

LONG ISLAND POWER AUTHORITY

MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING

HELD ON DECEMBER 19, 2018

The Finance and Audit Committee of the Long Island Power Authority (the "Authority") was convened at 9:07 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on December 14, 2018 and electronic notice posted on the Authority's website annually.

The following Trustees of the Authority were present:

**Shelly L. Cohen, Committee Chair
Elkan Abramowitz, Committee Member
Mark Fischl, Committee Member
Drew Biondo
Peter Gollon**

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 Secretary to the Board of Trustees; Donna Mongiardo, Vice President and Controller; Kathleen Mitterway, Vice President of Audit; and Justin Bell, Director of Rates and Regulation.

Representing PSEG LI were David Lyons, Vice President of Construction and Operation and Markus Ramlall, Director of Finance.

Chair Cohen welcomed everyone to the Finance and Audit Committee meeting of the Long Island Power Authority Board of Trustees.

Chair Cohen stated that the first item on the agenda is the adoption of the minutes from the September 27, 2018 Committee meeting.

Upon motion duly made and seconded, the minutes of the September 27, 2018 meeting were approved unanimously.

Chair Cohen stated that next item on the agenda is the Overview of Financial Results.

Ms. Mongiardo presented the Overview of Financial Results, and Mr. Lyons and Mr. Ramlall of PSEG LI reported on the PSEG LI Operating Results and then took questions from the Trustees.

Chair Cohen stated that next item on the agenda is the Overview of the Quarterly Financials Ended September 30th to be presented by Donna Mongiardo.

Ms. Mongiardo presented the Overview of the Quarterly Financial ended September 30th and took questions from the Trustees.

Chair Cohen stated that the next item on the agenda is Recommendation for Approval of the 2019 Budget to be presented by Kenneth Kane.

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

Requested Action

The Finance and Audit Committee (the “Committee”) of the Board of Trustees is requested to adopt a Resolution recommending (i) approval of the proposed 2019 Operating and Capital Budgets (the “Budget”) which sets forth the revenue, grant, other income, and expenditure forecasts for the year ending December 31, 2019, and (ii) amending the 2018 Operating and Capital Budgets, as described below and specified in Exhibit “A”.

Background on 2019 Operating and Capital Budgets

The proposed 2019 Budget totals \$4.468 billion, including an Operating Budget of \$3.599 billion and a Capital Budget of \$869 million. The proposed 2019 Operating Budget funds delivery and power supply costs, taxes and debt service. The Capital Budget funds long-life infrastructure investments such as transmission, substations, poles and wires. In addition, the Operating and Capital Budgets fund investments in various information technology projects, services and commodities needed to support system operations.

The proposed 2019 Budget is consistent with the financial policy adopted by the Board of Trustees in December 2015 to reduce the Authority’s borrowing and interest cost and raise the Authority’s credit ratings over five years. That policy established a fixed obligation coverage target of 1.45x for LIPA fixed obligation payments for 2019. Staff projects that the 2019 Budget will achieve a coverage ratio of 1.45x in 2019.

In addition, the Budget meets the Board's financial policy for borrowing, with new debt funding less than 64% of capital spending. For 2019, staff projects LIPA will fund 62% of the \$869 million Capital Budget from debt issues, inclusive of FEMA projects, achieving the Board's fiscal goal.

Excluding the \$138.2 million of FEMA financed projects, staff forecasts 73% would be financed with debt. The 2019 Capital Budget includes a deferral of certain specified 2018 capital projects totaling \$56.1 million into 2019.

The monthly electric bill for the average residential customer is projected to be \$154.94 in 2019, which is \$3.67 per month or 2% below the 2018 budgeted level. The primary drivers of the decrease are lower Power Supply Costs and credits resulting from the Revenue Decoupling Mechanism.

These decreases offset increases in infrastructure investments, storm restoration costs, and energy efficiency investments, as described in greater detail in the Budget.

Changes from the Proposed Budget

The 2019 Budget presented herein reflects minor adjustments to the Proposed Budget presented to the Trustees on November 14, 2018. Adjustments include (1) an update to capitalized lease costs that was offset by other adjustments, resulting in no change to total Delivery Revenue Requirements; and (2) an update to the Distributed Energy Resources rider ("DER") totaling \$420,000 for Direct Current Fast Charging ("DCFC") incentives for electric vehicles, consistent with the Consensus Proposal filed in the New York Department of Public Service's electric vehicle proceeding subsequent to the submission of LIPA's Proposed Budget.¹ The objective of the DCFC incentives is to spur investment in DCFC stations by mitigating the impact of demand charges on station owners during the next several years of low expected station utilization.

Power Supply Charge and Allocation of Intra-Year Power Supply Capacity Costs

In December 2015, the Trustees approved a regulatory asset to allow for a greater share of the recovery of certain fixed generation capacity costs in the Power Supply Charge ("PSC") from customers during the summer months consistent with when the generation capacity is needed rather than recovering these fixed costs equally through the year. Staff believes this accurately reflects cost causation in electric rates. The December 2015 approval by the Trustees specified that the schedule of deferrals and amortization of such costs in future years would be presented in future budgets.

There is no net impact on an annual basis from the reallocation of these costs within the year, with allocations by month from plus \$30 million to minus \$28.5 million, as shown in the table below.

¹ Case No. 18-00561, Proceeding on Motion of the Commission Regarding Electric Vehicle Supply Equipment and Infrastructure (consensus proposal filed November 21, 2018). In its recommendation on PSEG Long Island's 2018 Utility 2.0 Plan, the Department of Public Service recommended adoption of DCFC incentives consistent with this proceeding.

	Reallocation of the Proposed Fixed Capacity Costs in the Power Supply Charge
January	(\$28,500,000)
February	(\$28,500,000)
March	(\$11,000,000)
April	(\$9,000,000)
May	(\$4,000,000)
June	\$11,000,000
July	\$30,000,000
August	\$30,000,000
September	\$22,000,000
October	(\$1,000,000)
November	(\$4,500,000)
December	(\$6,500,000)
Annual	\$0 Million

The annual PSC is projected to decrease from \$1.877 billion in 2018 to \$1.793 billion in 2019 for a savings of \$84 million. The primary drivers of the decline include lower projected energy sales, lower commodity prices, reduced gas transportation costs, and reduced generation capacity payments. In addition to the cost of fuels consumed in generation and purchased power, the Authority's share of costs charged by the regional energy markets, payments to energy service companies, Zero Emission Credits associated with the adoption by the NYS Public Service Commission of the Clean Energy Standard, as well as other agreements, hedging, and renewable energy costs are included in the PSC.

LIPA staff also seeks authorization to implement a recommendation made by PSEG Long Island to book regulatory assets for "Unusual Events" that would cause volatility (at the level described in the following paragraph) in the PSC. An Unusual Event is defined to mean an unexpected or unpredictable occurrence outside the control of the utility which results in a significant increase or decrease in power supply cost as compared to the projected level of power supply costs used to establish the PSC in a month. Unusual Events include, among others: sustained abnormal extremes in weather (e.g. a polar vortex); a major disruption in fuel supply; or the extended forced outage of a major electric facility (e.g., a transmission cable or power plant); and a change in law, regulation, or standard contract provision.

As proposed, a regulatory asset may be needed if, as a result of the occurrence of an Unusual Event, any month's Deferred Fuel Balance and/or current month's projected fuel costs rise to a level that would result in a change of more than 0.50 C/kWh in the immediately succeeding month's PSC as compared to the current month's PSC. The recovery of that portion of the deferred fuel balance or current month's projected recovery position attributable to the Unusual Event may be amortized so as to limit the month-over-month change in the PSC to no more than 0.50 C/kWh. In no event however shall the amortization period exceed four months.

Operating Expense

Total operating expenses are projected to increase from \$719.8 million in 2018 to \$765.2 million in 2019 for an increase of \$45.4 million. Operating Expenses include PSEG Long Island Operating Expenses, PSEG Long Island Managed Expenses and LIPA Operating Expenses.

PSEG Long Island Operating Expenses include: T&D, Customer Service, Power Markets, Renewable Energy programs and costs associated with the annual Utility 2.0 Plan. PSEG Long Island Operating Expenses must remain within 102% of amounts budgeted for PSEG Long Island to receive its incentive compensation.

PSEG Long Island Managed Expenses are costs managed by PSEG Long Island, but not measured for incentive compensation as some of these expenses are not within their control. These include storm preparation and restoration, depreciation, uncollectible receivables and PILOTs.

LIPA Operating Expenses include PSEG Long Island's management fee, Authority staff salaries and professional consultant fees.

The increase in expenses is associated with a higher budget for storm related costs, the addition of new and expanded Utility 2.0 programs, including funding associated with Advanced Metering Infrastructure (AMI) meters, and a carryover of \$0.7 million from 2018 to 2019 of funds associated with the 2018 Utility 2.0 Super Saver program.

Accounting Treatment Related to the Resolution of Superstorm Sandy Estimates

Included in the LIPA 2019 Operating Budget is the reduced amortization expense related to the resolution of Superstorm Sandy costs. In 2012, Superstorm Sandy caused costly and extensive damage to LIPA's transmission and distribution system. LIPA recognized the cost of such damage based on best available estimates in accordance with generally accepted accounting principles.

Actual costs, including proper supporting documentation, were substantially delayed due to the inability of LIPA's former service provider to produce bills due to the implementation of a new accounting system.

During 2018, LIPA paid its final invoice related to these delayed billings. The initial estimates were higher than actual costs. Rather than lower the amount recognized by LIPA six years ago and distort current results, the Authority is afforded regulatory accounting treatment under GASB No. 62 and is, therefore, recommending netting this one-time adjustment of \$42 million against an existing regulatory asset consistent with actions approved by the Board in the past. This action will reduce the existing regulatory asset amortization by approximately \$6.0 million annually.

As LIPA follows the Public Power Model, this transaction does not impact the Authority's expenditures or the level of electric rates but does provide a less complex and more informative view of LIPA's net position and going forward financial condition to stakeholders, rating agencies, and investors. This accounting treatment is a preferred treatment for LIPA as its delivery rates are set to produce cash flows sufficient to cover debt

service obligations rather than a traditional rate base/rate of return formulation of revenue requirements.

PILOTs, Taxes and Other Assessments

PILOTs, Taxes and Other Assessments are projected to increase from \$544.8 million in 2018 to \$546.3 million in 2019. PILOTs are both revenue-based and property-based. Property-based PILOTs are on Authority-owned properties and the LIPA Reform Act established a 2% annual cap on increases. In addition, the Authority incurs real property taxes associated with generating assets under contract through the National Grid Power Supply Agreement, among other agreements. The Authority continues to challenge these property taxes which are significantly over-assessed.

Annual Budget and Rate Updates

Under the New York Public Authorities Law as amended by the LIPA Reform Act (P.A.L. § 1020 et seq.), the Authority and PSEG Long Island are required to submit a proposed rate increase to the New York Department of Public Service (the “DPS”) for review if it would increase the rates and charges by an amount that would increase the Authority’s annual revenues by more than 2.5% of the prior year’s total annual revenues. The proposed budget and associated rate adjustments would increase the Authority’s 2019 revenues by less than this threshold.

In March 2015, the Authority adopted a “Revenue Decoupling Mechanism,” which functions by comparing actual revenues with revenues authorized in the approved budget, and crediting (or collecting) any differences due to (or from) customers in the following year. In addition to recovering the variance between the prior year’s budgeted and actual revenues, the RDM also recovers an estimate of such variance for the coming year (the “forward-looking component”). The forward looking component is estimated based on the prior year’s actual variance. This method produces reasonable estimates if the variance between budgeted and actual revenues remains similar from year to year in a multi-year sales forecast, such as the one adopted as part of the Authority’s Three-Year Rate Case for 2016, 2017 and 2018.

The Authority used its most recent forecast of electricity sales to propose rates for 2019 sufficient to achieve the Authority’s revenue requirements. Using an updated sales forecast for 2019 should result in a smaller variance because more recent information is available (producing a more accurate forecast). As a result, the forward-looking component of the RDM is not needed in any year in which an updated sales forecast is used to calculate rates and failure to recognize this could result in greater than necessary RDM revenue collection in the upcoming year. For this reason, Staff recommends that the RDM be modified such that the forward-looking component may be suspended in any year in which an updated sales forecast is used to calculate rates.

2019 Utility 2.0 Plan

The 2019 Proposed Budget includes \$69.7 million in Capital funding and \$16.4 million in Operating funding for Utility 2.0 initiatives. The Utility 2.0 plan is consistent with the DPS recommendation (attached as Exhibit “C”). The Utility 2.0 Program provides for full

deployment of AMI meters, an expanded Super Savers program, a new Behind-the-Meter Storage program, and a new electric vehicle charging station incentive program.

Energy and Nature Center

The proposed Capital Budget includes \$9.0 million for the planning, design and construction of a new Energy and Nature Center at Jones Beach pursuant to a Memorandum of Agreement between LIPA and the New York States Office of Parks and Recreation and Historic Preservation (“Parks”). The Energy and Nature Center (“Center”) at Jones Beach will be a public-private partnership that LIPA and Parks will jointly fund. The partnership will jointly oversee the design, construction and operations of the Center, in addition to engaging in public outreach during all phases of planning, design and construction.

The Energy and Nature Center at Jones Beach will set an example of sustainable and resilient design, and through a variety of hands-on exhibits and programs, visitors to the Center will gain an understanding of Long Island's various ecosystems and learn how to use energy wisely and create a more resilient and sustainable future. The Center will be an interactive facility for visitors of all ages to become stewards of the environment and smart energy consumers with construction to begin later in 2019 and opening late-2020 early 2021.

Information Technology

LIPA's proposed Operating and Capital Budgets include \$8.4 million for Information Technology (“IT”) professional services and commodities that are expected to be procured using contracts negotiated by the New York State Office of the General Services (“NYS-OGS”) and Federal Supply Schedules (General Service Administration or “GSA”).

IT professional services include management support and expert assistance outside the scopes of service for LIPA's current IT consulting services contracts. These services would be billed on a fixed hourly labor rate or at a fixed-cost, at or below the rates negotiated by the NYS-OGS or the GSA, as applicable, on an as-needed basis to support various IT system implementation initiatives as well as operational and oversight functions. Over the next three years, such anticipated professional services include system design and architecture in order to support LIPA IT infrastructure upgrades, a data portability roadmap and Intranet initiatives, system integration and implementation of an IT helpdesk, inventory management, a new enterprise resource planning system (“ERP”), Cloud migration, cybersecurity planning and implementation, IT strategic planning, business process improvement initiatives related to various IT systems implementations, quality assurance of various IT initiatives within LIPA and independent verification and validation of IT system implementations managed by PSEG Long Island. Commodities to be procured include hardware, software licenses, software/cloud subscription, system hosting, telephony, telecom, audiovisual support and services on an as-needed basis in the ordinary course of business and continued maintenance of the existing hardware and software.

Amendment of the 2018 Operating and Capital Budgets

PSEG Long Island's 2018 approved Operating Budget is being reduced by \$0.7 million to account for the carryover of funds related to the Utility 2.0 Super Saver program from 2018 to 2019.

PSEG Long Island is reducing its approved 2018 Capital Budget by \$58.6 million. This reflects the carryover of \$56.1 million in Capital projects from 2018 to 2019, including \$41.8 million in Load Growth projects such as the Ruland Road New 69 KV Circuit and the Canal to Southampton New 69 KV Transmission Circuit. In addition, 2018 Utility 2.0 funding is reduced by \$2.5 million, to reflect a correction to the budget of \$4.8 million and accelerated meter deployment of \$2.3 million.

Public Comment on the 2019 Operating and Capital Budgets

The Authority held two public comment sessions on the 2019 Budget, one in Nassau County and one in Suffolk County, both on November 16, 2018. No public comments were received at the public hearings.

The Authority also accepted written and emailed comments. Three comments were received from individual customers. Two customers had read a November newspaper article on the 2019 Budget and wrote in opposition to any increase in delivery rates. One customer sought further information on the Budget than was provided in the article. The requested information was provided by Authority staff. This customer also expressed opposition to any increase in delivery rates.

The DPS received the Authority's Annual Budget and Rate Update filing and Utility 2.0 filing as described above.

Recommendation

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

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

RECOMMENDING APPROVAL OF THE 2019 OPERATING AND CAPITAL BUDGETS AND AMENDMENT OF THE 2018 BUDGETS

WHEREAS, the Long Island Power Authority ("Authority"), through its wholly owned subsidiary, LIPA, owns the electric transmission and distribution system serving the counties of Nassau and Suffolk and a small portion of the County of Queens known as the Rockaways; and

WHEREAS, the Board of Trustees is required to approve annual budgets for the operations of the Authority and for capital improvements; and

WHEREAS, the proposed budget incorporates Operating and Capital budgets for the operation and maintenance of the transmission and distribution system, customer services, business services and energy efficiency and renewable energy programs which are

predicated on improving storm response and restoration, customer satisfaction, and reliability and storm hardening; and

WHEREAS, under the New York Public Authorities Law as amended by the LIPA Reform Act (P.A.L. § 1020 et seq.), the Authority and PSEG Long Island are required to submit a proposed rate increase to the New York Department of Public Service for review if it would increase the rates and charges by an amount that would increase the Authority's annual revenues by more than 2.5% of the prior year's total annual revenues. The proposed budget and associated rate adjustments would increase the Authority's 2019 revenues by less than this threshold. Therefore, the proposed budget contains Rate updates consistent with the Authority's Mission, Board Policies, and the LIPA Reform Act; and

WHEREAS, the Authority released its proposed 2019 Operating and Capital Budgets on November 14, 2018 and held two public comment sessions on November 16, 2018; and

WHEREAS, the memorandum accompanying this resolution includes a schedule of deferrals and amortizations of certain generation capacity costs within the months of the year to affect the more accurate reflection of cost causation in electric rates within each month of the year; and

WHEREAS, the proposed budget includes \$9 million for the planning, design and construction of a new energy and nature education center at Jones Beach in partnership with the NYS Department of Parks and Recreation, which will require the Chief Executive Officer or his designee(s) to execute the Memorandum of Agreement as described in the accompanying Memorandum; and

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Finance and Audit Committee (the "Committee") of the Board of Trustees hereby recommends approval of the proposed 2019 Operating and Capital Budgets and associated rate and RDM adjustments, which are attached hereto; and

BE IT FURTHER RESOLVED, that the the Committee hereby recommends that the Authority amend its approved 2018 Capital Budget to reduce expenditures by \$58.6 million to defer these expenditures to 2019 and correct the Utility 2.0 funding; and

BE IT FURTHER RESOLVED, that the Committee hereby recommends that that the Authority amends its approved 2018 Operating Budget to reduce by \$0.7 million to defer these expenditures to 2019; and

BE IT FURTHER RESOLVED, that the Committee hereby recommends that that the Authority establish a regulatory asset as described in the accompanying memorandum for Unusual Events that would result in a change of more than 0.50 C/kWh in the immediately succeeding month's PSC as compared to the current month's PSC allowing for recovery over a period not to exceed four months; and

BE IT FURTHER RESOLVED, that the Committee hereby recommends that the Authority transfer accounting impacts due to the resolution of Superstorm Sandy estimates against a regulatory asset and reduce its annual amortization over the remaining life; and

BE IT FURTHER RESOLVED, that the Committee hereby recommends that that the Authority finance the requirements of the 2019 and 2020 Capital Budgets, as adjusted from time to time, through a combination of internally- generated funds and the issuance of tax-exempt or taxable debt of the Authority and authorizes the Officers of the Authority to evidence such intent by appropriate certifications; and

BE IT FURTHER RESOLVED, that the Committee hereby recommends that the Chief Executive Officer and his designees be authorized to carry out all actions deemed necessary or convenient to implement this resolution.

Chair Cohen stated that the next item on the agenda is Recommendation for Approval of the Plan of Finance and 2019 Bond Authorizations to be presented by Kenneth Kane.

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

Requested Action

The Finance and Audit Committee (the “Committee”) of the Board of Trustees is requested to recommend authorization for the issuance of up to \$740,000,000 aggregate principal amount of Electric System Revenue Bonds (the “Authorized Bonds”) for the purposes of (i) funding costs of system improvements and/or reimbursing such costs already incurred, including refinancing of notes or revolving credit agreement borrowings incurred to finance such costs, up to a principal amount of \$540,000,000, (ii) refunding outstanding notes or bonds of the Authority, (iii) funding amounts due for the termination of Financial Contracts entered into in connection with any bonds or notes and (iv) paying fees and expenses in conjunction with each of the foregoing and the issuance of the Authorized Bonds, including reimbursement of fees and expenses expended by the Authority in connection therewith, all as described herein. The Trustees are also being requested to authorize the execution and delivery of one or more interest rate or basis swaps relating to the Authorized Bonds and the termination, assignment or amendment of any swaps if the economic conditions prove favorable.

Plan of Finance

The Authority is considering issuing the Authorized Bonds for the purposes described above.

In addition to funding the cost of system improvements, in an amount no greater than \$540,000,000, as described above, the Authority has approximately \$200 million of commercial paper outstanding. Should appropriate market conditions exist, the Authority is requesting authorization to refund such commercial paper. The commercial paper is a short-term funding mechanism. Refinancing this commercial paper could both reduce risk and cost to the Authority’s customers. The refinancing would not increase the Authority’s debt.

The Authority has determined that it may be appropriate to enter into one or more interest rate or basis swaps (“Financial Contracts”) relating to the Authorized Bonds, should they provide debt service savings or mitigate interest rate risk for the Authorized Bonds as

compared to merely issuing conventional fixed-rate or floating-rate bonds. Authorization to enter into such agreements with an aggregate notional amount of up to \$740,000,000 is requested. The material terms of the agreements relating to any such Financial Contracts are expected to be substantially similar to agreements previously entered into by the Authority and may include interest rate risk, basis risk, settlement risk, termination risk, counterparty risk, and certain continuing covenants. Any such Financial Contracts would need to be approved by the Authority's Executive Risk Management Committee, per the Board's Policy on Interest Rate Exchange Agreements.

Authorized Actions

The Authorized Bonds will be issued as either fixed rate or variable rate bonds or a combination thereof and sold either on a negotiated basis (i) to one or more underwriters for resale to investors or (ii) directly to one or more investors or financial institutions at such price or prices and on such terms and conditions as they shall determine to be the most cost effective and advantageous for the Authority. The new Authorized Bonds could be issued in conjunction with such previously authorized, but not yet issued, bonds or be sold separately.

To the extent that any variable rate bonds are secured by letters of credit, the selection of bank letters of credit providers to credit enhance such Bonds will be made by a selection committee comprised of Authority staff pursuant to a new procurement process. The proposed terms and conditions of the bank letter of credit agreements are expected to be substantially similar to the agreements previously executed by the Authority with letter of credit banks.

Any underwriter, dealer, or swap counterparty will be one of the firms approved pursuant to the Authority's most recent procurement for underwriting, investment banking and swap counterparty services, which firms include BofA Merrill Lynch, Barclays, Citigroup, Goldman, Sachs & Co., J.P. Morgan, Jefferies, Morgan Stanley, RBC Capital Markets, Ramirez & Co. Inc., Siebert Cisneros Shank & Co. LLC, TD Securities and Wells Fargo Securities. The Trustees are requested to permit the Chief Executive Officer, Chief Financial Officer or Controller of the Authority to designate, as necessary, the underwriters, remarketing agents, or swap counterparties, as applicable, assigned to each bond series from the approved list of firms.

As and to the extent that bonds are issued for the purpose of refunding bonds with respect to which there are existing interest rate swap agreements, the Chief Executive Officer, Chief Financial Officer or Controller of the Authority will be authorized to allocate such interest rate swap agreements to other Authority bonds or notes or to terminate or amend such agreements, all as such officer may determine appropriate so as to permit the Authority to obtain the benefit of such interest rate swap agreements or to minimize the cost associated with the refunding. Each such officer will also be authorized to amend or terminate any other interest rate swap agreements which such officer determines may be amended or terminated on attractive economic terms. To the extent that such agreements are terminated or amended, some or all of the costs of such termination or amendment may be funded with the proceeds of the Authorized Bonds.

Recommendation

Based upon the foregoing, I recommend that the Committee recommend to the Board the adoption the resolutions attached hereto authorizing the issuance of up to \$740,000,000 aggregate principal of Electric System General Revenue Bonds, to fund new money capital expenditures or refund Authority bonds or notes, the execution and delivery of one or more new interest rate swap agreements, and the termination or amendment of one or more interest rate swap agreements, all as described above.

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

AUTHORIZATION RELATING TO THE ISSUANCE OF ELECTRIC SYSTEM GENERAL REVENUE BONDS FOR THE PURPOSES OF FUNDING COSTS OF SYSTEM IMPROVEMENTS AND CERTAIN OTHER COSTS AND REFUNDING CERTAIN OUTSTANDING OBLIGATIONS

WHEREAS, on May 13, 1998, Long Island Power Authority (the “Authority”) adopted its Electric System General Revenue Bond Resolution (the “General Resolution”), which authorizes bonds, notes or other evidences of indebtedness of the Authority, such bonds to be designated as “Electric System General Revenue Bonds” (the “Bonds”), for, among other purposes, funding Costs of System Improvements (as defined in the General Resolution) and other lawful purposes of the Authority and refunding other bonds or notes of the Authority; and

WHEREAS, Article II of the General Resolution requires that the issuance of each series of Bonds by the Authority shall be authorized by a supplemental resolution or resolutions of the Authority adopted at or prior to the time of issuance, subject to further delegation to certain officers to establish the details of the terms of such Bonds; and

WHEREAS, the Authority has various series of outstanding bonds and notes that may, depending on market conditions, advantageously be refunded; and

WHEREAS, the Authority wishes to authorize the issuance of one or more series of Bonds (the “Authorized Bonds”) for the purpose of funding Costs of System Improvements (as defined in the General Resolution) and/or reimbursing such costs already incurred, including refinancing of notes or revolving credit agreement borrowings incurred to finance such costs and for the purpose of refunding outstanding fixed or variable rate bonds or notes of the Authority (the “obligations to be refunded”), which Authorized Bonds shall be in an aggregate principal amount not to exceed \$740,000,000; and

WHEREAS, the Authority has entered into interest rate swap agreements relating to certain of the Authority’s bonds and notes and, to the extent that such bonds and notes are refunded, it is anticipated that such interest rate swap agreements will either be reallocated to other bonds or notes of the Authority, assigned to or assumed by other counterparties, or terminated, as determined by the by the Chief Executive Officer, Chief Financial Officer or Controller (each an “Authorized Officer”); and

WHEREAS, the Authority wishes to issue the Authorized Bonds as either a fixed rate or variable rate or a combination thereof; and

WHEREAS, in order to achieve such purposes there has been prepared and submitted to the Trustees a form of Twenty-Eighth Supplemental Resolution (the “Twenty- Eighth Supplemental General Resolution”); and

WHEREAS, the General Resolution permits the Authority to enter into Financial Contracts (as defined therein), which include interest rate caps or collars and forward rate, future rate and certain swap agreements with Qualified Counterparties (as defined therein); and

WHEREAS, the Authority has determined that the use of such swap agreements is appropriate in certain circumstances but recognizes that certain risks can arise in connection with their use and the Authority has adopted guidelines (the “Guidelines”) for the use of such agreements in order to assure that such agreements are used for appropriate purposes and to assure that the risks potentially associated with such agreements are effectively managed and minimized; and

WHEREAS, under current market conditions the Authority has determined that it may achieve debt service savings by entering into one or more such interest rate swap agreements in an aggregate notional amount of up to \$740,000,000 relating to all or a portion of the Authorized Bonds pursuant to which the Authority and the counterparties thereto would agree to make payments to one another based principally upon certain indices, formulae or methods to be specified therein; and

WHEREAS, the decision as to which specific strategy or strategies to be employed in connection with such new or existing interest rate swap agreements and the indices, formulae or methods to be used in calculating payments to be made to the Authority or the counterparties will be made by and Authorized Officer, taking into account market conditions and the advice of the Authority’s Financial Advisor, with the intention of lowering the effective rate of interest payable in connection with the Authority’s indebtedness or mitigating risks associated with such indebtedness consistent with interest rate and other risk considerations;

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

- 1. The Twenty-Eighth Supplemental General Resolution, in the form presented to this meeting and made a part of this resolution as though set forth in full herein, is hereby approved and adopted. The Authorized Officers are each hereby authorized to deliver the Twenty-Eighth Supplemental General Resolution to The Bank of New York Mellon, as the Trustee for the Bonds, with such amendments, supplements, changes, insertions and omissions thereto as may be approved by such Authorized Officer, which amendments, supplements, insertions and omissions shall be deemed to be part of such resolution as approved and adopted hereby.**
- 2. The Authorized Officers are each authorized to sell all Bonds issued on a negotiated basis either (i) to one or more underwriters for resale to investors or (ii) by private placement to one or more investors or financial institutions at such price or prices as determined to be the most cost effective and advantageous for the Authority.**
- 3. Each Authorized Officer is hereby authorized with respect to each series of the Authorized Bonds, to execute and deliver a Bond Purchase Agreement (a “Bond**

Purchase Agreement”) in substantially the form of the bond purchase agreement executed by the Authority in connection with the issuance of the Authority’s Electric System General Revenue Bonds, Series 2018, with such modifications thereto as any Authorized Officer, upon the advice of counsel to the Authority, approves, or in connection with any private placement of the Authorized Bonds, a placement continuing covenant or other financing, loan or credit agreement (each a “Placement Agreement”) with the purchaser(s) thereof in such form, upon advice of counsel to the Authority, as may be approved by such Authorized Officer, which approval in each case shall be conclusively evidenced by the execution thereof by such Authorized Officer.

- 4. Each Authorized Representative is hereby authorized and directed to execute and deliver any and all documents, including but not limited to the execution and delivery of one or more official statements or other disclosure documents and instruments and to do and cause to be done any and all acts necessary or proper for carrying out each Bond Purchase Agreement or Placement Agreement, the issuance, sale and delivery of the Authorized Bonds and for implementing the terms of each Bond Purchase Agreement or Placement Agreement, and the transactions contemplated thereby, the Twenty-Eighth Supplemental General Resolution and this resolution.**
- 5. As and to the extent that Refunding Bonds (as defined in the General Resolution) are issued for the purpose of refunding bonds or notes of the Authority with respect to which there are existing interest rate swap agreements, the Authorized Officers are each authorized to allocate such interest rate swap agreements to such other outstanding Authority bonds or notes, or to terminate such agreements, as such officer may determine appropriate so as to permit the Authority to obtain the benefit of such interest rate swap agreements or to minimize the cost associated with the refunding and, to the extent that such agreements are terminated, some or all of the costs of such termination may be funded with the proceeds of the Refunding Bonds, as determined by such officer. Any such officer is also hereby authorized to arrange for the assignment and assumption of any existing interest rate agreement to another counterparty or the amendment or termination of any such agreement, to the extent officer determines any such assignment and assumption, amendment or termination to be advisable.**
- 6. As and to the extent that the Authorized Officers determines that it would be advantageous in current market conditions to issue bond anticipation notes, such officer is hereby authorized to determine whether such bond anticipation notes shall be issued as “Bonds” or “Subordinated Indebtedness” (as defined in the General Resolution). In the event that bond anticipation notes are issued as Subordinated Indebtedness, the details thereof shall be incorporated in a Note Certificate executed by such officer and delivered to the trustees under the General Resolution and the Authority’s Electric System General Subordinated Revenue Bond Resolution, along with a copy of this resolution. Such Note Certificate may include such amendments and modifications to the provisions of this resolution as such officer shall determine necessary and appropriate to effectuate such determinations and details. A copy of such Note Certificate also shall be filed with this resolution into the records of the Authority and, upon such filing, shall be deemed to be a part of this resolution as if set forth in full herein.**

- 7. The Authorized Officers of the Authority are, and each of them hereby is, authorized to enter into interest rate swap agreements in an aggregate notional amount of up to \$740,000,000 relating to the Authorized Bonds with such Qualified Counterparties (as defined in the General Resolution) as such officers may select in accordance with the Guidelines, which agreements shall (i) commence on such date or dates as such Authorized Officer specifies, (ii) have a term ending on or prior to the anticipated final maturity of the bonds to which they relate, as the Authorized Officer specifies, (iii) provide for payments to the Authority determined based upon such index, formula or method as may be approved by the Authorized Officer, and (iv) otherwise be in accordance with the Guidelines and substantially in the form of interest rate swap agreements entered into by the Authority in relation to other interest rate swap transactions, with such changes and additions to and omissions from such form as such authorized executing officer deems in his discretion to be necessary or appropriate, such execution to be conclusive evidence of such approval. In connection with the authorizations herein set forth, the Authority has determined, after consideration of the risks inherent in the use of interest rate swap agreements, including those outlined in the memo submitted to the Trustees in connection with the financing authorized hereby and the advice of the Authority's financial advisor relating to the use of the proposed interest rate swap agreements, that (a) the use of such interest rate swap agreements will, in the judgment of the Authority, result in lowering the effective rate of interest payable in connection with the Authority's indebtedness, (b) the risks of the proposed interest rate swap agreements are both manageable and reasonable in relation to the potential benefits; and (c) the proposed interest rate swap agreements are necessary or convenient in the exercise of the power and functions of the Authority under the Act.**
- 8. The Authorized Officers are, and each of them hereby is, authorized to enter into reimbursement or other agreements with banks or other financial institutions providing Credit Facilities (as defined in the General Resolution) in connection with the Authorized Bonds, which agreements shall be substantially similar to such agreements previously entered into by the Authority in relation to other Credit Facilities, with such changes and additions to and omissions from such prior agreements as such authorized executing officer deems in his discretion to be necessary or appropriate, such execution to be conclusive evidence of such approval. Such agreements may be entered into with Barclays Bank PLC, Bank of Montreal, Citibank NA, Royal Bank of Canada, State Street Bank and Trust Company, TD Bank NA, US Bank, and/or Wells Fargo Bank, NA.**
- 9. Each Authorized Officer is hereby further authorized and directed to execute and deliver any and all documents and instruments and to do any and all acts necessary or proper for carrying out and implementing the terms of, and the transactions contemplated by this resolution and each of the documents authorized thereby and hereby.**
- 10. This resolution shall take effect immediately**

Chair Cohen stated that the next item on the agenda is Recommendation for Approval of Tariff Changes to be presented by Justin Bell.

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

Requested Action

The Finance and Audit Committee (the “Committee”) of the Board of Trustees is requested to recommend approval of changes to the Authority’s Tariff for Electric Service (“Tariff”), effective January 1, 2019:

Energy Efficient Lighting	to update the eligible lighting technologies under Service Classification No. 7A, Outdoor Area Lighting, to add efficient Light-Emitting Diode (“LED”) lighting
Storage Interconnection	to modify the Authority’s Smart Grid Small Generator Interconnection Procedures to accommodate interconnection of energy storage systems and to make other changes consistent with recent action by the New York Public Service Commission (the “PSC”);
Value Stack Compensation Eligibility	to expand the eligibility for compensation under the Authority’s Value of Distributed Resources tariff to projects with a capacity between (2,000) kilowatts and five thousand (5,000) kilowatts, consistent with recent
Smart Meter Opt-Out	to provide notice of customers’ rights and responsibilities when opting out or requesting removal of an Advanced Metering Infrastructure (“AMI”) equipped
Solar Business Practices	to adopt Business Practices for Distributed Energy Resource Suppliers consistent with business practices ordered by the PSC governing the relationship between distributed energy resource companies and their
Wireless Phone Contacts	to provide clarity regarding customer consent to be contacted on a wireless telephone number consistent with recent guidance by the Federal Communications

Energy Efficient Lighting

Background – Energy Efficient Lighting

The Authority currently offers outdoor area dusk-to-dawn lighting that is owned, operated, and maintained by the Authority on behalf of eligible customers. Two lighting technologies are currently offered: high-pressure sodium and metal halide. Low-Emitting Diode (“LED”) lighting is not currently offered for this purpose. However, LED lighting has undergone recent improvements in technology, declines in cost, and more widespread adoption for outdoor lighting use. Many utilities across the nation have been replacing existing outdoor

area lighting fixtures with those utilizing LED lighting technology. LED lighting has the potential for significant measurable customer savings due to the efficiency of LED lighting technology while also benefitting the environment.

Proposed Action – Energy Efficient Lighting

Effective January 1, 2019, the Authority Staff proposes to provide two LED lighting options in its Tariff for Electric Service under Service Classification SC No. 7A (outdoor area lighting) and phase out less efficient lighting technologies over a three-year period. By replacing these lights, the Authority will provide energy savings to customers and reduce greenhouse gas emissions.

The customer will benefit from an approximate 50% reduction in energy costs, will not be charged installation costs for the LED fixtures, and will experience no change in the customer's existing monthly base charges for an equivalent LED fixture.

Additionally, though not part of this Tariff proposal, the Authority will carry out a three-year replacement program that will allow for existing, Authority-owned lighting fixtures within the service territory to be replaced with LED fixtures. Customers will be informed of the impending change to their fixture and be given the option to keep their existing fixture.

The Service Provider will consider customer requests for LED replacement ahead of the planned implementation schedule. Any failed fixture or those that have met the end of their useful life and require replacement will be converted to LED fixtures, with one exception: the High Pressure Sodium 100 watt fixture will still be available for replacement since there is no equivalent LED currently available.

Authority Staff also proposes to update the Tariff to indicate that, effective January 1, 2019 existing Metal Halide and High Pressure Sodium fixtures (with the exception of the 100 watt High Pressure Sodium option) will no longer be available for replacement. Customers will be required to select from the other available fixture options (either one of the two LED fixtures or the High Pressure Sodium 100 watt fixture). Additionally, effective January 1, 2022, existing Metal Halide and High Pressure Sodium (with the exception of the 100 watt High Pressure Sodium option) bulbs and photocells will also no longer be replaced. The affected fixtures will be replaced from one of our currently available fixture options.

As noted above, all customers will be given the option to keep their existing light fixture. Customers with operating flood lights will be encouraged to accept early replacement of the existing flood lights with LED fixtures. The Authority has not installed new flood lights since 2003 and the existing flood lights on the system are aging. Customers with existing flood lights may choose to keep the functioning flood light, but the Authority will only replace bulbs in such lights for a maximum of three years (until December 31, 2022). After such time, upon failure, the flood light will be replaced with an LED fixture or the account will be closed.

Financial Impact – Energy Efficient Lighting

The three-year project plan will entail the use of approximately \$16 million in capital to replace approximately 11,700 existing fixtures with their LED equivalent. As a result of the

reduction in energy from the LED technology, savings will be passed along to customers in the Power Supply Charge. This project will provide an approximate Power Supply Charge savings to customers of \$57 per year for those who switch from an HPS 250 watt to the LED equivalent and \$84 per year for switching from a HPS 400 watt to the LED equivalent¹. The approximate energy savings, assuming existing inventory gets fully replaced with LED technology would be 9,660 MWh equating to approximately \$483,000 in Power Supply Charge savings². This project will also have an estimated annual operating and maintenance savings of \$300,000³ due to the extended ten-year life of the LED bulb technology.

Storage Interconnection

Background – Storage Interconnection

In the *Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters* (the “VDER Order”)⁴, the PSC directed Department of Public Service (“DPS”) Staff to meet with stakeholders regarding integrating energy storage systems into the interconnection process. To accomplish this objective, the DPS formed the Interconnection Technical Working Group (“ITWG”). PSEG Long Island participated in the ITWG working group meetings along with the other utilities. Following consultation with stakeholders in the working group, the DPS Staff issued recommendations on storage interconnection and other improvements to the interconnection process—such as the addition of construction and payment milestones—that were adopted by the PSC⁵. Authority Staff proposes to update the Tariff consistent with these proceedings.

Proposed Action – Storage Interconnection

Staff proposes to modify the Smart Grid Small Generator Interconnection Procedures (“SGIP”) and Standardized Contract for Interconnection (“SIR”) in order to provide interconnection procedures for energy storage systems and to make other modifications consistent with recent PSC action.⁶ The interconnection procedures for energy storage systems, which include application requirements, system operating characteristics and market participation rules, have been added as Appendix J of the SGIP.

The revised SGIP will also include a new section on Payment and Construction Milestones. This section outlines what each party will be responsible for and when payments and commitments must be submitted.

¹ The Power Supply Charge savings were based on a \$.10 cent per kWh charge.

² *Ibid*, assuming half of the power supply charge is based on variable costs.

³ Current lighting repair budget is approximately \$500,000, however due to LED bulb life extension from four to ten years this would result in O&M savings per year. The actual savings could be higher in the first five years since all of the LED bulbs will be new.

⁴ Case 15-E-0751 et al., *In the Matter of the Value of Distributed Energy Resources* (“VDER Proceeding”), Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters (issued March 9, 2017).

⁵ Case 18-E-0018 et al. *In the Matter of Proposed Amendments to the New York State Standardized Interconnection Requirements (SIR) for Small Distributed Generators*, Order on Modifying Standardized Interconnection Requirements (issued April 19, 2018).

⁶ See Case 18-E-0018 et al. *In the Matter of Proposed Amendments to the New York State Standardized Interconnection Requirements (SIR) for Small Distributed Generators*, Order on Modifying Standardized Interconnection Requirements (issued April 19, 2018).

A number of technical references and requirements from the SGIP are being moved to “PSEG Long Island’s Smart Grid Small Generator Interconnection Technical Requirements and Screening Criteria for Operating in Parallel with LIPA’s Distribution System” document which will address such matters as the following:

- Voltage Response
- Frequency Response
- Reconnection to LIPA’s Distribution System
- Induction Generators
- Inverters
- Minimum Protective Functions
- Metering
- Islanding
- Operating Requirements
- Disconnect Switch
- Power Quality
- Power Factor
- Equipment Certification (new section)
- Verification Testing (new section)
- Preliminary Screening Analysis
- Other technical requirements

The Technical Requirements and Screening Criteria document may be modified by the Authority as needed and updated versions will be posted on the PSEG Long Island website.

Financial Impact – Storage Interconnection

This Tariff proposal will not have a material financial impact on the Authority or customers.

Value Stack Compensation Eligibility

Background – Value Stack Compensation Eligibility

On March 9, 2017, the PSC issued its *Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters* (the “VDER Phase One Order”), which established the first phase of a plan to establish a new system for compensation of distributed energy resources based on the component values those resources provide to the electric grid (the “Value Stack”). On December 19, 2017, the Authority adopted Tariff changes implementing the VDER Phase One Order.

Eligibility for Value Stack compensation was initially limited in the VDER Phase One Order and the Authority’s Tariff to projects sized up to 2,000 kilowatts. In an effort to continuously refine and improve VDER, the Department of Public Service (“DPS”) Staff has held working group meetings with stakeholders on a number of different topics, including expanding the eligibility of VDER projects to those sized above 2,000 kilowatts and below 5,000 kilowatts. PSEG Long Island participated the working group meetings on behalf of the Authority. The PSC ultimately issued an order expanding the eligibility for Value Stack compensation under

VDER to include non-residential customers with solar, wind, farm waste, fuel cell, or micro-hydroelectric generating equipment with a rated capacity of greater than 2,000 kilowatts and not more than 5,000 kilowatts.⁷

Proposed Action – Value Stack Compensation Eligibility

Consistent with the VDER Project Size Order, the Authority Staff proposes to expand eligibility for Value Stack compensation under the Value of Distributed Energy Resources tariff to include new and existing projects with a rated capacity between 2,000 and 5,000 kilowatts.

Financial Impacts – Value Stack Compensation Eligibility

The proposal will not have a material financial impact on the Authority because revenues lost from VDER are recovered through the Authority’s Revenue Decoupling Mechanism. Depending on participation, the proposal could have an impact on non-participating customers. In 2017, the Authority has only received one Distributed Energy Project that was sized at the 2,000 kilowatt cap.

The maximum potential annual impact on non-participating customers – assuming that five projects applying for VDER compensation at the 2,000-kilowatt cap instead applied at the newly proposed 5,000-kilowatt cap – would be \$1.6 million per year, which equates to an average customer bill impact of 0.04% per year.

Smart Meter Opt-Out

Background – Smart Meter Opt-Out

PSEG Long Island began deploying AMI equipped smart meters as part of PSEG Long Island’s 2017 Utility 2.0 plan and filed a 2018 Utility 2.0 plan⁸ featuring a proposal for full service territory-wide smart meter deployment to all customer classes by 2023.

One of the primary goals of the smart meter deployment project is to provide the foundation for New York State’s comprehensive energy strategy, Reforming the Energy Vision (“REV”).

Consistent with REV, full deployment of smart meters will empower PSEG Long Island customers to make more informed energy choices, enable the development of new energy products and services, and advance the Authority’s mission to provide clean, reliable, and affordable electric service.

Proposed Action – Smart Meter Opt-Out

In order to successfully deploy smart meters throughout the service territory, the Authority is requesting to update the Tariff for Electric Service to include a meter removal fee for

⁷ Case 15-E-0751 et al., *In the Matter of the Value of Distributed Energy Resources* (“VDER Proceeding”), Order on Phase One Value of Distributed Energy Resources Project Size CAP and Related Matters (issued February 22, 2018).

⁸ Matter: 14-01299 *In the Matter of PSEG-LI Utility 2.0 Long Range Plan. Utility 2.0 Long Range Plan 2018 Annual Update* (filed June 29, 2018).

Residential customers billed under Service Classification I who initially accept installation of a smart meter and subsequently request post-installation removal.

With the following exceptions, residential customers billed on Service Classification I will have the ability to opt-out of receiving a smart meter during the full-scale deployment period, at no charge, by notifying PSEG Long Island. The exceptions are that residential customers who participate in net metering, time-of-use rates, or a retail choice program (Long Island Choice and Green Choice) are ineligible to opt-out from smart meter installation. All commercial customers are ineligible to opt-out.

Customers will receive general media coverage and announcements throughout the implementation of AMI and will be able to opt-out at any time prior to meter installation at no cost. Specifically, each customer will be notified:

- **At least 45 days before meter installation, customers will receive a welcome letter informing them that PSEG Long Island will be changing their meter.**
 - **They also will receive information on how to opt-out should they choose not to receive a smart meter.**
 - **The letter will also identify PSEG Long Island’s intention to implement a monthly meter reading fee of approximately \$10 for non-AMI (“noncommunicating”) meters post 2023.**
- **At least 14 days before meter installation, customers will receive a reminder call.**
- **At least 7 days before meter installation, customers will receive a welcome kit.**

If no response is received and no objection is raised by the customer at the time of installation, the smart meter will be installed. If a residential customer does not object to installation of a smart meter and later requests removal of the meter, Staff proposes that a one-time meter removal fee of \$65 be charged for removal of the smart meter and replacement with a noncommunicating meter.

The proposed meter removal fee is consistent with the fees charged by other utilities in New York State and throughout the country in their smart meter deployment plans. Currently, Consolidated Edison, Orange & Rockland, Central Hudson and Niagara Mohawk all include meter removal fees in their tariffs.

The meter removal fee alleviates unnecessary expense to all customers for the additional cost associated with installing and then removing a smart meter and then re-installing a noncommunicating meter for those customers who do not object to initial installation of a smart meter and subsequently request removal.

Financial Impacts – Smart Meter Opt-Out

No financial impacts are expected to result from this proposal. The meter removal fee is designed to recover the costs associated with replacing a customer’s smart meter with a noncommunicating meter.

Solar Business Practices

Background – Solar Business Practices

As recognized by the PSC, the increased deployment and integration of Distributed Energy Resources (“DERs”), and the prevalence of customers participating in DER markets and associated programs, has heightened the importance of ensuring that customers understand the costs and benefits of their investments in DERs and protecting customers from confusion, fraud, and abusive marketing. Clear guidance on appropriate marketing and contracting practices will create a fair market for DER suppliers and support reasonable competition between suppliers and between various DER options.

The PSC concluded that a manual of Uniform Business Practices (“UBP”) can effectively create a robust set of protections for New Yorkers participating in the evolving DER programs and markets, while ensuring that small and innovative businesses will not be overburdened. To accomplish this, the PSC ordered, New York utilities were directed to include a Uniform Business Practices for Distributed Energy Resource Suppliers Manual as an addendum to their gas and electric tariffs.⁹

The manual includes:

- **General Marketing Standards for DER suppliers to prevent misleading and deceptive conduct.**
- **Responsibility of contractors and other third party agents of DER suppliers.**
- **Customer inquiries and complaints/oversight requirements and consequences for violations.**
- **Provisions specific to Community Distributed Generation (CDG) and On-Site Mass Market providers, which include the following.**
 - **Registration Requirements** - sets forth the process that CDG Providers and On-Site Mass Market DG Providers are required to follow in order to register with the Department of Public Service.
 - **Enhanced Marketing and Advertising Standards** – enhanced standards that CDG Providers, On-Site Mass Market DG Providers and their marketing representatives must follow when marketing and advertising products and services to potential mass market customers in New York.
 - **Minimum Standards For Sales Agreements** – establishes minimum standards for sales agreements between CDG and On-Site Mass Market DG Providers (Providers) and mass market customers.
 - **Standard Customer Disclosure Statements** – shall be provided to all customers of CDG or On-Site Mass Market DG Providers as part of the sales agreement.
 - **Customer Inquiries And Complaints** – establishes requirements for responses by a CDG or On-Site Mass Market DG Provider to customer inquiries concerning CDG products or services.
 - **Reporting Requirements** – each CDG or On-Site Market DG Provider shall file an annual report containing information for the previous calendar year including aggregate number of customers served, a summary of services

⁹ Order Establishing Oversight Framework and Uniform Business Practices for Distributed Energy Resource Suppliers, Case 15-M-0180, October 19, 2017.

provided, and information on the number and classification of complaints received.

Proposed Action – Solar Business Practices

The Authority is proposing to effectuate the oversight envisioned in the New York Uniform Business Practices for Distributed Energy Resource Suppliers Manual in the Authority’s service territory. Staff proposes to insert a modified version of the New York business practices as an addendum to the Authority’s Tariff for Electric Service in order to be consistent with the rest of the utilities in State which have already adopted Distributed Energy Resource Suppliers business practices.

The Authority proposes to create a manual of Business Practices for Distributed Energy Resource Suppliers (“BP-DER”) with the following modifications:

- Complaints will be brought to either to the Department of Public Service Staff (“the Department”) or the Authority for consideration.
- If either the Department or the Authority find a provider in violation of the BP-DER they can take corrective actions, including requiring the modification of marketing and advertising materials, sales agreements and customer disclosure statements.
- If these corrective actions are not taken by the DER provider, the DER provider may be subject to the suspension from enrolling new customers in the Authority's Service territory and suspension of the ability to acquire customer data from the Authority.

Financial Impacts – Solar Business Practices

This proposal is not expected to have any financial impact on the Authority. This proposal only addresses procedural rules and changes for DER providers.

Wireless Phone Contacts

Background – Wireless Phone Contacts

The Federal Communications Commission (“FCC”) issued a Declaratory Ruling on August 4, 2016¹⁰ establishing guidelines for utilities’ use of wireless telephone numbers to communicate with customers.¹¹

Calls closely related to utility service are defined as including “those that warn about planned or unplanned service outages; provide updates about service outages or service restoration; ask for confirmation of service restoration or information about lack of service; provide notification of meter work, tree trimming, or other field work that directly affects the

¹⁰ *In the Matter of Rules and Regulations Implementing the Telephone Consumer Protection Act of 1991 Blackboard, Inc. Petition for Expedited Declaratory Ruling Edison Electric Institute and American Gas Association Petition for Expedited Declaratory Ruling*, CG Docket No. 02-278 (“In the absence of facts supporting a contrary finding, prior to the termination of a customer’s utility service, a customer who provided a wireless telephone number when he or she initially signed up to receive utility service, subsequently supplied the wireless telephone number, or later updated his or her contact information, is deemed to have given prior express consent to be contacted by their utility company for calls that are closely related to the service, and calls to warn about the likelihood that failure to make payment will result in service curtailment.”)

¹¹ *Ibid.*, FCC Declaratory Ruling at paragraph 32.

customer's utility service; notify consumers they may be eligible for subsidized or low-cost services due to certain qualifiers such as, e.g., age, low income or disability; and calls that provide information about potential brown-outs due to heavy energy usage."¹²

Proposed Action – Wireless Phone Contacts

The Authority Staff proposes to update the Tariff for Electric Service to include language notifying customers of their rights consistent with the FCC Declaratory Ruling. Specifically, Staff proposes to indicate to customers that by providing their wireless telephone number, they consent to being contacted at the provided telephone number for matters closely related to utility service (as defined in the FCC Declaratory Ruling and described above).

Related to this proposed Tariff change, the Authority's Service Provider also intends to update company forms that request a contact telephone number to include a disclosure notifying customers who provide a wireless telephone number that by doing so they are consenting to be contacted on that number for matters closely related to utility service. Communications with customers is essential to providing safe, efficient and reliable electric service.

Financial Impacts – Wireless Phone Contacts

There are no financial impacts associated with this proposal.

Department of Public Service Input

The DPS has provided a letter recommending adopting of these Tariff modifications. The DPS provided feedback and input throughout the process of developing the Tariffs. Feedback provided by DPS early in the development process was incorporated into the original Tariff proposals.

Feedback provided by DPS since the release of the original Tariff proposals is reflected in the final Tariff redlines. The following changes have been made since the release of the original Tariff proposals:

Changes to the smart meter opt-out proposal:

- On LIPA Statement No. 1 – AMI, lowered the smart meter removal fee from \$110 to \$65.
- On LIPA Statement No. 1 – AMI, removed estimate of opt-out fee since it will not be implemented until 2023.

In addition, the Authority Staff introduced a proposal to create a separate Local Property Tax Charge for Transmission and Delivery Service, which would consolidate and separately identify all of the property tax Payments in Lieu of Taxes ("PILOTs") on LIPA's transmission and distribution system that are assessed on our customers. The Department of Public Service has recommended that this proposal be postponed pending further

¹² *Ibid.*, FCC Declaratory Ruling at paragraph 30.

consideration. Accordingly, the Authority Staff is not requesting any action by the Board of Trustees on the Local Property Tax Charge proposal at this time.

Public Input

Public hearings were held on all both Tariff proposals on November 16, 2018 in Nassau and Suffolk Counties. No members of the public attended the public hearings.

Written comments were received from one stakeholder and are summarized here.

- Borrego Solar commented on the proposal to increase value stack compensation eligibility from 2,000 kilowatts to 5,000 kilowatts. Borrego pointed out that the PSC issued a related order on September 12, 2018, directing the investor-owned utilities to expand eligibility for value stack compensation to other technologies including standalone energy storage systems.
- Staff response: Staff is committed to integrating standalone energy storage systems into the electric grid and ensuring that they are duly compensated. PSEG Long Island is in the process of conducting a technical review of the expansion of value stack compensation eligibility to standalone energy storage systems and other technologies discussed in the September 12 PSC Order. As the technical review is still underway at the time of this writing, a recommendation to the Board at this time would be premature. We have set a target of bringing a formal recommendation on this proposal to the Board in March 2019 for an April 1 effective date.

Recommendation

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

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

RECOMMENDATION FOR APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF FOR ELECTRIC SERVICE RELATED TO ENERGY EFFICIENT LIGHTING

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 energy efficiency (the "Board Policy on Resource Planning"); and

WHEREAS, the proposal is consistent with the Board Policy on Resource Planning and would promote energy efficiency, decrease power supply costs for the Authority and its customers, and lower carbon emissions; 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 September 12, 2018, two public hearings were held in Nassau and Suffolk counties on November 16, 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 Finance and Audit Committee of the Board of Trustees hereby recommends approval of the proposed modifications to the Authority’s Tariff to be effective January 1, 2019; and be it further

RESOLVED, that the Finance and Audit Committee of the Board of Trustees hereby recommends that the Chief Executive Officer and his designees be authorized to carry out all actions deemed necessary or convenient to implement this Tariff; and be it further

RESOLVED, that the Finance and Audit Committee of the Board of Trustees hereby recommends that the Tariff amendments reflected in the attached redlined Tariff leaves be approved.

RECOMMENDATION FOR APPROVAL OF MODIFICATIONS TO LIPA’S TARIFF FOR ELECTRIC SERVICE RELATED TO ENERGY STORAGE INTERCONNECTION

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, integrating cost-effective distributed energy production and storage technologies into the power supply portfolio, and enabling the economic and secure dispatch of resources deployed within the distribution system and within customer premises (the “Board Policy on Resource Planning”); and

WHEREAS, in its 2018 Utility 2.0 Plan, PSEG Long Island proposed developing grid scale and behind-the-meter energy storage programs; and

WHEREAS, in Case 18-E-0018 et al. *In the Matter of Proposed Amendments to the New York State Standardized Interconnection Requirements (SIR) for Small Distributed Generators*, the New York Public Service Commission issued an Order on Modifying Standardized Interconnection Requirements (issued April 19, 2018) (the “PSC Order”), which directs New York’s investor owned utilities to update their interconnection procedures to accommodate energy storage systems together with other modifications; and

WHEREAS, the Authority Staff has proposed modifications consistent with the Board Policy on Resource Planning and the PSC Order; 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 September 12, 2018, two public hearings were held in Nassau and Suffolk counties on November 16, 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 Finance and Audit Committee of the Board of Trustees hereby recommends approval of the proposed modifications to the Authority's Tariff to be effective January 1, 2019; and be it further

RESOLVED, that the Finance and Audit Committee of the Board of Trustees hereby recommends that the Chief Executive Officer and his designees be authorized to carry out all actions deemed necessary or convenient to implement this Tariff; and be it further

RESOLVED, that the Finance and Audit Committee of the Board of Trustees hereby recommends that the Tariff amendments reflected in the attached redlined Tariff leaves be approved.

RECOMMENDATION FOR APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF FOR ELECTRIC SERVICE RELATED TO VALUE STACK COMPENSATION ELIGIBILITY

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, integrating cost-effective distributed energy production and storage technologies into the power supply portfolio, and enabling the economic and secure dispatch of resources deployed within the distribution system and within customer premises (the "Board Policy on Resource Planning"); and

WHEREAS, in Case 15-E-0751 et al., *In the Matter of the Value of Distributed Energy Resources*, the New York PSC issued an Order on Phase One Value of Distributed Energy Resources Project Size CAP and Related Matters (issued February 22, 2018) (the "PSC Order"), directing New York's investor-owned utilities to raise the size cap on resources eligible for value stack compensation from 2,000 kilowatts to 5,000 kilowatts; and

WHEREAS, the proposal is consistent with the Board Policy on Resource Planning and the PSC Order; 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 September 12, 2018, two public hearings were held in Nassau and Suffolk counties on November 16, 2018, the public comment period has since expired, and written comments were addressed by Staff;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, the Finance and Audit Committee of the Board of Trustees hereby recommends approval of the proposed modifications to the Authority's Tariff to be effective January 1, 2019; and be it further

RESOLVED, that the Finance and Audit Committee of the Board of Trustees hereby recommends that the Chief Executive Officer and his designees be authorized to carry out all actions deemed necessary or convenient to implement this Tariff; and be it further **RESOLVED**, that the Finance and Audit Committee of the Board of Trustees hereby recommends that the Tariff amendments reflected in the attached redlined Tariff leaves be approved.

RECOMMENDATION FOR APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF FOR ELECTRIC SERVICE RELATED TO SMART METER OPT-OUT

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, PSEG Long Island's 2018 Utility 2.0 Plan proposed a territory-wide deployment of Advanced Metering Infrastructure ("AMI") equipped smart meters; and

WHEREAS, consistent with guidance from the Department of Public Service and the practices of other New York utilities, PSEG Long Island and the Authority propose to implement procedures and charges for customers who opt out or request removal of an existing smart meter;

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

WHEREAS, following the issuance of public notice in the State Register on September 12, 2018, two public hearings were held in Nassau and Suffolk counties on November 16, 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 Finance and Audit Committee of the Board of Trustees hereby recommends approval of the proposed modifications to the Authority's Tariff to be effective January 1, 2019; and be it further

RESOLVED, that the Finance and Audit Committee of the Board of Trustees hereby recommends that the Chief Executive Officer and his designees be authorized to carry out all actions deemed necessary or convenient to implement this Tariff; and be it further

RESOLVED, that the Finance and Audit Committee of the Board of Trustees hereby recommends that the Tariff amendments reflected in the attached redlined Tariff leaves be approved.

RECOMMENDATION FOR APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF FOR ELECTRIC SERVICE RELATED TO SOLAR BUSINESS PRACTICES

WHEREAS, the Long Island Power Authority is committed to ensuring that its customers have access to affordable electric service, as set forth in the Regionally Comparable Electric Rates Policy adopted by the Board of Trustees; and

WHEREAS, in Case 15-M-0180, the New York Public Service Commission issued an Order Establishing Oversight Framework and Uniform Business Practices for Distributed Energy Resource Suppliers (issued October 19, 2017) (the "PSC Order"), directing New York's investor owned utilities to adopt uniform business practices ensuring that customers have access to accurate information regarding the costs and benefits of procuring energy from Distributed Energy Resource Suppliers; and

WHEREAS, the Authority Staff has proposed that the Authority adopt business practices consistent with the PSC Order and the Regionally Comparable Electric Rates Policy; 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 September 12, 2018, two public hearings were held in Nassau and Suffolk counties on November 16, 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 Finance and Audit Committee of the Board of Trustees hereby recommends approval of the proposed modifications to the Authority's Tariff to be effective January 1, 2019; and be it further

RESOLVED, that the Finance and Audit Committee of the Board of Trustees hereby recommends that the Chief Executive Officer and his designees be authorized to carry out all actions deemed necessary or convenient to implement this Tariff; and be it further

RESOLVED, that the Finance and Audit Committee of the Board of Trustees hereby recommends that the Tariff amendments reflected in the attached redlined Tariff leaves be approved.

RECOMMENDATION FOR APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF FOR ELECTRIC SERVICE RELATED TO WIRELESS PHONE CONTACTS

WHEREAS, the Federal Communications Commission ("FCC") issued a Declaratory Ruling on August 4, 2016 establishing guidelines for utilities' use of wireless telephone numbers to communicate with customers (*see In the Matter of Rules and Regulations Implementing the Telephone Consumer Protection Act of 1991 Blackboard, Inc. Petition for Expedited Declaratory Ruling Edison Electric Institute and American Gas Association Petition for Expedited Declaratory Ruling, CG Docket No. 02-278*); and

WHEREAS, Authority Staff and PSEG Long Island have proposed changes to the Tariff for Electric Service consistent with the FCC Declaratory Ruling; 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 September 12, 2018, two public hearings were held in Nassau and Suffolk counties on November 16, 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 Finance and Audit Committee of the Board of Trustees hereby recommends approval of the proposed modifications to the Authority's Tariff to be effective January 1, 2019; and be it further

RESOLVED, that the Finance and Audit Committee of the Board of Trustees hereby recommends that the Chief Executive Officer and his designees be authorized to carry out all actions deemed necessary or convenient to implement this Tariff; and be it further

RESOLVED, that the Finance and Audit Committee of the Board of Trustees hereby recommends that the Tariff amendments reflected in the attached redlined Tariff leaves be approved.

Chair Cohen stated that the last item on the agenda is Discussion of Internal Audit Activities and Approval of the 2019 Internal Audit Plan to be presented by Kathleen Mitterway.

Ms. Mitterway presented the Authority's Internal Audit Activities and then presented the following action item and took questions from the Trustees:

Requested Action

The Finance and Audit Committee is requested to approve the 2019 LIPA Internal Audit Plan (the "Plan"), as shown on Exhibit "B".

Background

In accordance with the International Standards for the Professional Practice of Internal Auditing (the "Standards"), LIPA annually establishes an Internal Audit Plan. The Standards provide in relevant part that the chief audit executive (i.e. the Vice President - Audit) must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals. Additionally, as set forth in the Standards, the chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the Board for review and approval.

Discussion

The 2019 LIPA Internal Audit Plan includes internal audits selected and prioritized based on the results of a risk assessment performed by the LIPA Internal Audit Department, input from various stakeholders, and the PSEG Long Island Internal Audit Department.

The annual goal is to define a plan that reflects adequate coverage across LIPA and PSEG Long Island's business units and risk areas, to align LIPA's strategic initiatives and top enterprise risks, and to address the resources necessary to successfully complete the Plan with input from key stakeholders and LIPA senior management.

The Plan includes eleven (11) audits and reviews of PSEG Long Island, two (2) audits of LIPA and the Utility Debt Securitization Authority and audits of the completed 2018 Management & Operations Audit Implementation Plans.

Additionally, for informational purposes, attached as Exhibit "C", is the 2019 Proposed PSEG Long Island Internal Audit Plan.

Recommendation

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

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

RESOLUTION APPROVING THE 2019 INTERNAL AUDIT PLAN

RESOLVED, that consistent with the attached memorandum, the Finance and Audit Committee of the Board Trustees hereby approves the 2019 Internal Audit Plan.

At approximately 9:52 a.m. Chair Cohen stated that the Committee would adjourn to Executive Session to discuss personnel matters. Chair Cohen stated that no votes would be taken, and that the Committee would not be returning to public session.
