

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 277TH MEETING

HELD ON OCTOBER 24, 2018

The Long Island Power Authority (the “Authority”) was convened for the two-hundred-and-seventy seventh time at 11:16 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on October 19, 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
Matthew Cordaro
Mark Fischl
Peter Gollon
Thomas McAteer**

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, Strategy and Administration & Secretary to the Board of Trustees; Donna Mongiardo, Vice President and Controller; Kathleen Mitterway, Vice President of Audit; James Miskiewicz, Deputy General Counsel; Sid Nathan, Director of Communications; and Jason Horowitz, Assistant General Counsel.

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 Construction and Operation; Paul Napoli, Vice President of Power Markets; and Andrea Elder-Howell, Managing Director and Vice President of Legal.

Chairmain Suozzi welcomed everyone to the 277th 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 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:

1432. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE SEPTEMBER 27, 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 September 27, 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 (the "Board") is requested to adopt a resolution, attached as Exhibit "A", approving amendments to the Authority's by-laws and Committee Charters to combine the Oversight and Reforming the Energy Vision ("REV") Committees, and the Personnel and Compensation ("P&C") and Governance Committees for the Long Island Power Authority ("LIPA" or the "Authority"). Specifically, the Board is requested to approve: (i) amendments to the Governance, Oversight, REV, and P&C Charters to combine those Committees into two Committees to be named the "Oversight and REV Committee" and the "Governance, Planning and Personnel Committee", respectively; and (ii) amendments to the Authority's by-laws in furtherance of the change in Committee structure, as described above.

Discussion

The current Committee structure of the Authority's Board contemplates five (5) Committees, i.e. Finance and Audit ("F&A"), Oversight, REV, Governance, and P&C. The F&A and Governance Committees are required pursuant to the New York State Public

Authorities Law. The remaining Committees were established pursuant to the Authority's by-laws.

In reviewing the roles and responsibilities associated with each of the Committees, the Chair of the Governance Committee, with the assistance of staff, has determined that certain Committee responsibilities overlap between the Committees. As such, for efficiency, the Chair proposes to combine the Oversight and REV Committees into one Committee named the "Oversight and REV Committee." Likewise, the Chair proposes to combine the Governance and P&C Committees into one Committee named the "Governance, Planning and Personnel Committee." These proposed changes were discussed with the Trustees at the Governance Committee meeting on September 27, 2018. In order to effectuate these changes, the Board must adopt revised Committee Charters, as set forth in Exhibits "B" and "C", respectively, and to amend the Authority's by-laws consistent with those changes, as set forth in Exhibit "D".

No change is proposed to the charter of the F&A Committee.

Recommendation

Based upon the foregoing, I recommend approval of the above requested action by adoption of the Resolution in the form attached hereto.

1433. RESOLUTION APPROVING AMENDMENTS TO THE AUTHORITY'S BY-LAWS AND COMMITTEE CHARTERS TO COMBINE THE OVERSIGHT AND REFORMING THE ENERGY VISION COMMITTEES, AND THE PERSONNEL AND COMPENSATION AND GOVERNANCE COMMITTEES

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the amendments to the Committee Charters and Authority by-laws, in the form attached hereto, are hereby approved.

1434. RESOLUTION APPROVING THE ELECTION OF TRUSTEE MARK FISCHL AS VICE CHAIR TO THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

WHEREAS, the by-laws of the Long Island Power Authority (the "Authority") provide for, among other matters, the election and appointment of officers of the Authority, including a Vice Chair to the Board of Trustees (the "Board"); and

WHEREAS, pursuant to the Authority's By-Laws, the Vice Chair "shall possess such powers and shall perform such duties as may be assigned to him from time to time by the Trustees"; and

WHEREAS, a Vice Chair is further empowered to be Acting Chairman in the absence, disability or incapacity of the Chairman, and shall assume the powers and perform all duties of the Chair if the Chair is unable to perform such duties for any reason; and

WHEREAS, Trustee McAteer was elected as Vice Chair of the Board in February 2014 and has announced his intention to retire from the Board when a replacement Trustee is appointed; and

WHEREAS, while Trustee McAteer still continues to serve on the Board, the Trustees have determined that it is advisable at this time to elect a Vice Chair to replace Trustee McAteer pursuant to the By-Laws.

NOW THEREFORE, BE IT RESOLVED, that Trustee Mark Fischl be, and hereby is, elected to the office of Vice Chair of the Board of Trustees, effective as of October 24, 2018, until the earlier of his resignation or removal; and be it further

BE IT FURTHER RESOLVED, that the incumbent of the Office of the Vice Chair 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.

Requested Action

The Board of Trustees of the Long Island Power Authority (the "Board") is requested to adopt a resolution: (i) finding that the Long Island Power Authority and its subsidiary, LIPA (collectively the "Authority" or "LIPA") has complied with the Board Policy on Staffing and Employment (the "Policy"); (ii) approving the annual report for the Policy, and (iii) approving certain amendments to the Policy, which resolution is attached hereto as Exhibit "A".

Background - Board Policy on Staffing and Employment

By Resolution No. 1338, dated January 25, 2017, the Board adopted the Policy with the purpose of fostering a work environment that attracts and retains the experienced professionals of diverse talents and backgrounds and promotes an ethical and productive organization.

Compliance with the Policy

Staff recommends that, for the reasons set forth below, the Board find that the Authority has complied with the objectives of the Policy for the period since the last annual report.

The Policy requires the Board of Trustees: 1. Appoint and, when necessary, discharge the Chief Executive Officer; 2. Evaluate the performance of and determine the compensation of the

Chief Executive Officer; and 3. With the advice of the Chief Executive Officer, appoint the other Board-appointed Officers specified in the Authority's By-laws.

- The Board appointed Thomas Falcone as Chief Executive Officer in March 2016;
- The Board completed the annual performance evaluation of the Chief Executive Officer for 2017 by comparing the Authority's performance to the policies established by the Board and additionally to any annual individual performance goals established by the Trustees and communicated to the Chief Executive Officer in advance, in writing or transcript; and
- The Board appointed Anna Chacko as General Counsel in July 2018.

Furthermore, the Policy "authorizes and directs the Chief Executive Officer to":

"Manage the organization and staffing of the Authority, including hiring and terminating staff as necessary to enable the Authority to achieve its mission and values."

- The Chief Executive Officer has hired the staff necessary for the Authority to execute its goals and mission and consistent with the staffing plan reported to the Board in March 2018.

The Policy directs the Chief Executive Officer to "develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy, meet or exceed relevant laws and regulations, and ensure an ethical, safe, and discrimination/harassment free work environment, including: (a) An Employee Handbook that provides guidance to employees regarding their rights, benefits, and responsibilities and that addresses: (i) diversity and equal employment opportunity; (ii) the Americans with Disabilities Act and reasonable accommodations; (iii) intolerance for workplace bullying and harassment; (iv) domestic violence and prevention of violence in the workplace; (v) timekeeping practices; (vi) vacation, sick and other leave time benefits; (vii) leaves of absence, including family and medical leave; (viii) internal transfers and promotions; and (ix) reasonable travel and expense reimbursement. (b) An Employee Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee."

- The Employee Handbook (the "Handbook") was reviewed and revised in 2018 and includes all the policies listed above, comports with all applicable law, and incorporates human resources best practices and policies.
- The Handbook is a dynamic document and is updated as necessary and appropriate to reflect changes in state or federal law, enhancements in LIPA's processes or practices, or to incorporate best practices.
- An Employee Code of Ethic and Conduct is maintained, provided to all new employees, and is posted on the LIPA Intranet for easy access and reference for all employees. Upon hire, new employees are required to acknowledge receipt of the

Employee Code of Ethics and Conduct and to certify their compliance. All employees are required to certify their compliance with the Code of Ethics and Conduct each year.

The Policy directs the Chief Executive Officer to “establish and administer compensation practices and benefits for the Authority’s officers and employees that are sufficient but not excessive to attract and retain a qualified, experienced workforce; are appropriate based on an individual’s knowledge, skill, and contribution; motivate and reward individual accountability and performance; and encourage organizational flexibility and responsiveness to the Authority’s mission and values. Such practices are informed by: (a) compensation and benefits of employees with similar skills at utilities of similar size and complexity; (b) an appropriate balance of compensation practices among public and private organizations; (c) industry and regional cost-of-living trends; and (d) individual employee performance and contribution.”

- **A new Performance Evaluation program was introduced in early 2018 for 2017 performance reviews. This new evaluation tool established individualized evaluations based on an employee’s essential job functions, the competencies and behaviors related to their role and their performance against established goals.**
- **A annual salary benchmarking analysis was completed for all LIPA positions using industry data with appropriate adjustments for differences in regional cost-of -living.**
- **Salaries are based on the salary benchmarking analysis and reflect individual performance.**

The Policy directs the Chief Executive Officer to “establish and communicate an administrative procedure that allows employees to appeal in writing to the Director of Human Resources any compensation decision resulting from a performance evaluation.”

- **A Performance Evaluation Appeal Policy and Process is included in the Handbook.**

The Policy directs the Chief Executive Office to “refrain from establishing or implying employment obligations to individuals of longer than one year or providing compensation to the Authority’s officers or employees that exceeds the level of the Chief Executive Officer without Board approval.”

- **All LIPA employees are at-will employees and no LIPA employee’s compensation exceeds that of the Chief Executive Officer.**

The Policy directs the Chief Executive Officer to “establish policies and programs that support and encourage the personal and professional development of Authority staff, including: (a) programs for continuing education, tuition reimbursement, and professional development; (b) management and leadership training; and (c) utility and public power learning opportunities.

- The Handbook contains the following policies that support and encourage professional development and utility and public power learning opportunities: (i) Employee Training and Development; (ii) Group Training and Webinars; (iii) Industry Conferences, Webinars and Training Materials; (iv) Reimbursement of Professional/Technical Certifications and Licenses; (v) Payment/Reimbursement of Professional Memberships; (vi) Educational Assistance; (vii) Graduate School Sponsorship Program; and (viii) Personal Development Program
- A robust training and development program was designed for 2018 and 2019 to provide employees with in-house management training seminars and programs, including such topics as Management Essentials, The Art of Giving Feedback, Managing Unconscious Bias, Engaging Your Employees For Success, Diversity and Inclusion, Reinforcing a Culture of Respect, Ethics and Values in the Workplace, and others.

The Policy directs the Chief Executive Officer to “report annually to the Board of Trustees on the staffing of the Authority pursuant to the requirement of the LIPA Reform Act that staffing be kept at the minimum level necessary to ensure that the Authority is able to meet its obligations with respect to its bonds and notes and all applicable statutes and contracts and oversee the activities of the Authority’s service provider.”

- The Annual Overview of LIPA Staffing Levels was provided to the Personnel and Compensation Committee in March 2018. Staff reported that LIPA’s staffing levels were appropriate to meet our obligations and execute the Authority’s mission.

Proposed Changes to the Board Policy

The Board Policy has been revised as follows:

- The Policy now incorporates the staffing, development, retention and succession of the Authority’s staff, combining the Board Policy on Staffing and Employment with the Board Policy on Development, Retention and Succession, as set forth on Exhibit “B”.
- A revised Board policy titled “Governance and Agenda Planning” has been prepared for the Board’s consideration and approval and includes objectives regarding the skills, development and retention of Trustees.

Recommendation

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

1435. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE STAFFING AND EMPLOYMENT POLICY

WHEREAS, the Staffing and Employment Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1338, dated January 25, 2017; and

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 adoption of the Policy, approves the annual report to the Board, and approves the updates to the Policy.

Requested Action

The Board of Trustees of the Long Island Power Authority (the “Board”) is requested to adopt a resolution: (i) finding that the Long Island Power Authority and its subsidiary, LIPA (collectively the “Authority” or “LIPA”) has complied with the Board Policy on Development, Retention and Succession (the “Policy”); (ii) approving the annual report for the Policy; and (iii) approving merging the Policy into other policies of the Board.

Background - Board Policy on Development, Retention and Succession

By Resolution No. 1321, dated September 21, 2016, the Board adopted the Development, Retention and Succession Policy, focusing on enhancing the value, industry expertise, and reputation of Authority staff through a robust and effective program regarding development, retention and succession planning that reflects a long-term perspective and promotes the longevity of the organization. The Governance Committee of the Board, in its charter, is delegated the responsibility of reviewing the Authority’s practices relating to overseeing the CEO’s administration of the Authority’s compensation and benefit plans and personnel policies and programs including those related to the attraction, retention, development, and separation from employment of employees.

Compliance with the Policy

Staff recommends that, for the reasons set forth below, the Board find that the Authority has complied with the objectives of the Policy for the period since the last annual report.

The Policy states that the Authority shall “Establish and maintain skill profiles for Authority executives that highlight the talents and experience desired for each position.”

- **A comprehensive review of job descriptions was completed to ensure that the essential job functions for each position at the Authority was appropriately defined and the**

skills, experience and competencies required to perform each function was also identified.

- All job descriptions are subject to a multi-level review process annually with the essential job functions, and the competencies, skills and experience required updated as necessary. Consideration of additional competencies tailored specifically to critical roles is in process and is part of LIPA's continuing succession planning process.

The Policy states that the Authority shall "Promote the retention of executives and staff as a critical success factor that ensures sound long-term decision making and continuity in the implementation of the Authority's goals."

- Best practice retention strategies were identified by conducting research and surveying the retention practices of other public power utilities. Many of the strategies identified were implemented or improved at the Authority, including:
 - Designing an enhanced On-Boarding process to facilitate the transition of new hires onto the LIPA staff and enhance their success;
 - Setting clear goals that link to the Authority's mission and Board policies;
 - Providing a variety of management development opportunities;
 - Fostering a culture of providing regular performance and management feedback;
 - Communicating more frequently and effectively across the organization;
 - Recognizing employee contributions;
 - Benchmarking compensation to be competitive within our market and linking salary adjustments to performance; and
 - Measuring employee engagement by conducting an annual employee survey and responding to survey results.
- LIPA's employment policies were reviewed to ensure they support a collaborative, productive and satisfying workplace culture. This included researching the policies and handbooks of other public power companies, conducting a review of new or updated federal and state law, and revising policies as necessary to reflect LIPA's practices and to be responsive to employee feedback and suggestions as appropriate.

The Policy states that the Authority shall "Recognize diversity of talent, interests, background and experience as a key attribute to a healthy organization."

- **LIPA’s Employee Handbook was revised during 2018 and includes policies that support and encourage diversity, including: (i) the ongoing development of a work environment built on the premise of gender and diversity equality that encourages and enforces respectful communication and cooperation between all employees; (ii) teamwork and employee participation; (iii) permitting the representation of all groups and employee perspectives; and (iv) work/life balance through flexible work schedules to accommodate employees’ varying needs.**
- **The creation of Team Initiatives. Teams include the Hiring Team, Employee Engagement Team, the Guest Auditor Program, and the Oversight Documentation Team. These Teams have increased interactions between employees from different departments across the Authority and provided new perspectives and fresh approaches to way individuals think and collaborate.**

The Policy states that the Authority shall “Develop a succession plan to address the inevitable turnover of executives and staff with the least interruption to the ongoing operations of the Authority.”

- **The Authority’s By-Laws provide an emergency succession plan for the Chief Executive Officer.**
- **The Authority identified critical roles, in addition to the Chief Executive Officer, for succession and continuity and defined the competencies and motivational profiles required to undertake those roles.**
- **The Authority implemented a new, structured behavioral interview process and established a Hiring Team specially trained for interviewing to ensure candidates are hired consistent with the competencies and motivational profiles defined for each role.**
- **The Authority completed comprehensive behavioral/leadership assessments and 360-degree evaluations for all Officers, Directors and Managers. Individualized Performance Enhancement Plans were prepared based on these assessments to further develop staff in their current roles and to prepare for potential future roles at the Authority.**
- **An Executive Coaching pilot program was introduced to further support the growth and development of management staff.**
- **Staff prepared a list of employees eligible for retirement within the next five years identifying certain “at-risk” positions.**
- **A final review of competencies and skills and a gap analysis will be completed by year-end, and a succession map prepared as an additional planning tool.**

Lastly, the Policy provides that the Authority will develop and make available “a package of development opportunities covering overall Board activities, Authority operations and

responsibilities, and information specific to individual Committees and functions, including (a) On-board materials; (b) Issues awareness; (c) Core skills continuing education; (d) Ongoing development tools; (e) Management and leadership skills development for management track employees.

- As discussed above and also in the Annual Report to the Board on the Staffing and Employment, each of the above programs and opportunities are available to all employees.

Proposed Changes to the Board Policy

Staff proposes the Board eliminate the Board Policy on Development, Retention and Succession with the following separate actions:

- Amend the Board Policy on Staffing and Employment to incorporate development, retention and succession of the Authority's staff.
- Amend the Board Policy on Annual Agenda Planning to a revised Board Policy titled "Governance and Agenda Planning," which includes objectives regarding the skills, development and retention of Trustees.

These policy amendments are separately under consideration by the Board.

2018 Work Plan

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

- **Goal # 70:** Implement development plans for LIPA staff.
- **Goal # 71:** Evaluate LIPA's retention strategies compared to other public power companies.
- **Goal #72:** Formalize process for succession planning to implement industry best practices.

These goals are scheduled to be completed by year end.

Recommendation

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

1436. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE DEVELOPMENT, RETENTION AND SUCCESSION POLICY

WHEREAS, the Development, Retention and Succession Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1321, dated September 21, 2016; and

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 the Policy will be replaced by incorporating its requirements in other policies of the Board;

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 adoption of the Policy, approves the annual report to the Board, and approves the elimination of the Policy.

Chairman Suozzi stated that the next item on the agenda was, as part of the Board Development Workshop series, a presentation of the Long Island Electric Vehicle Study by Mark Warner, Vice President of Gabel Associates.

Mr. Warner presented the Long Island Electric Vehicle Study and took questions from the Trustees.

Chairman Suozzi stated that the next item on the agenda was, as part of the Board Development Workshop series, a presentation of the Future of the Internal Combustion Engine by Dr. Benjamin Lawler, Assistant Professor, Stony Brook University.

Dr. Lawler presented the Future of the Internal Combustion Engine and took questions from the Trustees.

Chairman Suozzi stated that the next item on the agenda was Approval of a Board Policy on the Values of Responsiveness and Integrity, to be presented by Jason Horowitz, Assistant General Counsel.

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

Requested Action

The Board of Trustees (the “Board”) is requested to adopt a resolution (attached as Exhibit “A”) approving the proposed Board Policy on the Values of Responsiveness and Integrity (the “Policy”, attached as Exhibit “B”) for the Long Island Power Authority and its subsidiary, LIPA (collectively “LIPA” or the “Authority”).

Discussion

In September 2016, the Board adopted the Mission Statement of the Authority, which provides that “LIPA is a not-for-profit public utility with a mission to enable clean, reliable, and affordable electric service for our customers on Long Island and the Rockaways.” The Mission Statement further defines Values for LIPA of:

- **responsiveness: being attentive to the needs and expectations of our community;**
- **excellence: continually innovating and improving upon our performance;**
- **integrity: conducting our affairs in an ethical and transparent manner;**
- **stewardship: ensuring our assets are utilized efficiently and in accordance with sound fiscal and operating practices;**
- **sustainability: minimizing our impact on our natural environment; and**
- **teamwork: respecting diverse view points and attracting and retaining talented employees.**

In accordance with the Mission Statement and Values, the recommended Policy seeks to define the roles of the Board and Staff in encouraging the Values of Responsiveness and Integrity. The Policy establishes the expectations of the Board as it relates to, among other matters, transparency, stakeholder participation, ethics and compliance with applicable law.

Recommendation

Based upon the foregoing, I recommend approval of the above requested action by adoption of the Resolution in the form attached hereto.

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 approved by the Trustees¹.

**1437. RESOLUTION APPROVING THE BOARD POLICY ON THE
VALUES OF RESPONSIVENESS AND INTEGRITY**

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the proposed Policy on the Values of Responsiveness and Integrity, in the form attached hereto, is hereby approved.

Chairman Suozzi stated that the next item on the agenda was the Implementation of Recommendations from the 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 the implementation of the plans to address the 49 recommendations of the Department of Public Service (“DPS”) Management and Operations Audit of LIPA and PSEG Long Island Final Report, dated June 29, 2018, consistent with the LIPA Reform Act of 2013 (the “Reform Act”) and the Board’s Policy on Audit Relationships.

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 report containing 49 individual recommendations in 14 areas of management, oversight and operations.

¹ Trustee Fischl was not present for this vote.

The Reform Act further provides that “Unless the board of the authority makes a preliminary determination that any particular finding or recommendation contained in such audit is inconsistent with the authority's sound fiscal operating practices, any existing contractual or operating obligation, or the provision for safe and adequate service, the board shall implement or cause its service provider to implement such findings and recommendations in accordance with the timeframe specified under such audit.” The Board at its July 2018 meeting directed LIPA and PSEG Long Island to commence development of an implementation plan for the 49 recommendations and made no such finding of inconsistency.

Discussion

Authority staff and PSEG Long Island worked together to produce plans to implement each of the 49 individual audit recommendations, attached hereto as Exhibit “B”. Each project plan articulates specific project objectives, identifies personnel responsible for the implementation, sets forth milestones for completion, and includes cost-benefit and risk analyses, where applicable.

LIPA and PSEG Long Island continue to collaborate with DPS staff to evaluate each implementation plan, incorporate lessons-learned and future input from DPS, and modify plans as necessary. The implementation plans may also be modified as a result of additional information obtained during their execution. Any modifications will be reported to the Board of Trustees and DPS as they arise. Staff will provide a copy of the initial implementation plan to DPS.

Supplemental progress reports will be 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 resolution in the form attached as Exhibit “A”.

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.

1438. RESOLUTION IMPLEMENTING THE RECOMMENDATIONS IN THE DPS MANAGEMENT AND OPERATIONS AUDIT OF LIPA AND PSEG LONG ISLAND FINAL REPORT, MATTER NO. 16-01248

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board of Trustees hereby implements the plan for each recommendation in the

Management and Operations Audit of LIPA and PSEG Long Island Final Report, dated June 29, 2018.

Chairman Suozzi stated that the next item on the agenda was Approval of the Annual Report and Amendments to the Policy on Board Governance and Agenda Planning, to be presented by Bobbi O'Connor.

After requesting a motion on the matter, which was seconded, Ms. O'Connor 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: (i) finding that the Long Island Power Authority and its subsidiary, LIPA (collectively the “Authority” or “LIPA”) have complied with the Policy on Board Governance and Agenda Planning the “Governance Policy” or the “Policy”) for the period since the last annual review of the Policy; (ii) approving the annual report for the Policy; and (iii) approving certain amendments to the Policy, which resolution is attached hereto as Exhibit “A”.

Background

By Resolution No. 1323, dated September 21, 2016, the Board adopted the Policy. The Policy provides that “The members of the Board of Trustees of the Long Island Power Authority are fiduciaries who are collectively entrusted with responsibility for the Authority, including ensuring the Authority achieves its mission and values for the benefit of its customer-owners.” The Board conducts an annual review of the Policy and 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 Board Governance and Agenda Planning Policy

Staff recommends, for the reasons set forth below, that the Board find that LIPA has been in compliance with the objectives of the Policy for the period since the last annual review.

The Policy provides that “the Board will cultivate a sense of group responsibility. The Board is responsible for excellence in governing and will use the expertise of individual members to enhance the understanding of the Board as a body, without allowing the expertise of individual members or staff to substitute for the judgment of the Board as a whole.”

- Trustees are assigned by the Chairman to Board Committees based, in part, on their individual experiences outside the Authority.
- Trustees have adopted a Board Policy process to provide clear direction to staff from the Board, acting as a whole, rather than from Trustees acting as individual members.
- The Trustees have annually conducted a survey and review of their collective performance, and have instituted improvements to the Board's governance, such as the Board Policy process, changes to Committee charters, the addition of developmental topics to the Board's agenda, and better use of the Board's time through judicious use of a Consent Agenda for consensus and ministerial items.

The Policy provides that “the Board will direct and control the Authority through the careful establishment of broad written policies reflecting the Board's values and perspectives for the benefit of the Authority's customer-owners. The Board's major policy focus will be on the intended longterm impacts, not on the administrative means of attaining those impacts, which are the role of the chief executive and service provider.”

- The Board has over the course of three years adopted approximately twenty policies that focus on the intended long-term impacts, rather than the administrative means of achieving those impacts. New policies are developed, and existing policies are revised at the direction of the Board to address the Authority's long-term plans and values or adapt to changing circumstances in the industry or within the Authority's operations.

The Policy provides that “the Board will monitor the Board's process, performance and activities in comparison to its governance objectives.”

- The Board policies are reviewed by the Board or appropriate Committee annually for compliance purposes. The annual reports include information relating to performance and activities in furtherance of the Board's governance objectives. In addition, the Governance Committee conducts an annual review of the overall effectiveness of the Board.

The Policy provides that “the Board will pursue continual board education and development, including orientation of new members in the Board's fiduciary duties, governance process, and periodic discussion of governance process improvement.”

- LIPA staff yearly provides the Board with training opportunities, including those requested by the Trustees, in a variety of different areas including governance, utility operations and trends, electric rates and finance.

The Policy provides that “the Board will systematically monitor the performance of the Chief Executive Officer and service provider relative to the policies of the Board relating to its mission and values and any limitations established by Board policy. To do so, the Board will

adopt a schedule developed as part of the annual Board agenda planning process discussed below.”

- **Annually the Personnel and Compensation Committee¹ reviews the performance of the Chief Executive Officer relative to the policies of the Board.**
- **Annually Staff will provide the Board with the proposed agenda for all Board meetings in any given calendar year. Likewise, the Secretary to the Board will provide periodic reports relating to compliance with each policy, as appropriate.**
- **The Authority’s Service Provider, typically at each Board meeting, provides the Trustees with information relating to the Service Provider’s performance under the Amended and Restated Operations Services Agreement. Similar, for those Board policies relating to the Authority’s mission, the Service Provider and Authority staff report annually to the Board on its progress relative to that stated policy.**

2018 Work Plan

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

- **Goal # 81: Compare the Board’s policies and reports to those of peer utilities**

It is anticipated that this goal will be completed by year end.

Proposed Changes to the Board Policy

The proposed changes to the Policy, as shown in Exhibit “B”, include the following:

- **The Policy now includes a section relating to the competencies and professional attributes for LIPA Trustees;**
- **The Policy also now includes a section relating to the expectations of individual Trustees; and**
- **Certain other non-material clarifications and formatting changes.**

Recommendation

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

¹ Now known as the Governance, Planning and Personnel Committee

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.

1439. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD GOVERNANCE AND AGENDA PLANNING POLICY

WHEREAS, the Board Governance and Agenda Planning Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1323, dated September 21, 2016; and

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 adoption of the Policy, approves the annual report to the Board, and approves updates to the Policy, as recommended herein.

Chairman Suozzi stated that the last item on the agenda was Approval of the Extension of the Edgewood Power Purchase Agreement, to be presented by Rick Shansky.

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

Requested Action

The Trustees are requested to approve and adopt a resolution authorizing the Chief Executive Officer or his designee to execute Amendment No. 3 to the Power Purchase Agreement (“PPA”) between the Long Island Lighting Company d/b/a LIPA (“LIPA”) and Edgewood Energy LLC, to extend the term of the PPA on more favorable terms for the purchase of capacity, energy and ancillary services from the Edgewood electric generating facility located in Brentwood, New York as summarized below.

Background

The Edgewood facility was constructed in 2002 by a subsidiary of PPL, pursuant to a PPA with LIPA that was subsequently extended to 2018. In 2009 Edgewood was purchased by J-Power USA. Edgewood consists of two (2) gas-fired simple cycle LM-6000 gas turbines with a total capacity of 90 megawatts, that is used to meet peak loads and to support local reliability in the Western Suffolk part of the LIPA system. The Edgewood PPA is set to expire on October 31, 2018.

Discussion

In March 2018, J-Power declared its intention to retire Edgewood should the PPA expire. Pursuant to procedures established by the New York Independent System Operator (“NYISO”) and the New York Public Service Commission (“PSC”), NYISO and PSEG Long Island studied the potential retirement of Edgewood and determined that its deactivation would result in reliability problems on Long Island. Accordingly, NYISO sought proposals from market participants and from PSEG Long Island for potential solutions, such as new generation or a reinforcement to the local transmission system. Under NYISO and PSC rules, generators that are needed to maintain reliability, such as Edgewood, must remain in service until a solution can be put in place. PSEG Long Island determined that the necessary transmission reinforcement could not be completed until 2021. Should the PPA not be extended, Edgewood would continue to operate until at least 2021 and be paid a rate determined by NYISO, subject to approval of the Federal Energy Regulatory Commission.

J-Power and PSEG Long Island have agreed on the terms of a 5-year PPA extension that would be more beneficial to LIPA, as it would assure Edgewood’s continued operation while PSEG Long Island determines the need for peaking units to support the integration of offshore wind and other renewable generation on the LIPA system. The terms include more favorable pricing than the PPA currently provides, with Edgewood taking over the responsibility for paying property taxes. Otherwise, the terms and conditions of the PPA would continue without material modification.

The total cost of the term extension is estimated to be approximately \$48 million.

The need for Edgewood and the economics of any further extension will be examined prior to the end of the 5-year additional term.

Recommendation

Based on the foregoing, I recommend that the Trustees authorize the Chief Executive Officer or his designee to execute Amendment No. 3 of the Edgewood Energy PPA and all other related agreements required.

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.

1440. AUTHORIZATION TO ENTER INTO AMENDMENT 3 TO THE POWER PURCHASE AGREEMENT WITH WITH EDGEWOOD ENERGY LLC

WHEREAS, the Long Island Lighting Company d/b/a LIPA (“LIPA”) and Edgewood Energy LLC are parties to the Contract for the Sale and Purchase of Capacity, Energy and Ancillary Services dated as of December 28, 2001, as amended by the letter agreement dated November 19, 2005 (Amendment No.1), as further amended by the Amended & Restated Amendment # 1 August 29, 2008 (A & R Amendment No.1), as further amended by the letter agreement dated November 13, 2009 (Amendment No.2) (as amended, the “PPA”); and

WHEREAS, the PPA will expire on October 31, 2018; and

WHEREAS, Edgewood Energy has agreed to extend the term of the PPA to October 31, 2023 on more favorable terms (“Amendment No. 3”);

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees (the “Board”) authorizes the Chief Executive Officer or his designee(s) to execute Amendment No. 3 to the PPA 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.

Chairman Suozzi then allowed public comment to be heard, and then announced that the next Board meeting is scheduled for Wednesday, November 14, 2018 at 11:00 a.m. in Uniondale.

Chairman Suozzi 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:

1441. 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 security matters.

At approximately 1:29 p.m. the Open Session of the Board of Trustees was adjourned on a motion to enter into Executive Session.
