

**LONG ISLAND POWER AUTHORITY**

**MINUTES OF THE OVERSIGHT and REV COMMITTEE MEETING**

**HELD ON JANUARY 23, 2019**

The Oversight and REV Committee of the Long Island Power Authority (the "Authority") was convened at 10:29 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on January 18, 2019; and electronic notice posted on the Authority's website.

The following Trustees of the Authority were present:

**Mark Fischl, Committee Chair  
Sheldon Cohen, Committee Member  
Matthew Cordaro, Committee Member  
Peter Gollon, Committee Member  
Elkan Abramowitz, Trustee  
Drew Biondo, Trustee**

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; Michael Deering, Director of Customer Service Oversight and Stakeholder Relations; Justin Bell, Director of Rates and Regulation; and Jason Horowitz, Assistant General Counsel.

Representing PSEG Long Island were Paul Napoli, Vice President of Power Markets.

*Committee Chair Fischl welcomed everyone to the Oversight and REV Committee meeting of the Long Island Power Authority Board of Trustees and stated that the first item on the agenda was the adoption of the minutes from the December 19, 2018 Committee meeting.*

*Upon motion duly made and seconded, the minutes of the December 19, 2018 Oversight meeting was approved unanimously.*

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*Chair Fischl then stated that the next item on the agenda was the Recommendation to Approve the Annual Report and Amendments on the Board's Policy on Evaluation on Oversight, including the 2018 Accomplishments Report and 2019 Work Plan, to be presented by Rick Shansky and Bobbi O'Connor.*

*Mr. Shansky and Ms. O'Connor presented the following action item and took questions from the Trustees:*

### **Requested Action**

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

### **Background**

The Authority utilizes contracts with service providers to provide transmission and distribution operations services, fuel and power procurement, and power supply resources. Under the LIPA Reform Act and the Amended and Restated Operations Services Agreement (the "OSA"), the Authority has oversight rights and certain responsibilities with respect to those contracts, the operation and maintenance of the Long Island electric grid, and the generation assets under contract to LIPA.

By Resolution No. 1409, dated March 29, 2018, the Board adopted the Policy with the purpose of establishing the Board's expectations for oversight by the Authority of the "service providers in a systematic manner that meets the needs and protects the interests of the Authority's customers".

### **Compliance with the Policy**

Staff recommends that, for the reasons set forth below, the Board find that the Authority has complied with the Policy since the adoption of the policy last year.

The Policy requires that the Chief Executive Officer annually report to the Board on the Policy, including: (i) work plans for Authority staff for each year; (ii) accomplishments versus the work plan for the prior year; (iii) oversight findings that involve material deviations from contract standards or that represent a significant risk to the Authority or its customers; (iv) activities that foster continuous improvement; and (v) sufficiency of Authority staff and resources to achieve oversight goals.

**2018 Work Plan Accomplishments:**

- Attached as Exhibit “C” is the 2018 Accomplishments Report (the “2018 Accomplishments Report”). The 2018 Accomplishments Report provides a summary of LIPA staff’s 2018 accomplishments toward meeting the expectations of the LIPA Trustees and serving the needs of LIPA’s customer-owners.
- The 2018 Accomplishments Report documents Staff’s progress on the 91 initiatives identified in the 2018 Work Plan as activities that would further the Board’s policies in LIPA’s key performance areas such as customer service, reliability, clean energy and affordability.
- As discussed in more detail in the 2018 Accomplishments Report, Staff completed 57 of the 91 goals and made significant progress on the remaining 34, with additional work to be completed during 2019.

**2019 Work Plan:**

- Attached as Exhibit “D” is the 2019 Work Plan. The 2019 Work Plan describes the activities that LIPA Staff intends to undertake to further the Authority’s mission and the Board’s policies in the areas of Reliability, Customer Service, Oversight, Resource Planning, Energy Efficiency and Renewables, Regionally Comparable Electric Rates, and Taxes, PILOTs and Assessments.
- The 2019 Work Plan describes those activities that LIPA Staff believes are critical to advancing the Board Policies and LIPA’s mission and are achievable based on current staffing levels and budgets.
- The 2019 Work Plan includes activities for which LIPA has direct responsibility, like finance and legal, and oversight activities for functions for which LIPA’s service providers, including PSEG Long Island and National Grid have direct responsibility.

**Oversight findings that involve material deviations from contract standards or that represent a significant risk to the Authority or its customers:**

- Staff has reviewed its oversight observations and audit findings and concludes that none constitute a material deviation or significant risk to the Authority or its customers.

**Activities that foster continuous improvement:**

- As discussed with specificity in the 2018 Work Plan Accomplishments Report, many of the accomplishments Staff achieved during 2018, and the new plans and initiatives Staff will develop in response to its experiences with the 2018 Work Plan, will foster continuous improvement.
- Specifically, Staff (i) worked with the other stakeholders in the State to implement and advance the clean energy and renewables policies that are currently under

development; (ii) explored additional avenues for reducing costs through financial tools; (iii) increased communications with customers and other key stakeholders; and (iv) improved its planning methods, tools and management processes. PSEG Long Island also undertook several initiatives, and the Report describes Staff's oversight of those projects.

**Sufficiency of Authority Staff and resources to achieve oversight goals:**

- As shown in the 2018 Accomplishments Report, Staff completed 57 of the 91 goals it set in the 2018 Work Plan and made significant progress on the remaining 34.
- Staff has identified certain gaps in its resources that warrant adding positions or consulting resources in the information technology department. Those positions are expected to be filled in 2019.

**Annual Review of the Policy**

Staff proposes changes to the Policy, as detailed below and more specifically set forth in Exhibit "B".

In addition to its oversight responsibilities, the Authority has certain responsibilities for managing the affairs of the Authority in the interests of its customer-owners. These responsibilities include budgets, electric rates, and tariffs; setting wholesale markets policy; debt management, and funding the capital program, among other areas. While LIPA management has the primary responsibility for formulating and executing the work plans that advance the Board's policies in these areas, certain amendments are proposed to the Policy to ensure periodic reporting to the Board of the plans formulated by management to advance the Board's policies and LIPA's mission and values.

The Policy will thereby establish the expectations of the Board for both the oversight of the Authority's service providers and management of the Authority's affairs and require regular reporting by Staff to enable the Board to assess the activities called for by the Policy. To reflect these Policy amendments, the Policy is proposed to be renamed the Policy on Oversight and LIPA Operations.

Additionally, certain other non-material wording changes are proposed.

**Recommendation**

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

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

**RESOLUTION RECOMMENDING APPROVAL OF THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON OVERSIGHT**

WHEREAS, the Board Policy on Oversight (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1409, dated March 29, 2018; and

WHEREAS, the Oversight and REV Committee of the Board of Trustees has received the annual Staff report on compliance with the Policy; and

WHEREAS, the Oversight and REV Committee of the Board of Trustees has reviewed the Policy and recommends approval of the changes to the Policy as recommended by Staff.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Oversight and REV Committee of the Board of Trustees hereby recommends that the Board of Trustees find that the Authority has complied with the Policy for the period since the adoption of the Policy, approve the annual report to the Board, and approve updates to the Policy, as recommended herein.

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*Chair Fischl stated that the next item on the agenda is an Update on Public Service Commission’s VDER Proceeding to be presented by Justin Bell.*

*Mr. Bell presented an Update on Public Service Commission’s VDER Proceeding and then took questions from the Trustees.*

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*Chair Fischl stated that the last item on the agenda is the Committee’s Annual Self Report to the Board, to be presented by Bobbi O’Connor.*

*Ms. O’Connor presented the Committee’s Annual Self Report to the Board, and then took questions from the Trustees.*

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*Chair Fischl then entertained a motion to adjourn, which was duly made and seconded, after which the meeting concluded at approximately 11:14 a.m.*

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