

LONG ISLAND POWER AUTHORITY
MINUTES OF THE 275TH MEETING
HELD ON JULY 25, 2018

The Long Island Power Authority (the “Authority”) was convened for the two-hundred-and-seventy fifth time at 10:47 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on July 20, 2018, and electronic notice posted on the Authority’s website.

The following Trustees of the Authority were present:

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

Representing the Authority were Thomas Falcone, Chief Executive Officer; Anna Chacko, General Counsel; Rick Shansky, Vice President of Operations Oversight; Kenneth Kane, Interim Chief Financial Officer, Bobbi O’Connor, Vice President of Policy and Strategy & Secretary to the Board of Trustees; Donna Mongiardo, Vice President, Controller; Kathleen Mitterway, Vice President of Audit; James Miskiewicz, Deputy General Counsel; Sid Nathan, Director of Communications; and Justin Bell, Director of Rates and Regulation.

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 Michael Voltz, Director, Energy Efficiency and Renewables.

Acting Chair Fischl welcomed everyone to the 275th meeting of the Long Island Power Authority Board of Trustees and led the Pledge of Allegiance.

Acting Chair Fischl stated that the first item on the agenda was the Chairman's remarks.

After the Chairman's remarks, Acting Chair Fischl stated that the next 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

1419. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MAY 23, 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 May 23, 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 of the Long Island Power Authority (the "Authority") is requested to adopt a resolution approving an amended Board Policy on Audit Relationships, as further described below.

Board Policy on Audit Relationships

The Finance & Audit Committee of the Authority's Board of Trustees, in its charter, was delegated the responsibility of reviewing the Authority's policies regarding Audit Relationships.

This proposed Board Policy on Audit Relationships defines the expectations of the Board regarding the existing authority granted to the Finance & Audit Committee for:

- Selecting an independent certified public accounting firm to conduct annual audits of the Authority.

- The annual review of the audit plan as well as the charter, activities, staffing, budget, and organizational structure of the Internal Audit Department and confirming the independence of the internal auditors.
- Monitoring, in consultation with the Vice President - Audit, the significant findings of internal audit reports and the status of the implementation of management's action plans in response to such audit findings.
- Setting forth the procedures for the Board of Trustee's receipt, review and implementation of any recommendations in a Management and Operations Audit conducted by the New York State Department of Public Service ("DPS").

Proposed Changes to Board Policy

The proposed changes to the Board Policy are intended to reflect, in more detail, the procedures relating to the implementation of the management action plans of a DPS Management and Operations Audit, in conformance with Recommendations #2 and #3 of the 2018 Audit.

Specifically, the changes include, among others:

- (i) Clarifying that DPS is only delivering to the Board a report of its findings together with any recommendation of improvement. DPS does not deliver a timetable for implementation of recommendations;
- (ii) Consistent with the Management and Operations Audit, clarifying that the Chief Executive Officer will submit the implementation plan to the Oversight Committee of the Board within ninety (90) days after the audit report's finalization;
- (iii) Providing that the Authority's Chief Executive Officer, together with PSEG Long Island, will submit an annual report to the Oversight Committee of the Board and the Department of Public Service, of the status of the implementation plan. That report will include a summary of the activities completed to date and any revisions to completion targets. The annual report will be reviewed by Internal Audit for completeness prior to submission; and
- (iv) Providing that LIPA Internal Audit will review the effectiveness of the implementation plan in addressing each audit recommendation after the completion of the plan for that recommendation.

A redline copy of the changes is included as Attachment A-1 Board Policy on Audit Relationships.

Recommendation

Based upon the foregoing, I recommend the approval of the adoption of the following resolution.

1420. RESOLUTION APPROVING AMENDMENTS TO THE LONG ISLAND POWER AUTHORITY BOARD POLICY ON AUDIT RELATIONSHIPS

WHEREAS, the Board of Trustees of Long Island Power Authority (the “Authority”) oversees the management of the Authority, the contractual relationship with the Authority’s Service Provider, and fulfillment of the Authority’s mission; and

WHEREAS, as stewards of the Authority, the Trustees are responsible for setting the Authority’s audit relationship policy and overseeing its fulfillment; and

WHEREAS, the Finance & Audit Committee of the Authority’s Board of Trustees, in its charter, was delegated the responsibility of reviewing the Authority’s policies regarding Audit Relationships;

WHEREAS, in the Authority’s By-Laws, the Authority’s Board of Trustees delegated certain responsibilities to the Chief Executive Officer for managing and directing the staff of the Authority; and

WHEREAS, policies addressing audit relationships have been recommended by the Finance & Audit Committee for adoption by the Board, in accordance with this process;

NOW, THEREFORE, BE IT IS RESOLVED, that the Trustees hereby approve and adopt the amended Policy on Audit Relationships in the form attached to this resolution; and

BE IT FURTHER RESOLVED, that the Policy on Audit Relationships be subject to annual review and evaluation by the Finance & Audit Committee in accordance with the accompanying memorandum.

Acting Chair Fischl 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.

Acting Chair Fischl 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.

Acting Chair Fischl 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 Acting Chair stated the next item on the agenda was the Approval of the Annual Report on the Board's Policy on Resource Planning, Renewables and Efficiency Policy, to be presented by Rick Shansky and Paul Napoli.

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

Requested Action

The Board of Trustees of the Long Island Power Authority (the “Board”) is requested to adopt a resolution finding that the Long Island Power Authority and its subsidiary, LIPA (collectively the “Authority”) have complied with the Board Policy on Resource Planning, Energy Efficiency and Renewable Energy (the “Policy”) for the period since the last annual review, and approving the annual report for the Policy, which resolution is attached hereto as Exhibit “A”.

Background

By Resolution No.1372, dated July 26, 2017, the Board adopted the Policy. The Policy sets objectives for resource planning, power supply procurement, portfolio management, and energy efficiency programs t h a t support the Authority’s mission and the State’s clean energy goals.

The Policy also establishes regular performance reporting by Staff to enable the Board to assess performance against the objectives of the Policy.

Compliance with the Policy

Staff concludes that the Authority has complied with the objectives of the Policy for the period since the last annual review for the reasons set forth below.

Planning

The Policy states “Planning for and maintaining a power supply portfolio that meets applicable New York State Independent System Operator (NYISO) and New York State Reliability Council requirements, environmental standards, and the State’s Clean Energy Standard” and “Updating the Integrated Resource Plan (“IRP”) to reassess system needs, when such updates are necessary, but no less often than every five years.”

- Pursuant to the IRP reviewed by the Board in July 2017, Long Island capacity reserves are expected to exceed the NYISO’s minimum capacity requirement through 2035 without adding new resources. Additional capacity reserves could be required earlier if:
 - Some Long Island generating units retire, and
 - NYISO rules regarding locational capacity requirements change.
- System conditions remain similar to assumptions contained in the 2017 IRP, and there is no need to reassess system needs at this time.
- Port Jefferson Power Station, Northport Power Station and E.F. Barrett Generating Station proceeded with monitoring, modifications, and installation of equipment compliance with section 316(b) of the Federal Clean Water Act, which states to install best available technology to reduce fish entrainment and impingement at circulating water intake systems.
- NOx emission controls systems for Holtsville gas turbines were winterized to facilitate compliance during gas interruptions.
- Current procurements are projected to provide sufficient Renewable Energy Credits (“REC”) for the Authority to meet the Clean Energy Standard through at least 2021, provided that surplus RECs not needed for compliance in 2017 and 2018 can be recognized toward the compliance requirements in 2019 and 2020. Beyond 2021, new procurements or REC purchases from NYSERDA will fulfill REC needs.

Managing the Portfolio

The Policy states “Managing the power supply portfolio to minimize cost and maximize performance, including power plant availability and thermal efficiency, within contractual constraints.”

- All power supply portfolio contracts met or exceeded contract targets.
- Heat rate (efficiency) of generation fleet was better than industry average for comparable technologies, based on U.S. Energy Information Administration (EIA) data.
- Nine Mile Point Unit 2’s capacity factor for 2017 exceeded industry average.
- Generation fleet availability was better than industry average, based on the NERC Generation Availability Data System.

- By the Authority's participation in the NYISO, power supply dispatch is optimized on a statewide basis. This minimizes the cost to customers, while preserving reliability.
- PSEG Energy Resource & Trade has met or exceeded all contractual performance targets,
- including Neptune and Cross Sound cable performance, generation bidding to the NYISO, load forecasting, fuel procurement and scheduling, as well as settlements and invoicing. Optimized purchases of oil and gas for power generation saved customers an estimated \$24 million in 2017, while optimized scheduling of cable imports saved an estimated \$4 million in 2017.
- Obtained improvements to National Grid's gas transportation rates for electric generation.
- During January 2018 cold snap, obtained emergency waiver of nitrogen oxides (NOx) limits to enable oil-fired gas turbines to meet load requirements and avoid highly uneconomic purchases of natural gas.

Competitive Procurement

The Policy states “Minimizing cost by competitively procuring generation and distributed energy resources through wholesale market purchases, bilateral contracts, and if appropriate, after balancing cost and risk, ownership or pre-payments for energy¹, utilizing to the extent feasible and cost effective, Authority-owned land and rights to acquire legacy generating sites.”

- As of June 1, 2018, the Authority's feed-in-tariffs and utility-scale RFPs achieved:
 - Feed-In Tariff I -- 21.6 MW in operation with a maximum potential of 31 MW.
 - Feed-In Tariff II -- 14.8 MW in operation with a maximum potential of 33 MW.
 - 280 MW Request for Proposals (RFP) -- a 24.9 MW solar project with a commercial operation date of July 1, 2018; and 34 MW still under development.
 - Feed-In Tariff II (Non-Solar) -- maximum potential of 6 MW.
 - South Fork RFP -- 90-MW wind project and two 5-MW battery projects under development.
 - Feed-In Tariff III -- maximum potential of 10 MW.
 - Feed-In Tariff IV (Fuel Cells) -- maximum potential of 40 MW.

Clean Energy

The Policy states “Procuring cost-effective renewable resources, renewable energy certificates, and behind-the-meter resources such as energy efficiency and demand response, including acting in coordination with other State energy authorities, if advantageous to our customers. In selecting among reasonably comparable alternatives, the Authority will opt for lower carbon-emitting resources” and “Integrating cost-effective distributed energy production and storage technologies into the power supply portfolio and enabling the

¹ The Authority owns an 18% share of Nine Mile Point Unit 2 and has certain options to buy generation assets, typically at the expiration of a power purchase agreement, or to prepay for energy in exchange for a discount. The Authority will not take construction or development-related risks on new generation projects.

economic and secure dispatch of resources deployed within the distribution system and within customer premises.”

- **2017 Energy Efficiency Savings of 56.4 MW and 236,191 MWh, equivalent to eliminating 142,200 tons of CO₂. Peak demand reductions were 22.3% greater than the 2017 goal and the energy savings were 6.3% greater than goal.**
- Although in 2017 there was a slowing of customer-side renewable installations due to several out of state leasing companies who left the Long Island market and NYSERDA incentives ending for residential installation, the customer side goals were exceeded. 2017 customer side renewable goals were 5.98 MW with an actual installed capacity of 11.4 MW, equivalent to an annualized energy goal of 15,000 MWh, with an actual annualized savings of 27,995 MWh.
- Deployed Advanced Meter Infrastructure to engage customers on energy usage and energy choices, develop new energy products and services, and benefit the resiliency of the electric system.
- Initiated Home Energy Reports to motivate customers to increase understanding of their energy needs and take active control of energy consumption.
- Deployed Dynamic Load Management (“DLM”) and Edge load curtailment programs.
- Initiated "Supersaver" Pilot Project in Bellmore to address load pocket by promoting multiple tools and technologies such as customer analytics, DLM, smart thermostats, smart meters, and energy audits, which will deliver targeted load reduction and enhanced customer empowerment.
- Incentivized 1st Thermal Energy Storage Project.
- Collaborative partnership for developing a Microgrid Project in Huntington.
- Executed Public Partnerships with the Authority, NYSERDA, and NYPA to advance energy efficiency and clean energy technologies. Some notable programs that resulted from this collaboration were:
 - Combined Heat & Power,
 - Clean Communities Program,
 - Geothermal Heat Pumps,
 - REV Campus Challenge Program,
 - NY Energy Manager, and
 - Free Home Energy Audits for customers on Long Island.
- The Authority and PSEG Long Island represented Long Island interests in the NYS Energy Storage initiative. PSEG Long Island identified areas to integrate battery storage systems as well as analyzed relieving system constraints by proposing a battery storage solution.

Wholesale Market Policy

The Policy states “Minimizing cost by representing the interests of Long Island electric customers in the New York and regional wholesale markets and their respective stakeholder processes, as well as direct engagement with appropriate Federal and State regulatory authorities.”

- Opposed rules that would increase Long Island's capacity requirements while reducing capacity requirements for other regions in New York.
- Evaluated alternative means to integrate the Social Cost of Carbon into NYISO markets.
- Obtained favorable cost allocations for Long Island for AC Transmission and Western New York public policy transmission projects.
- Negotiated a favorable allocation of cost for replacement of the Ramapo phase shifters, which are used to control power flows between NYISO and PJM.
- Opposed PJM's proposed cost allocation to New York, for NYISO's use of transmission lines between New York City and New Jersey.

Staff's 2018 Work Plan

The Staff 2018 Work Plan has the following initiatives related to the Policy:

Planning

- **BSQ 2:** Oversee PSEG Long Island's study of the peaking fleet and flexible/peaking resources needed to accommodate offshore wind and higher renewable energy on the electric grid.
- **BSQ 4:** Participate in the Public Service Commission's (PSC) offshore wind proceeding, review joint procurement methods with the New York State Energy Research and Development Agency (NYSERDA), and ensure fair allocations of costs for related transmission and generation needs.
- **BSQ 9:** Develop a common, long-term financial utility planning model to be used for power supply planning and business forecasting.
- **BSQ 12:** Oversee evaluation of existing initiatives and potential new initiatives in electrification of transportation and heating and cooling.

Managing the Portfolio

- **BSQ 7:** Negotiate appropriate rate reductions for new gas transportation contracts.
- **BSQ 8:** Obtain cost reductions for generation reflecting the effects of tax reform.
- **BSQ 13:** Examine gas prepay and seek an IRS private letter ruling, if necessary.
- **Competitive Procurement**
- **BSQ 5:** Oversee negotiation of power contracts for two utility-scale solar projects selected in the 2015 Renewable RFP.

Clean Energy

- **BSQ 1:** Establish multi-year plans for energy efficiency, the Clean Energy Standard, and energy storage, through at least 2023.
- **BSQ 10:** Oversee implementation of VDER Phase I and development of VDER Phase II.
- **BSQ 11:** Assess PSEG Long Island's progress in implementing locational pricing through

- the dynamic load management and VDER tariffs.

Wholesale Market Policy

- **BSQ 3:** Oversee PSEG Long Island's studies and the New York Independent System Operator's (NYISO) efforts to integrate carbon pricing, offshore wind, and flexible resources into the wholesale markets.
- **BSQ 6:** Advocate for fair allocations of cost for Western New York and AC Transmission public policy transmission projects.

Annual Review of the Policy

Staff recommends the attached changes to the Policy to improve clarity and to identify details of compliance with the Clean Energy Standard. When selecting among reasonably comparable resources, the revised Policy establishes a preference for resources with operational, environmental or economic benefits to the Authority's service territory. There are no other material proposed changes.

Recommendation

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

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.

1421. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE RESOURCE PLANNING, ENERGY EFFICIENCY AND RENEWABLE ENERGY POLICY

WHEREAS, the Resource Planning, Energy Efficiency and Renewable Energy Policy (the "Policy") was originally approved by the Board of Trustees Resolution No.1372, dated July 26, 2017;

WHEREAS, the Board has received the annual Staff report on compliance with the Policy; and

WHEREAS, the Board has reviewed the Policy and affirms that changes to the Policy are required.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that the Authority has complied with the Policy for

the period since the last annual review, approves the annual report to the Board, and approves the updates to the Policy.

The Acting Chair stated the next item on the agenda was the Approval of the Annual Report on the Board's Policy on Regionally Competitive Electric Rates, to be presented by Justin Bell.

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

Requested Action

The Board of Trustees of the Long Island Power Authority (the “Board”) is requested to adopt a resolution finding that the Long Island Power Authority and its subsidiary, LIPA (collectively the “Authority”) have complied with the Board Policy on Regionally Competitive Rates (the “Competitive Rates Policy” or the “Policy”) for the period since the last annual review; approving certain non-material wording changes to the Policy; and approving the annual report for the Policy, which resolution is attached hereto as Exhibit “A”.

Background

By Resolution No.1318, dated September 21, 2016, the Board adopted the Regionally Competitive Electric Rates Policy. The purpose of the Policy is to set reasonable objectives for the Authority’s electric rates and rate design and to review LIPA’s electric rates relative to other similar regional utilities each year. The Board conducts an annual review of the Policy and, with the advice of Authority Staff, where appropriate, considers as part of its annual review whether LIPA has remained in compliance with the Policy and whether any updates or revisions should be made to the Policy.

Compliance with the Competitive Rates Policy

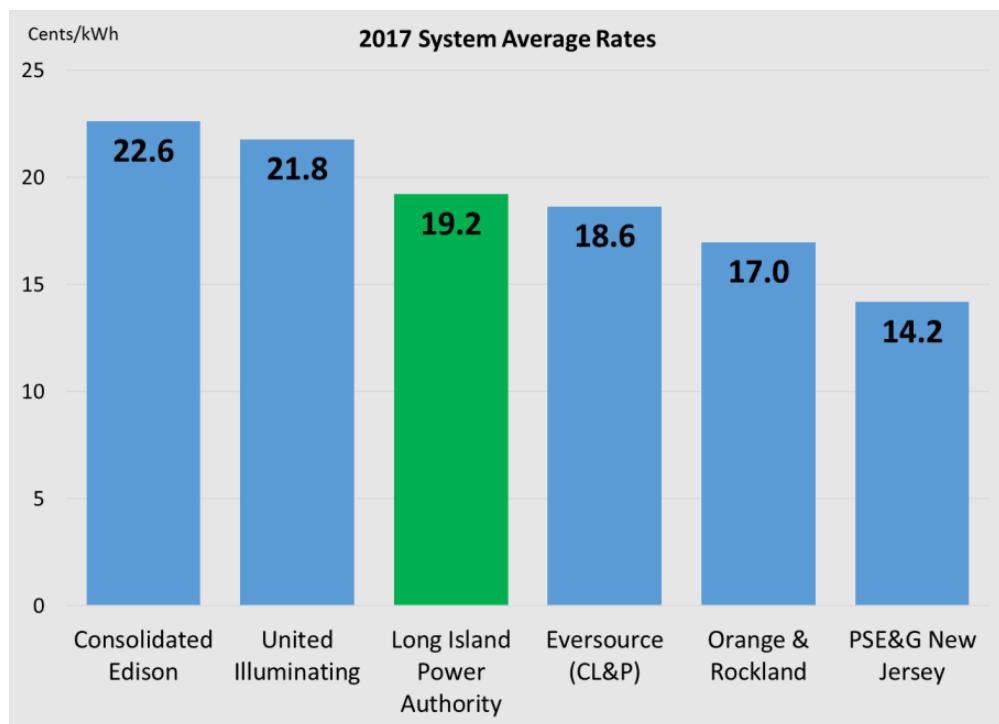
Staff has determined, for the reasons set forth below, that LIPA has remained in compliance with the objectives of the Policy for the period since the last annual review.

Lowest Fiscally Sound Electric Rates. The Policy states “Electric rates should be set at the lowest level consistent with sound fiscal and operating practices, ensuring quality service efficiently rendered.”

- The Board adopted a Three-Year Rate Plan for 2016, 2017 and 2018 pursuant to the Rate Plan Recommendation of the CEO of the Department of Public Service. That Rate Plan Recommendation was to ensure electric rates set at the lowest level consistent with sound fiscal and operating practices, as required by the LIPA Reform Act.
- The 2018 Budget adopted by the Board of Trustees in December 2017 was consistent with the Three-Year Rate Plan for 2018.

Regionally Competitive Electric Rates: The Policy states “The Authority’s electric rates should be competitive with the published rates on a system average basis of other regional utilities that surround the Authority’s service territory and most closely resemble the costs and power/gas supply 2 options of the Authority, including: Consolidated Edison, Orange & Rockland, United Illuminating, Eversource (formerly Connecticut Light and Power), and PSE&G, taking into account the significant differences in the taxing and regulatory regimes in which these utilities operate.”

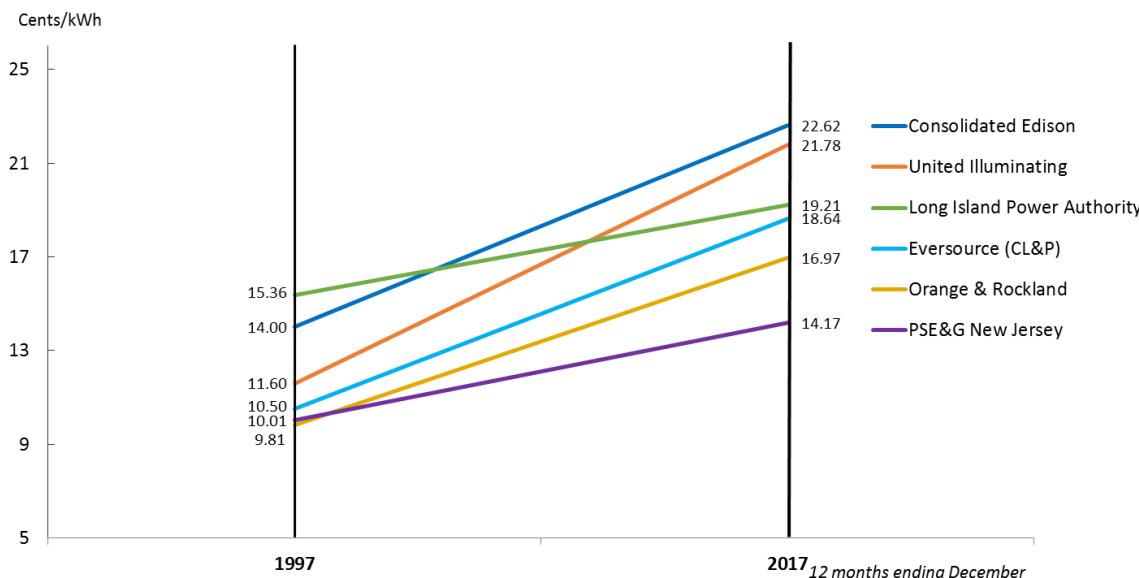
- LIPA’s system average electric rate was 19.2 cents in 2017. This is competitive with the other five major regional utilities that surround LIPA’s service territory, listed in the Policy.
- The system average electric rates of the regional utilities ranged from 14.2 cents (PSE&G) to 22.6 cents (ConEd).
- LIPA’s system average rate is 15% below the highest priced regional utility, making LIPA’s average rate the third out of six and roughly average for the region.



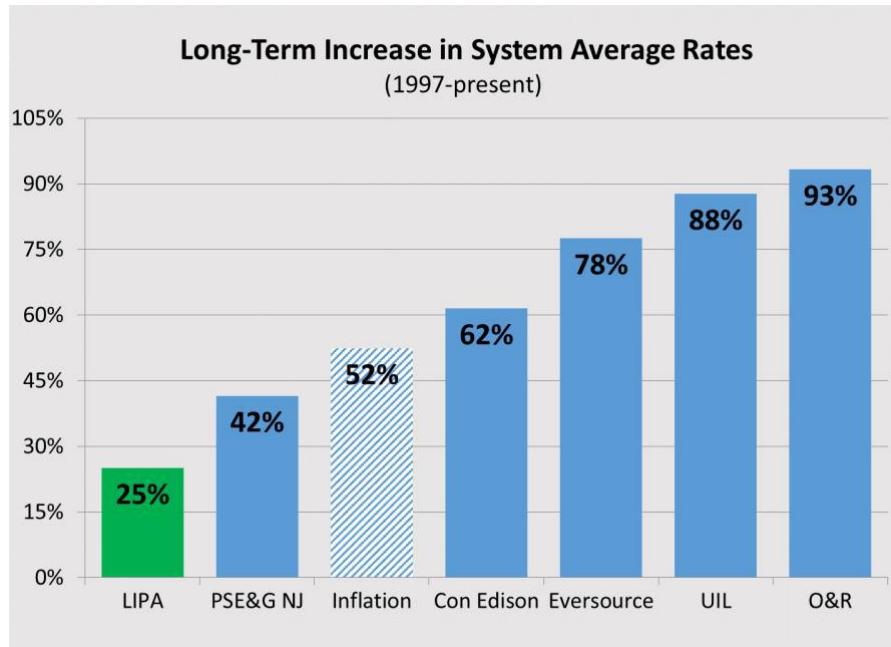
- If LIPA's property taxes, which comprise 15% of the bill, were equivalent to the national average of 5% of the bill, LIPA's 2017 system average rate would have been 17.3 cents.

Changes in Electric Rates: The Policy states “Changes in the Authority’s rates and bills should be competitive with other local utilities on a system average basis over the long term. In any short-term period, there may be variations due to the timing of fuel and purchased power costs, resource additions, changes to delivery rates, or other needs that cause fluctuations in the Authority’s system average cost relative to other utilities.”

- LIPA’s system average rates have been competitive on a long-term basis, having risen more slowly than any of the other regional utilities over the past 20 years (see chart below).



- LIPA’s rates increased only 25% over the last 20 years compared to a range of 42% to 93% for the other utilities (see chart below). The consumer price index, a standard measure of inflation, increased 52%.



- Over the past 5 years, LIPA's have decreased 9%, which is more than any other utility in our peer group.

Prudent Rate Design: The Policy states “Rates should, consistent with prudent utility practice: be simple and easy to understand; equitably allocate costs across and within customer classes, taking into consideration the cost to provide service; be affordable by people with low incomes and severe medical conditions; and where possible, be consistent with statewide policies. In addition, in order to promote the goals of Reforming the Energy Vision, which seeks among other things to encourage the most efficient use of utility plant, rates should reflect the marginal cost of service, to the extent consistent with the foregoing objectives. This goal may be achieved by, among other things, reflecting the cost of energy at the it is used, reducing on- peak use, and encouraging energy efficiency and conservation.”

- In October 2017, LIPA increased its low-income customer discounts by \$10 per month (to \$20 for customers with electric heating and \$15 for customers without electric heating).
- In December 2017, LIPA implemented the first phase of the statewide Value of Distributed Energy Resources (VDER) tariff for large commercial rooftop solar and community solar projects, differentiating among projects by the value provided to the electric grid.
- In June 2017, LIPA also updated its dynamic load management tariff to increase participation, ease enrollment, and to implement updates made by New York’s investor owned utilities.

2018 Work Plan and Other Goals

LIPA’s 2018 Work Plan includes the following goals to advance the Board’s Policy:

- Goal 26: Obtain Board approval of need-based tiered discounts for low-to moderate-income customers and oversee PSEG Long Island’s implementation.¹
- Goal 27: Introduce a state-of-the-art time-of-use rate pilot to test customer engagement, customer savings, and the effect of the rate on peak load reduction and other grid benefits.²

PSEG Long Island’s Utility 2.0 Plan³ proposes additional goals that support the Policy:

- Obtain approval of residential electric vehicle smart charging program, which will promote objectives of New York’s Reforming the Energy Vision initiative including encouraging efficient use of utility plant through rates that reflect the cost of energy at the time it is used, reducing on- peak use, and encouraging energy efficiency and conservation.
- Propose plan for accelerating development of public fast charging stations for electric vehicles, which will promote New York’s Clean Energy Standard and the objectives of Reforming the Energy Vision initiative including animating competitive markets for grid-edge products and services.

Annual Review of the Policy

The Policy was last amended by the Board pursuant to Resolution No.1357, dated March 29, 2017. Staff recommends no material changes to the Policy. Non-material wording changes include: (1) consistent references to “regionally competitive electric rates”; (2) moving certain clarifying points into footnotes; and (3) separating the references to affordability for low income customers and severe medical conditions from other Statewide initiatives such as *Reforming the Energy Vision* (“REV”).

Recommendation

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

After questions and a discussion by the Trustees, including a discussion relating to renaming the Policy the Comparable Rates Policy, and the opportunity for the public to be

¹ <https://www.lipower.org/wp-content/uploads/2018/06/LMI-Proposal-Memo-FINAL.pdf>
<https://www.lipower.org/wp-content/uploads/2018/06/Low-Income-Tiering-Tariff-Proposal-4-10-18-Final-clean.pdf>

² <https://www.lipower.org/wp-content/uploads/2018/06/TOU-Rate-Pilot-Tariff-Proposal-April-9-LIPA-Changes-clean.pdf>

³ <https://www.lipower.org/wp-content/uploads/2018/06/2018-06-29-PSEG-LI-Utility-2.0-2018-Annual-Update.pdf>

heard, upon a motion duly made and seconded, the following resolution was unanimously approved by the Trustees.

1422. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE REGIONALLY COMPETITIVE RATES POLICY

WHEREAS, the Regionally Competitive Rates Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No.1318, dated September 21, 2016; and

WHEREAS, the Policy was last amended by the Board pursuant to Resolution No.1357, dated March 29, 2017; and

WHEREAS, the Board has received the annual Staff report on compliance with the Policy; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that no material changes to the Policy are required.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that the Authority has complied with the Regionally Competitive Rates Policy for the period since the last annual review and approves the annual report to the Board;

AND BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the non-material wording changes reflected in attached Exhibit B be approved.

The Acting Chair stated the next item on the agenda was the Discussion of the Management Audit and Recommendation Related to DPS Management and Operations Audit of LIPA and PSEG Long Island Final Report, Matter No. 16-01248, to be presented by James Miskiewicz.

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

Requested Action

The Board of Trustees (the “Board”) is requested to direct LIPA and PSEG Long Island to commence development of an implementation plan for the 49 recommendations in the DPS Management and Operations Audit of LIPA and PSEG Long Island Final Report, dated June 29, 2018 and to file such plan with the Board and Department of Public Service in 90 days, consistent with the LIPA Reform Act of 2013 (the “Reform Act”) and the Board’s Policy on Audit Relationships, as amended.

Background

The Reform Act directed DPS to conduct or cause to be conducted every five years comprehensive management and operations audits to review the overall management of the Authority and PSEG Long Island in the context of LIPA’s duty to set rates at the lowest level consistent with sound fiscal and operating practices and safe and adequate service. DPS procured NorthStar Consulting Group to conduct the audit, which commenced on December 15, 2016 and concluded on June 29, 2018 with the filing of a final report containing 49 individual recommendations in 14 areas of management, oversight and operations. NorthStar had been commissioned to conduct a similar audit in 2012-13.

The Reform Act provides that unless the Board “makes a preliminary determination that any particular finding or recommendation contained in such audit is inconsistent with the authority’s sound fiscal and operating practices, any existing contractual or operating obligation, or the provision for safe and adequate service,” the Board shall cause LIPA staff and PSEG Long Island to implement the audit report’s “recommendations in accordance with the timeframe specified under such audit.” As to the matter of timing, the audit report recommends LIPA and PSEG Long Island develop an implementation plan within 90 days of the report’s acceptance and submit such a plan to the Board and DPS in a form consistent with similar implementation plans submitted by investor-owned utilities to the Public Service Commission.

Discussion

Authority staff and PSEG Long Island have reviewed the audit final report and recommendations.

Staff does not believe any of the audit recommendations meet the statutory standard for a preliminary determination (i.e. a finding or recommendation that is inconsistent with the Authority’s sound fiscal and operating practices, contractual or operating obligations, or with the provision for safe and adequate service).

The audit report recognizes the great strides made by the Authority and PSEG Long Island in the four years since passage of the Reform Act, specifically citing LIPA’s “exceptional financial leadership” for accomplishing numerous improvements having real benefits to ratepayers, such as refinancing debt through the Utility Debt Securitization Authority to save customers \$491 million and “PSEG Long Island’s significant investments in customer service improvements which are showing objective results.”

Many audit recommendations “continue” or “build” on management and process improvements already underway. In other areas, the audit report identified opportunities for new or continued improvement.

Unless the Board makes a preliminary finding of inconsistency, Authority staff and PSEG Long Island will now work together to produce plans to implement each of the 49 individual audit recommendations. Each project plan will articulate specific project objectives, identify personnel responsible for implementation, set forth milestones for completion, and include cost-benefit and risk analyses, where applicable. As per the timeframe set forth in the audit final report, staff will file the initial implementation plan with the Board and DPS in 90 days with supplemental progress reports filed pursuant to the reporting requirements in the Board’s Policy on Audit Relationships.

Recommendation

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

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.

1423. RESOLUTION DIRECTING LIPA AND PSEG LONG ISLAND STAFF TO PREPARE AND FILE IMPLEMENTATION PLANS FOR 49 MANAGEMENT AUDIT RECOMMENDATIONS

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board of Trustees hereby directs LIPA staff and PSEG Long Island to prepare and file, within 90 days, an implementation plan for each recommendation in the Management and Operations Audit of LIPA and PSEG Long Island Final Report, dated June 29, 2018.

Acting Chair Fischl stated the last item on the agenda was the Approval of Tariff Changes Related to the Power-to-Save Pricing Pilot and Low-Income Customer Discounts, to be presented by Justin Bell and Michael Voltz.

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

Requested Action

The Trustees are requested to approve changes to the Authority's Tariff for Electric Service ("Tariff") effective August 1, 2018 (1) to introduce a "Power to Save" pricing pilot to be offered in connection with PSEG Long Island's Super Saver Utility 2.0 initiative; and (2) to further improve the affordability of its rates and charges for customers with low incomes by introducing customer discounts that are tiered according to customer needs.

Background

Power to Save

Each year, PSEG Long Island develops and files a Utility 2.0 Plan, which identifies projects and plans consistent with the goals of the State's Reforming the Energy Vision ("REV") initiative, including improving energy and system efficiency, promoting the use of distributed energy resources, enabling markets for grid-edge products and services that provide value to customers, and identifying opportunities to defer traditional capital investments.

In the 2017 Utility 2.0 Plan, PSEG Long Island introduced the Super Savers Program, an innovative, geographically targeted non-wires solution that combines targeted energy efficiency, demand response, and market animation through customer engagement to deliver targeted load reduction, energy savings, and enhanced customer empowerment and education for several circuits which emanate from the North Bellmore Substation.¹

These circuits and the equipment that supports them serve 9,914 residential customers and 482 commercial customers and are projected to exceed their normal capacity over the next few years. Without the Super Saver program, substantial investment would be required to meet the anticipated growth in demand.

The Super Saver program employs multiple tools and technologies to deliver load reduction. One of these tools is a state-of-the-art pricing pilot called the "Power to Save". Power to Save is a time-of-use (TOU) rate that has been designed according to industry best practices, which include shorter "peak" pricing periods and device-enabled customer participation. The Power to Save pilot will allow PSEG LI to test customer outreach and engagement

¹ The 2017 Utility 2.0 Plan introduced the Super Saver program for the North Bellmore area. In the 2018 Utility 2.0 Plan, PSEG Long Island proposes to extend the Super Saver program to the Patchogue area, among other enhancements. The Power to Save pricing pilot will also be offered in all Super Saver areas and to any customer with an AMI meter.

strategies, the ability and willingness of customers to save money by shifting energy usage, and the effect of the rate on peak load reduction and other grid benefits. In addition to the North Bellmore substation areas, staff also recommends making the Power to Save rate available to customers outside of the North Bellmore areas who have AMI installed.

Low Income Customer Discounts

In May 2016, the Public Service Commission issued an order on energy affordability (the “PSC Order”).² The PSC Order’s key policy guideline is that a New York household’s energy burden should constitute no more 6% of the household’s income. In response to the PSC Order, the regulated utilities increased their low-income customer discounts and were also ordered to implement “tiered” discounts. With a tiered discount structure, customers requiring greater assistance are placed in higher tiers and receive correspondingly higher discounts (all with the goal of providing discounts that lower the energy burden to 6% of household income).³

On September 27, 2017, the Authority’s Board of Trustees approved the first step in a plan to gradually implement low-income customer discounts consistent with the PSC Order, raising the Authority’s existing discounts to \$15 per month for eligible non-heating customers and \$20 for eligible electric heating customers. PSEG LI and the Authority also made operational improvements to the low-income customer program designed primarily to increase customer outreach and enrollment of eligible customers. The Authority indicated at the time that it intended to begin offering tiered discounts in 2018. This proposal is the next step of the plan, further increasing and tiering low-income customer discounts.

Proposed Action

Power to Save

Staff proposes to modify the Tariff to update Service Classification No. 16 -Advanced Metering Initiative Pilot Service (rates M188 and M288) to offer a pilot time-of-use rate (the “Power to Save” rate) designed to reflect industry best practices and terminate the demand metered non-residential AMI pilot (rates M282, M284 and M285).

This proposed Power to Save pricing pilot will offer residential and small commercial customers an opportunity to save on their electric bills by shifting their usage and reducing load during peak hours. The proposed rate design would maintain a 5-hour peak period from 2:00 P.M. to 7:00 P.M. on weekdays, which is consistent with industry best practices. Staff proposes to reduce the rate differential in the experimental rate to produce a 3-to-1 peak to off-peak price ratio during the summer, and a 1.5-to-1 peak to off-peak price ratio during the winter. In developing the proposed Power to Save rate, Staff reviewed industry best

² See Order Adopting Low Income Program Modifications and Directing Utility Filings, in Case 14-M-0565 (May 16, 2016).

³ Tiered discounts provide additional benefits to low income households with vulnerable members (seniors, children, and the permanently disabled) and those with incomes at or below 130% of the federal poverty level.

practices, Department of Energy studies, and surveys of time-of-use (TOU) rate designs from other utilities in the State and around the country. The research suggests that significant participation and on-peak load reduction can be achieved with these modifications.

The Power to Save pilot rate will be available to all interested residential and small commercial customers—including those located outside the North Bellmore Super Saver area—who have AMI metering equipment.

Staff further proposes the following additional changes simplify the Tariff:

- Eliminating the existing experimental time-of-use rates for large commercial customers. There has been no new participation in the experimental TOU program among these rate codes in the last five years and the current window for participation by large commercial customers expires in September 2018.
- Closing the existing residential time-of-use rate codes (181, 182, 184, 188 and 288) to new customers starting January 1st, 2019. Existing customers under these grandfathered rate codes may participate in the rate experiment upon installation of the required AMI metering equipment.

Low Income Customer Discounts

Staff is requesting to further enhance the Authority's low income customer discount program by introducing a tiered system of low-income discounts. Staff proposes a four-tiered system with escalating discount levels for customers in higher tiers representing greater need.

Eligibility for the Authority's low-income customer discounts (and the appropriate tier) will be determined based on the customer's participation in one or more qualifying Federal or State public assistance program, which include: Home Energy Assistance Program (HEAP); Medicaid; Supplemental Nutrition Assistance Program (SNAP); Supplemental Security Income (SSI); Temporary Assistance – Family Assistance (FA); Temporary Assistance-Safety Net Assistance (SNA); United States Veterans Administration – Veteran's Pension or Veteran's Surviving Spouse Pension.

Consistent with State policy, Tier 1 (the lowest level discount) will be available to any residential customer that participates in at least one qualifying public assistance program. Eligibility for Tiers 2 and 3 is based on additional age- and income-related qualifying criteria identified by HEAP, referred to as "HEAP add-ons".⁴ Tier 4 is reserved for residential customers enrolled in a Department of Social Services Direct Voucher/Guaranteed Payment program which represents a higher level of need than the other qualifying assistance programs.

⁴ The HEAP program offers a standard payment to offset a participant's annual heating costs. The HEAP program will increase this standard payment if the household's gross income is below a set range and/or if the household contains a vulnerable individual (household member who is age 60 or older, under age 6 or permanently disabled). These extra payment(s) are referred to as an add-on(s) to the standard HEAP payment.

The proposed tier discounts are shown in the table below. Eligible customers that do not heat their homes with electricity would see their discount increase from \$15 per month to \$20 per month, regardless of need (tier), unless they participate in the Department of Social Service's Direct Voucher/Guaranteed Payment program. Eligible non-heating customers in that program would receive discounts of \$42 per month, up from \$15 per month currently. Eligible electric heating customers would benefit from the proposed tiered structure. Their Tier 1 discount would remain at \$20 per month, but would increase to \$40 per month for Tier 2 and \$60 per month for Tier 3. Tier 4 for heating customers is \$42 per month, more than twice the current level, and equal to the Tier 4 discount for eligible non-heating customers.

Low Income Discount Tiers		Current Discount per Month	Proposed Discount per Month
Tier 1	Qualifying Low Income Customers or Customers that have received a HEAP benefit.	Non-Heat \$15 Electric Heat \$20	Non-Heat \$20 Electric Heat \$20
Tier 2	Customers that have received a HEAP benefit plus 1 add-on	Non-Heat \$15 Electric Heat \$20	Non-Heat \$20 Electric Heat \$40
Tier 3	Customers that have received a HEAP benefit plus 2 add-ons	Non-Heat \$15 Electric Heat \$20	Non-Heat \$20 Electric Heat \$60
Tier 4	Department of Social Services Direct Voucher/Guaranteed Payment recipients of utility bill payment assistance.	Non-Heat \$15 Electric Heat \$20	Non-Heat \$42 Electric Heat \$42

Staff is proposing a staged implementation. The above proposed discounts will limit the energy burden of the average participating household to 6.5% of household income. Staff proposes to implement further discount increases to bring customer's energy burden to 6% by 2020. The discount amounts will be updated in 2019 using the latest available information and a final proposed level of discounts will be presented to the Board as part of the 2019 budget proposal.

Financial and Customer Impacts

Power to Save

No revenue impacts are expected to result from the Power to Save proposal. The financial impact on any customer who signs up for the optional pilot will depend on the customer's ability and willingness to reduce usage during the peak period.

Here are the estimated annual savings for a customer with a typical load profile:

Energy shift from peak to off-peak	Annual savings
No shift	\$0.00
10% shift	\$28.17
20% shift	\$56.33

30% shift	\$84.50
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PSEG Long Island will assist individual customers in estimating the potential bill impact of participating in the Power to Save rate pilot.

Low Income Customer Discounts

The financial impact of increasing the low-income customer discounts depends on levels of customer participation in the program. Based on 2018 expected levels of participation (approximately 20,000 non-heat customers and approximately 3,000 heating customers), the incremental impact of the proposal is estimated to be approximately \$2.9 million per year, raising the annual discount from \$4.6 million to \$7.5 million per year. Higher levels of participation would result in corresponding higher levels of discount. In 2019, it is projected that participation may increase to 25,000 non-heating customers (up from 20,000 this year). The incremental revenue impact of an additional 5,000 non-heating participants is \$300,000 per year.

The original level of low-income customer discounts has already been factored into the current residential rates, and the proposed increase for the remainder of 2018 (\$1.2 million for the remaining 5 months of August through December) will be recovered from all customers through the Revenue Decoupling Mechanism, in conformance with State-wide policy as implemented by the Public Service Commission. We anticipate the residential rates to be adjusted beginning in January 2019 so that the projected discounts will be recovered from Residential customers only (also consistent with Public Service Commission policy) and only variances from those 2019 projected discounts will be recovered from all customers through the Revenue Decoupling Mechanism.

Public, Stakeholder, and Department of Public Service Input

Public hearings were held on both Tariff proposals on June 4, 2018 in Nassau and Suffolk Counties. No members of the public attended the public hearings and no written comments were received.

The DPS provided feedback and input throughout the process of developing the Tariffs, which has been fully incorporated into the proposal.

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 accompanying resolutions.

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 approved by the Trustees.

1424. APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF FOR ELECTRIC SERVICE RELATED TO THE "POWER TO SAVE" PRICING PILOT

WHEREAS, the Board of Trustees of the Long Island Power Authority (the “Authority”) has adopted a Board Policy on Resource Planning, Energy Efficiency and Renewable Energy, which sets forth the Board’s commitment to procuring cost-effective clean and renewable resources, including behind-the-meter energy efficiency and demand response; and

WHEREAS, as envisioned in the LIPA Reform Act and the Operations Services Agreement, PSEG Long Island has developed and submitted annual Utility 2.0 Plans for review by the Authority and the New York Department of Public Service; and

WHEREAS, the 2017 Utility 2.0 Plan introduced a Super Saver load reduction demonstration project, including a state-of-the-art “Power to Save” pricing pilot; and

WHEREAS, in December 2017, the Department of Public Service recommended and the Board approved funding for the Super Saver demonstration project; and

WHEREAS, the Department of Public Service is supportive of this Power to Save pricing pilot proposal; and

WHEREAS, following the issuance of public notice in the State Register on April 11, 2018, two public hearings were held in Nassau and Suffolk counties on June 4, 2018, 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 the Authority’s Tariff are hereby adopted and approved to be effective August 1, 2018; 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

1425. APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF FOR ELECTRIC SERVICE RELATED TO LOW INCOME CUSTOMER DISCOUNTS

WHEREAS, pursuant to the Tariff for Electric Service (“Tariff”) of the Long Island Power Authority (“LIPA” or the “Authority”), the Authority provides discounted rates and charges in order to improve affordability for low income customers; and

WHEREAS, the New York Public Service Commission (the “PSC”), in Case 14-M-0565, has ordered the regulated utilities to increase their low-income customer discounts and implement tiered discounts with the goal that a New York household’s energy costs should constitute no more than six percent of the household’s income; and

WHEREAS, the Authority and the Service Provider regularly assess the affordability of rates and charges respecting low-income customers and have determined that an increase in its low income customer discounts and tiered discount structure consistent with the PSC’s Order are warranted; 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 April 11, 2018, two public hearings were held in Nassau and Suffolk counties on June 4, 2018, 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 the Authority’s Tariff are hereby adopted and approved to be effective August 1, 2018; 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 then allowed public comment to be heard, and then announced that the next Board meeting is scheduled for September 27, 2018 at 11:00 a.m. in Uniondale.

Acting Chair Fischl asked for a motion to adjourn to Executive Session and announced that no votes would be taken and that the Board would not be returning to Open Session. The motion was duly made and seconded, and the following resolution was adopted:

1426. 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 12:51 p.m. the Open Session of the Board of Trustees was adjourned
on a motion to enter Executive Session.*
