recommend that the Trustees approve the above-requested action by adoption of the resolutions in the following form.

After questions and a discussion by the Trustees, and the opportunity for the public to be heard, upon a motion duly made and seconded, the following resolution was unanimously approved by the Trustees with Trustee Greenfield not voting, having recused himself on this motion.

1417. RESOLUTION AUTHORIZING THE EXECUTION OF AMENDMENT NO. 5 TO THE HAWKEYE ENERGY GREENPORT, LLC POWER PURCHASE AGREEMENT

WHEREAS, the Long Island Power Authority (“Authority”) has been purchasing capacity, energy and ancillary services under the Power Purchase Agreement (“PPA”) that it entered into with Hawkeye Energy Greenport, LLC (“HEG”), dated February 6, 2003, as amended;

WHEREAS, the PPA will expire on July 1, 2018; and

WHEREAS, PSEG Long Island has negotiated an extension of the PPA (“Amendment No. 5”) under favorable terms and conditions which will enable the Authority to continue to purchase capacity, energy and ancillary services, and support the reliability of the Authority’s system;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees authorizes the Chief Executive Officer or his designee(s) to execute Amendment No. 5 to the PPA and to take any other actions and execute any other documents as may be necessary or appropriate.

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

1418. RESOLUTION AUTHORIZING THE EXECUTION OF AMENDMENT NO. 4 TO THE POWER PURCHASE AGREEMENT WITH JAMAICA BAY PEAKING FACILITY, LLC

WHEREAS, the Long Island Power Authority (“Authority”) has been purchasing capacity, energy and ancillary services under the Power Purchase Agreement (“PPA”) that it entered into with Jamaica Bay Peaking Facility, LLC (“JBPF”), dated January 14, 2003, as amended;

WHEREAS, the PPA will expire on July 1, 2018; and

WHEREAS, PSEG Long Island has negotiated an extension of the PPA (“Amendment No. 4”) under favorable terms and conditions which will enable the Authority to continue to purchase capacity, energy and ancillary services, and support the reliability of the Authority’s system;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees authorizes the Chief Executive Officer or his designee(s) to execute Amendment No. 4 to the PPA and to take any other actions and execute any other documents as may be necessary or appropriate.

Chair Suozzi then allowed for any additional public comment to be heard, after which he announced that the next Board meeting is scheduled for June 26, 2018 at 11:00 a.m. in Uniondale.

The Chair then asked for a motion to adjourn, upon motion duly made and seconded, the meeting adjourned at approximately 1:03 p.m.
