

BOARD AGENDA SUMMARY SHEET

Committee or Board: Board	Date: May 10, 2019	Board Meeting Date: May 22, 2019
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For All Board Voting Items:

Title of Agenda Item: Authorization to Execute a Second Amended and Restated Operating Agreement with Exelon Generation for Nine Mile Point Unit 2

Consent Agenda: Yes No

Accompanying Presentation: Yes No

Recommendation from Committee: N/A F&A; GP&P; Oversight & REV

LIPA Presenter: Rick Shansky

PSEG Long Island Presenter: Paul Napoli

Requested Action:	The Board is requested to approve and adopt a resolution authorizing the Chief Executive Officer, or his designee(s), to execute a Second Amended and Restated Operating Agreement with Exelon Generation for Nine Mile Point Unit 2.
Summary: (include proposed amendments to Board Policies, if applicable)	<p>PSEG Long Island and Exelon have determined that the Operating Agreement should be updated to reflect the current ownership of the unit and to modify or eliminate terms that are superfluous, unnecessarily burdensome, inconsistent with industry practice, or not reflective of current conditions.</p> <p>Of note, the Second Amended and Restated Operating Agreement would redefine the unit’s Management Committee to provide a forum for senior executives of the parties to meet on a quarterly basis for review of business plans and budgets, and for Exelon’s reporting to LIPA and PSEG Long Island on the unit’s operation and maintenance. The committee is also intended as an avenue for LIPA and PSEG Long Island senior management to meet with their counterparts at Exelon to discuss matters of mutual concern. Consistent with standard practice, it would also change the billing and payment accounting from cash to an accrual basis. None of these changes would materially alter LIPA’s rights or financial obligations under the operating agreement for the unit.</p>

FOR CONSIDERATION

May 22, 2019

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Authorization to Execute a Second Amended and Restated Operating Agreement with Exelon Generation for Nine Mile Point Unit 2

Requested Action

The Board of Trustees of the Long Island Power Authority is requested to approve and adopt a resolution authorizing the Chief Executive Officer, or his designee(s), to execute a Second Amended and Restated Operating Agreement with Exelon Generation for Nine Mile Point Unit 2.

Background

The Long Island Lighting Company d/b/a LIPA (“LIPA”) holds an 18% undivided interest in Nine Mile Point Unit 2; the other 82% is held by Constellation Energy Nuclear Group (CENG), a joint venture of Exelon Corporation and Electricite de France (EDF). Exelon Generation, a subsidiary of Exelon Corporation, has day to day operational responsibility for the plant. The unit has been operating since 1988 and was originally owned by Niagara Mohawk and four other investor-owned utilities, including the Long Island Lighting Company. The unit was initially operated by Niagara Mohawk under the terms of an Operating Agreement among the co-owners.

In 2001, all the co-owners except LIPA sold their interests to Constellation Energy, who became the unit’s operator. The Operating Agreement was then amended and restated to reflect these changes.

In 2012, Exelon Corporation acquired Constellation Energy, including its interest in Nine Mile Point Unit 2. Constellation continued as the operator until 2014 when operating responsibility was assigned to Exelon Generation (“Exelon”). Since 2014, management of LIPA’s interest in Nine Mile Point Unit 2 has been carried out by PSEG Long Island.

Discussion

PSEG Long Island and Exelon have determined that the Operating Agreement should be updated to reflect the current ownership of the unit and to modify or eliminate terms that are superfluous, unnecessarily burdensome, inconsistent with industry practice, or not reflective of current conditions.

Of note, the Second Amended and Restated Operating Agreement would redefine the unit's Management Committee to provide a forum for senior executives of the parties to meet on a quarterly basis for review of business plans and budgets, and for Exelon's reporting to LIPA and PSEG Long Island on the unit's operation and maintenance. The committee is also intended as an avenue for LIPA and PSEG Long Island senior management to meet with their counterparts at Exelon to discuss matters of mutual concern. Consistent with standard practice, it would also change the billing and payment accounting from cash to an accrual basis. None of these changes would materially alter LIPA's rights or financial obligations under the operating agreement for the unit.

As the Second Amended and Restated Operating Agreement would clarify the parties' rights and responsibilities and facilitate more effective management of Nine Mile Point Unit 2, the Trustees are requested to authorize the execution of the Second Amended and Restated Operating Agreement.

Recommendation

Based on the foregoing, I recommend approval of resolution in the form attached hereto as **Exhibit "A"**.

Attachment

Exhibit "A" Resolution

RESOLUTION AUTHORIZING THE EXECUTION OF THE SECOND AMENDED AND RESTATED OPERATING AGREEMENT WITH EXELON GENERATION FOR NINE MILE POINT UNIT 2

WHEREAS, the Long Island Lighting Company d/b/a LIPA (“LIPA”) holds an 18% undivided interest in Nine Mile Point Unit 2; and

WHEREAS, the unit has been operating since 1988 and was originally owned by Niagara Mohawk and four other investor-owned utilities, including the Long Island Lighting Company; and

WHEREAS, in 2001, all the co-owners except LIPA sold their interests to Constellation Energy, who became the unit’s operator, and the Operating Agreement was then amended and restated; and

WHEREAS, in 2012, Exelon Corporation acquired Constellation Energy, including its interest in Nine Mile Point Unit 2, and in 2014, the operating responsibility was assigned to Exelon Generation (“Exelon”); and

WHEREAS, since 2014, management of LIPA’s interest in Nine Mile Point Unit 2 has been carried out by PSEG Long Island; and

WHEREAS, PSEG Long Island and Exelon have determined that the Operating Agreement should be updated to reflect the current ownership of the unit and to modify or eliminate terms that are superfluous, unnecessarily burdensome, inconsistent with industry practice, or not reflective of current conditions.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of the Long Island Power Authority hereby authorizes the Chief Executive Officer, or his designee(s), to execute the Second Amended and Restated Operating Agreement with Exelon Generation for Nine Mile Point Unit 2.

Dated: May 22, 2019