LONG ISLAND POWER AUTHORITY

MINUTES OF THE 283rd MEETING

HELD ON JULY 24, 2019

The Long Island Power Authority (the "Authority") was convened for the two-hundred-and-eighty-third time at 11:03 a.m. at LIPA's Headquarters, Uniondale, NY, pursuant to legal notice given on July 19, 2019, and electronic notice posted on the Authority's website.

The following Trustees of the Authority were present:

Ralph Suozzi, Chair
Drew Biondo
Sheldon Cohen
Matthew Cordaro
Mark Fischl
Thomas McAteer
Ali Mohammed

Representing the Authority were Thomas Falcone, Chief Executive Officer; Anna Chacko, General Counsel; Rick Shansky, Vice President of Operations Oversight; Kenneth Kane, Interim Chief Financial Officer, Bobbi O'Connor, Vice President of Policy, Strategy and Administration & Secretary to the Board of Trustees; and Justin Bell, Director of Rates and Regulation.

Representing PSEG Long Island were Rick Walden, Vice President of Customer Service; Paul Napoli, Vice President of Power Markets; John O'Connell, Vice President of Transmission and Distribution, Peggy Keane, Vice President of Construction and Operations and Andrea Elder-Howell, Managing Director and Vice President of Legal.

Chairman Suozzi welcomed everyone to the 283rd meeting of the Long Island Power Authority Board of Trustees and led the Pledge of Allegiance.

Chairman Suozzi welcomed Ali Mohammed, the recent addition to the Board of Trustees and, after the Chairman's opening remarks, stated that the first item on the agenda was the Consideration of the Consent Agenda Items.

After questions and a discussion by the Trustees, and the opportunity for the public to be heard, upon a motion duly made and seconded, the following resolutions were unanimously adopted by the Trustees based on the memoranda summarized below:

1482. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MAY 22, 2019 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on May 22, 2019 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

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Requested Action

The Board of Trustees of the Long Island Power Authority (the "Board") is requested to approve a resolution, attached hereto as Exhibit "A", authorizing the Chief Executive Officer, or his designee, to engage KPMG LLP ("KPMG") to provide financial audit services to the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA (collectively, "LIPA" or the "Authority") for a term not to exceed five (5) years.

Background

LIPA's financial statements are subject to an annual examination by an independent certified public accounting firm in accordance with Generally Accepted Auditing Standards. Such annual audit includes a review and evaluation of the Authority's system of accounts, accounting procedures, internal controls, and business practices to determine its adequacy and compliance with applicable provisions of the laws of the State of New York. The annual audit report may also include recommendations of possible improvements to internal controls, where appropriate. The audit report must conform to the requirements of Public Authorities Law Section 2802 and Governmental Accounting Standards ("GASB").

Discussion

On April 15, 2019, LIPA issued a Request for Proposals ("RFP") seeking qualified firms to provide annual audit services to LIPA. The RFP was distributed to widely known firms, advertised in the New York State Contract Reporter and posted on LIPA's website.

On or before May 15, 2019, three firms responded to the RFP. A fourth firm that submitted a letter of intent to bid subsequently informed LIPA it would not be submitting a response. LIPA staff formed a selection committee to review the responses. The selection committee performed a technical evaluation by scoring each proposal, while LIPA's procurement staff evaluated cost and the Minority and Women Owned Business Enterprises and Service-Disabled Veteran-Owned Business criteria.

Based upon the review of the submissions and an assessment of LIPA's needs, the selection committee determined KPMG was best suited to serve as LIPA's independent accountants. This recommendation was based on the strengths of the firm's ability to provide the required range of services within timeframes specified by LIPA, the firm's demonstrated record of experience in public finance, and the professional qualifications and experience of the team assigned to the audit by KPMG.

KPMG will also provide financial audit services to the Utility Debt Securitization Authority ("UDSA") under the terms its servicing agreement with the Authority for a period of five years.

The Finance and Audit Committee has recommended that the Board authorize the retention of KPMG to provide financial audit services.

Recommendation

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

1483. RESOLUTION AUTHORIZING THE ENGAGEMENT OF A FIRM TO PROVIDE FINANCIAL AUDIT SERVICES

NOW, THEREFORE, BE IT RESOLVED, that consistent with the attached Memorandum, the Chief Executive Officer or his designee be, and hereby is, authorized to engage KPMG LLP to provide financial audit services to the Long Island Power Authority and its subsidiary the Long Island Lighting Company d/b/a LIPA (collectively, "LIPA" or the "Authority") with a contract for a period of five years; and

BE IT FURTHER RESOLVED, that KPMG LLP will also provide financial audit services to the Utility Debt Securitization Authority ("UDSA") under the terms its servicing agreement with the Authority for a period of five years.

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Requested Action

The Board of Trustees of the Long Island Power Authority (the "Board") is requested to adopt a resolution approving certain amendments to the Finance and Audit Committee Charter (the "Charter"), which resolution is attached hereto as Exhibit "A".

Background

The Charter was most recently revised by the Board of Trustees in March 2018. It establishes the purpose, membership, meeting requirements and responsibilities of the Finance and Audit Committee (the "Committee") and serves as the governing document for the Committee. Consistent with the Charter, the Committee has undertaken a thorough review of the Charter's adequacy and compliance with applicable law and has noted certain changes that clarify the Committee's responsibilities and remove redundancies between the responsibilities listed in the Charter and the applicable Board policies.

The Finance and Audit Committee has adopted a resolution recommending approval of the proposed revisions by the Board.

Recommendation

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

1484. APPROVAL OF AMENDMENTS TO THE FINANCE AND AUDIT COMMITTEE CHARTER

WHEREAS, on June 26, 2014, the Board of Trustees adopted the Finance and Audit Committee Charter ("Charter") which establishes, among other things, the purpose, powers, composition and key responsibilities of the Finance and Audit Committee (the "Committee"); and

WHEREAS, the Committee has reviewed the proposed revised Charter and has recommended to the Board the adoption of the revised Charter consistent with the accompanying memorandum.

N**OW, THEREFORE, BE IT RESOLVED**, that the Board of Trustees of the Long Island Power Authority hereby adopt the Long Island Power Authority's "Finance and Audit Committee Charter (July 24, 2019)" in the form presented at this meeting.

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Requested Action

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

Background - Board Policy on Staffing and Employment

By Resolution No. 1338, dated January 25, 2017, the Board adopted the Policy with the purpose of fostering a work environment that attracts and retains the experienced

professionals of diverse talents and backgrounds and promotes an ethical and productive organization. The Board last reviewed and amended the Policy on October 24, 2018.

<u>Compliance with the Policy</u>

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

The Policy requires the Board of Trustees "Appoint and, when necessary, discharge the CEO; evaluate the performance of and determine the compensation of the CEO; and with the advice of the CEO, appoint the other Board-appointed Officers specified in the Authority's By-laws."

- **The Board completed the CEO's annual performance evaluation at its May 2019 Board meeting. The CEO's performance evaluation was prepared by the Chair of the Governance, Planning and Personnel Committee with the assistance of a third-party human resources consultant and 360-degree anonymous feedback from all Trustees as well as the senior staff of the Authority.**

- **The Board requested information on and reviewed the salary of the CEO of $275,000. A survey of 22 public power utilities of similar size to LIPA found an average salary for the position of $435,000, with a range of $235,000 to over $1 million. LIPA was the third-largest utility participating in the public power survey. The LIPA CEO's salary was ranked 20 of the 22 publicly-owned power utilities. A third-party survey that includes investor-owned utilities found an average salary for utilities with between $1 and $3 billion of annual revenue of $935,000 with average total compensation of $1.685 million.**

- **The Board appointed Anna Chacko as General Counsel in July 2018.**

The Policy authorizes and directs the Chief Executive Officer to:

"Manage the organization and staffing of the Authority, including hiring and terminating staff as necessary to enable the Authority to achieve its mission and values, while recognizing that diversity of talent, interests, background and experience is a key attribute to a healthy organization"; and "Maintain staffing at the minimum level necessary to ensure that the Authority is able to meet its obligations with respect to its bonds and notes and all applicable statutes and contracts and oversee the activities of the Authority's service provider."

- **The CEO has managed the staffing levels of the Authority at the minimum level necessary to execute it goals and mission, consistent with the staffing plan reported to the Board in January 2019.**

- **Authority staff consists of 53 full-time employees and 6 part-time employees.**

The Policy directs the CEO to "develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy including: (a) an Employee Handbook that provides guidance to employees regarding their rights, benefits, and responsibilities and (b) an Employee Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee."

- **The Employee Handbook was last comprehensively reviewed and revised in August 2018 and includes all components required by the Policy, comports with all applicable law, and was updated to incorporate changes in human resources best practice. The Handbook is revised and updated as necessary on an on-going basis.**

- **All employees certified their compliance with the Code of Ethics and Conduct.**

The Policy directs the CEO to "Establish and administer compensation practices and benefits for the Authority's staff that are sufficient but not excessive to attract and retain a qualified, experienced workforce; are appropriate based on an individual's knowledge, skill, and contribution; motivate and reward individual accountability and performance; and encourage organizational flexibility and responsiveness to the Authority's mission and values." The Policy contains further guidance on such practices.

- **The Director of Human Resources and Administration completed an annual salary benchmarking analysis for all staff positions using industry specific and national salary data. That benchmarking analysis is consistent with the criteria provided in the Board's Policy and was used to establish a salary range for each position.**

- **The Authority has an active performance appraisal and enhancement system based on an employee's essential job functions, the competencies and behaviors required of their role and their performance against established goals. As required by the Policy, individual employee performance and contribution is considered in setting salaries.**

The Policy directs the CEO to "refrain from establishing or implying employment obligations to individuals of longer than one year or providing compensation that exceeds the level of the Chief Executive Officer without Board approval."

- **All LIPA employees are at-will employees and no LIPA employee's compensation exceeds that of the CEO.**

The Policy directs the CEO to "Establish policies and programs that support and encourage the personal and professional development of employees, including: programs for continuing education, tuition reimbursement, and professional development; core skills continuing education; performance appraisal and enhancement; management and leadership training; and utility and public power industry learning.

- **LIPA has developed a robust in-house training and development program for employees that includes certain management training seminars and programs on**

such topics as Management Essentials, Diversity and Inclusion, Business Etiquette, and Creating Positive Work Environments, among others.

- **LIPA further encourages professional development through: (i) industry webinars, conferences, and training; (ii) reimbursement of professional certifications and memberships; (iii) educational assistance programs; and (iv) a personal development program that incorporates 360-degree feedback, among other initiatives.**

Lastly, the Policy directs the CEO to "maintain a succession plan to address the inevitable turn-over of executives and staff with the least possible interruption to the operations of the Authority."

- **LIPA maintains a succession plan for key staff positions to ensure employees, where possible, can develop the skills and competencies necessary to assume more senior positions. The Board is briefed in Executive Session, at least annually, on the succession plan by the CEO.**

<u>Proposed Changes to the Board Policy</u>

The Board Policy has been revised to clarify certain of the Board of Trustees' responsibilities with respect CEO performance evaluation and compensation, and to clarify the authorizations and directives to the CEO with respect to the Authority's staffing levels and practices. All proposed changes are more fully set forth in Exhibit "B".

<u>Recommendation</u>

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

1485. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES <u>ON THE BOARD POLICY ON STAFFING AND EMPLOYMENT</u>

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

WHEREAS, the Policy was last reviewed and amended by the Board on October 24, 2018; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with and the changes to the Policy recommended herein are due and proper.

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

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in attachment Exhibit "B" are hereby approved.

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Chairman Suozzi stated that the next item on the agenda was the CEO's Report to be presented by Thomas Falcone.

Mr. Falcone presented the CEO Report and took questions from the Trustees.

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Chairman Suozzi stated that the next item on the agenda was the Approval of the Tariff Amendments Relating to the Value of Distributed Energy Resources to be presented by Justin Bell.

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

<u>Requested Action</u>

The Trustees of the Long Island Power Authority (the "Authority") are requested to approve changes to the Authority's Tariff for Electric Service (the "Tariff"), effective August 1, 2019, to modify the Authority's Value of Distributed Resources ("VDER") tariff in accordance with the New York Public Service Commission (the "Commission")'s *Order Regarding Value Stack Compensation* (the "Value Stack Compensation Order") issued and effective on April 18, 2019.[1] The requested updates include changes to the Demand Reduction Value ("DRV"), Locational System Relief Value ("LSRV"), and Capacity Value calculation and compensation, and increasing the eligibility of Phase One Net Metering to additional qualifying projects. Additionally, the Authority staff proposes to update the Tariff to expand eligibility for Value Stack crediting under the VDER tariff to additional technologies in order to further align the Tariff with the September 12, 2018 Commission Order, *In the Matter of the Value of Distributed Energy Resources, Order on Value Stack Eligibility Expansion and other Matters* (the "Value Stack Eligibility Expansion Order")[2] and the December 13, 2018 Commission Order, *In the Matter of the Value of Distributed Energy Resources, Order Implementing Hybrid Energy Storage System Relief* (the "Hybrid Energy Storage System Order").[3]

[1] Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources, Order on Value Stack Compensation,* Issued and Effective April 18, 2019.

[2] Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources, Order on Value Stack Eligibility Expansion and other Matters,* Issued and Effective September 12, 2018.

[3] Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources, Order Implementing Hybrid Energy Storage System Tariff,* Issued and Effective December 13, 2018

Background

On March 9, 2017, the Commission issued its *Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters* (the "VDER Phase One Order")[4], 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"). The Value Stack consists of four compensation components: (1) The Energy Component compensates customers for the amount of energy that is injected onto the grid at the NYISO day-ahead hourly wholesale energy price; (2) The Capacity Component compensates customers for the amount of power a system injects during the highest system peaks; (3) The Environmental Component compensates customers who choose to sell the project's eligible RECs to the Authority. Finally, the (4) Demand Reduction Value Component compensates customers for injections that reduce the distribution grid's peak demand. In addition to the DRV, some projects are eligible for additional compensation, known as the Locational System Relief Value, for those projects in a designated location-specific congestion relief area of the distribution network. On December 19, 2017, the Authority adopted Tariff changes implementing the VDER Phase One Order.

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. These topics include modifications to the calculations of the DRV and LSRV, increasing the eligibility of Phase One NEM to projects with a rated capacity of 750 kW AC or lower, improvements to the calculation of the Capacity Value, and expanding eligibility of Value Stack crediting to additional technologies, such as resources qualified under the Clean Energy Standard ("CES") as eligible to receive renewable energy credits.[5] PSEG Long Island participated in the working group meetings on behalf of the Authority. The Commission subsequently issued Orders on September 12, 2018, December 13, 2018, and April 18, 2019 to revise the VDER tariffs (collectively referred to herein as the "VDER Orders").[6] Staff is recommending that the LIPA Tariff be modified to conform to these Statewide policies.

Proposed Action

Consistent with the VDER Orders, the Authority Staff proposes to make the following changes to the Value of Distributed Energy Resources tariff:

Phase One NEM for Certain On-site Projects

An update to Phase One NEM extends eligibility for net energy metering ("NEM") to projects that are at the same location and behind the same meter as the electric customer whose usage they are designed to off-set; and (a) have a rated capacity of 750 kW AC or lower; and (b) have an estimated annual output less than 110% of that customer's annual

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[4] Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources, Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters*, Issued and effective March 9, 2017

[5] The CES defines certain technologies as eligible for "Tier 1" renewable energy credits in Case 15-E-0302, *Appendices to Order Adopting a Clean Energy Standards*, August 1, 2016.

[6] *Supra*, notes 1-3.

usage in kWh. Upon PSEG Long Island's and LIPA's recommendation, the Commission raised this output limit to 110% from 100%, as had originally been proposed, in order to accommodate future growth needs of the customers, and ordered this change for all State's utilities. As VDER Phase One NEM is transitional by nature, the Commission recognizes that the Value Stack compensation model may not be well-suited for use in all cases and market segments. For example, smaller demand-metered non-residential customers may prefer an option for more fixed compensation alternatives for DER projects than the Value Stack provides.

Per the Value Stack Compensation Order, Staff proposes the extension of Phase One NEM eligibility to projects that meet the above criteria and qualify before January 1, 2020, or such later date as may be established by subsequent Commission order, for a 20-year term from each project's in-service date.

Due to the extension of Phase One NEM, updated customer and project definitions were created for the purposes of the tariff. There are now four (4) categories of customers eligible for compensation under the Value Stack tariff or Phase One NEM.

1) **Mass Market Customers** which applies to residential and small commercial **customers without demand billing. Mass Market Customers who add NEM eligible generating equipment or become a satellite participant in a CDG project are eligible for Phase One NEM.**
2) **Commercial Demand NEM Customers which applies to commercial customers with demand billing that (a) have submitted a complete application as per Step 3 of the Authority's "Smart Grid Small Generator Interconnection Procedures" on or after May 1, 2018, and are at the same location and behind the same meter as the electric customer whose usage they are designed to off-set and; (b) have a rated capacity of up to 750 kW AC; (c) have an estimated annual output less than or equal to 110% of that customer's historic annual usage in kWh; and (d) have not elected compensation under the Value Stack tariff. Commercial Demand NEM Customers are eligible for Phase One NEM.**
3) **Large Onsite Customers which applies to customers with Net Metered Eligible Technologies that are at the same location and behind the same meter as the electric customer whose usage they are designed to off-set; and (a) have a rated capacity of higher than 750 kW AC or (b) have an estimated annual output greater than 110% of that customer's historic annual usage in kWh, or (c) are a commercial demand billed customer that has opted to be a Large Onsite Customer, or (d) are a commercial demand billed customer that does not qualify to be a Commercial Demand NEM Customer. Large Onsite Customers are eligible for compensation under the Value Stack tariff.**
4) **Large Offsite Customers which applies to all demand billed commercial Remote Net Metering and demand billed commercial Community Distributed Generation customers. Large Offsite Customers are eligible for compensation under the Value Stack tariff.**

<u>Expand Eligibility for Value Stack Crediting</u>

The Commission Order allowed for Value Stack crediting under VDER tariffs to include generation technologies that satisfy the requirements described for Tier 1 resources under the CES such as tidal energy generators and biomass anaerobic food waste digestors, Regenerative Braking, Vehicle-to-Grid[7], and Hybrid Energy Storage Systems.[8]

<u>Modifications to the DRV Calculations</u>

The Order[9] modifies the calculation of the DRV. Staff proposes that the DRV compensation, under the new methodology, be calculated as the assigned $/kW-year value for DRV from the Authority's already approved Statement of Value Stack Credits divided by the peak hours of the year. For PSEG Long Island, the summer peak hours are from 2:00 PM to 7:00 PM on each non-holiday weekdays from June 1 through August 31, excluding Independence Day. This would result in DRV compensation being spread over 320 or 325 hours each year. The hours used for PSEG Long Island DRV Calculation vary from the hours used for other utilities, as other utilities begin their hours on June 24; however, PSEG Long Island has experienced system peak in early June two times in the last ten years. The Commission Order authorizes each utility to use the hours appropriate to its situation. This varies from the existing methodology of calculating the DRV based on the injections from the project during the top ten peak hours. The top ten peak hours were determined after the summer season, which prevented developers from meaningfully predicting or managing DRV compensation. Under the new methodology, the DRV calculation will be based on injections from the project for the known hours for which a peak will likely occur. This will allow project owners the opportunity to better develop their projects based on more predictable calculations.

The DRV will include a modification to have the rate locked in for ten years, an increase from three years which provides greater stability for the project's financing.

In addition to the modification of the calculation of DRV, the Tariff will allow dispatchable renewable projects to make a one-time irreversible decision to opt-in to the Commercial System Relief Program ("CSRP") program in place of receiving the DRV, as was ordered in the Value Stack Compensation Order. The Commission stated it was necessary to make this option available because some projects may prefer the CSRP's smaller number of called events.

<u>Modifications to the LSRV</u>

An update to the LSRV calculation will introduce a call system, which will make it easier for project owners to take action to maximize their benefits. There must be a minimum of ten calls per year, but the amount of calls can exceed ten. The existing $/kW year credit from the Authority-approved Statement of Value Stack Credits will be divided by ten events to determine the value of each call window. If there are less than ten calls, the project owner will be compensated as if there are ten calls. The call will be made by PSEG Long Island 21

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[7] Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources, Order on Value Stack Eligibility Expansion and other Matters*, Issued and Effective September 12, 2018

[8] Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources, Order Implementing Hybrid Energy Storage System Tariff,* Issued and Effective December 13, 2018

[9] Case 15-E-0751, *In the Matter of the Value of Distributed Energy Resources, Order on Value Stack Compensation,* Issued and Effective April 18, 2019.

hours in advance and will be between one and four hours long. Compensation for a call window shall be based on the lowest hourly net kW injection during the call window.

Under the existing methodology for LSRV, projects were compensated based on their injections during the top ten peak hours of the system, which were defined at the end of the summer season, after they had occurred. The changes to LSRV allow for project owners to take action to increase their injections knowing in advance when an event will occur.

Introduction of a Community Credit

To further encourage Community Distributed Generation ("CDG") projects, the Authority staff proposes to add a Community Credit of an amount identified in the Statement of Value Stack Credits (currently $0.0225) to Large Offsite Customers that are hosts or participants in a CDG project with Eligible Net Metering Technology other than Fuel Cell Generating Equipment, receiving the Value Stack Bill Credit. As provided in the Board's original December 2017 memorandum and resolution implementing VDER Phase One and consistent with statewide policy, CDG projects that complete applications on or after January 1, 2020, will be compensated under the Value Stack Tariff, without exception for mass market satellite accounts. The Community Credit will apply to all satellite participants compensated under the Value Stack Tariff.

Improvements to the Capacity Value

An update to Alternative 1 would calculate the compensation as the monthly NYISO $/kW auction price multiplied by the proxy capacity factor, divided by the expected monthly kWh per kW of capacity. The proxy capacity factor reflects the ratio of the facility's output in the system peak hour divided by the facility's output over the five on-peak hours.

An update to Alternative 2 would calculate the compensation on a smaller amount of peak annual sales. The total $/kW-year value would be determined each year based on the sum of the most recently available monthly NYISO $/kW-Month auction prices for the prior 12 months as of May 31 of each year divided by 240 or 245 hours, based on the number of available hours that year. The available hours would be from 2:00 PM to 7:00 PM on non-holiday weekdays from June 24 to August 31.

An update to Alternative 3 would remove the Top 10 Hour option, which was originally developed to be consistent with the now effective version of the DRV compensation, which is proposed to be changed. The top ten hours were identified at the end of the summer season and compensated based on the performance of the project after the hours were identified. This did not give project owners the opportunity to react in a timely manner. For this reason, the top ten hours has been eliminated to ensure more predictable compensation.

Financial Impact

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. Over the past year, approximately 30 demand-metered commercial customers installed on-site solar, are under 750 kW in size, and were subject to VDER. If those 30 customers elected

to be compensated under Phase One NEM, as would be their option under the proposal, the impact on non-participating customers would be approximately $129,000 per year. The number of such customers that may elect Phase One NEM in the future is difficult to estimate.

<u>Department of Public Service Input</u>

The Department provided helpful input during the development of this tariff proposal that was incorporated into the original proposal.

The DPS has provided a letter recommending adoption of these Tariff modifications (Exhibit D). The DPS's letter also recommended a modification. In its September 12, 2018, *Order on Value Stack Eligibility Expansion and other Matters*, in connection with expanding VDER eligibility to standalone energy storage systems, the Commission ordered that standalone energy storage systems sized above 115% of onsite load are required to enroll in mandatory hourly pricing for imports and entitled to receive Value Stack crediting for hourly exports. Because the Authority does not currently have the billing capability to charge mandatory hourly pricing, Authority staff had originally proposed that these customers enroll in standard commercial rates for their imports and receive SC-11 buyback prices for exports. The DPS recommended, instead, that the Authority require these customers to enroll in an eligible time-of-use rate for imports and receive Value Stack crediting for hourly exports, as this would be more consistent with the statewide approach and the principles of VDER. The Authority staff agrees and has made this change. To be fully aligned with the Commission orders, the Authority will also implement hourly pricing for these customers as soon as it has the billing capability to do so. The DPS also noted that pursuant to the Climate Leadership and Community Protection Act, the VDER Community Credit should apply only to clean energy technologies, which no longer include Fuel Cell Electric Generating Equipment. The Authority staff agrees and has made this change.

<u>Public and Stakeholder Input</u>

Public hearings were held on the Tariff proposal on June 26, 2019 in Nassau County and June 27, 2019 in Suffolk County. Two members of the public attended the hearings and commented on the tariff proposal, Stephen Foley and Tara Bono. Both commenters were representatives of the Long Island Solar Energy Industry Association ("LISEIA"). LISEIA also submitted written comments, which were shared with the Board of Trustees and the staffs of the Authority and PSEG Long Island.

The commenters were generally supportive of the proposal and in favor of the VDER modifications made in recent PSC orders. However, the commenters recommended that the extension of Phase One NEM eligibility to onsite projects sized up to 750 kW be locked in for five years. As ordered by the PSC and reflected in the current proposal, this extension of Phase One NEM eligibility applies, *at a minimum*, to all such projects that qualify before January 1, 2020, for a 20-year term from each project's in-service date. The LISEIA commenters claim that this extension is insufficient to ensure predictability and stability in

the commercial solar market because of the long timeline associated with commercial project development.

> **Staff response: Over the last two years, the Department of Public Service has hosted a series of stakeholder working groups, solicited public comments, engaged expert consultants, and issued staff white papers for further discussion and comment with the aim of refining and improving the value-based compensation of DERs.[10] LIPA, PSEG Long Island, and Long Island stakeholders have engaged with these statewide policymaking activities. These statewide proceedings and working groups are the venue for stakeholders to influence the policymaking process.**
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> **The April 2019 Order Modifying Value Stack Compensation is one of the fruits of this collaborative effort. The Order takes steps to increase the certainty and predictability of value stack compensation. The provision of the Order addressed by this comment is the extension of eligibility for net energy metering to systems under 750 kilowatts in size and located onsite at a demand-metered commercial customer. Per the Order, this proposal would apply, at a minimum, to all such projects that qualify before January 1, 2020, for a 20-year term from each project's in-service date.**
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> **The LISEIA commenters request that the Authority guarantee that projects qualifying after January 1, 2020 (for a period of up to five years), continue to be eligible for net metering. Creating such a guarantee would foreclose the Authority implementing statewide policy in the event the statewide proceedings reach an alternative conclusion. Accordingly, the Authority staff cannot recommend such a guarantee. We note, however, that other changes to VDER set forth in the April Order—such as the new community credit and the extended lock-in of the distribution values—both enrich the level of compensation and increase the predictability for project owners.**

After the public hearings, comments were received from a solar developer who objected to the fact that CDG projects that complete applications on or after January 1, 2020, will be compensated under the Value Stack Tariff, without exception for mass market satellite accounts. The commenter was concerned that this would slow the pace of community solar development as it would result in less favorable compensation for the mass market portion of a community solar project.

> **Staff response: In the rest of New York, CDG projects receive Value Stack compensation for all participants, including mass market participants. When the LIPA Board approved VDER Phase One in December 2017, the Board allowed the CDG industry a more gradual transition to Value Stack compensation by permitting mass market CDG participants to remain on net metering provided the CDG project was substantially interconnected by January 1, 2020. The December 2017 Board memorandum gave notice that this exception from statewide policy was temporary, by providing that "[a]fter January 1, 2020, and if the total capacity of NEM and CDG**

[10] Information on the value stack and net energy metering proceeding, including working group agendas, is available at: http://www3.dps.ny.gov/W/PSCWeb.nsf/All/8A5F3592472A270C8525808800517BDD?OpenDocument.

projects interconnected after the effective date reaches 94 megawatts before January 1, 2020, new mass market CDG customers will be compensated under the Phase One Value Stack plus a CDG transition credit."

Staff notes that the current tariff proposal provides more forgiving grandfathering terms that allow any CDG project that has completed its application before January 1, 2020 to receive compensation for its mass market customers under Phase One NEM.

Staff further notes that the new community credit will further ease the transition for these projects, as the credit covers a portion of the "value gap", which is the difference between the value that CDG projects provide to the electric grid (i.e. the Value Stack) and the relatively higher compensation they received under net metering.

Additional comments were received from Tara Bono of LISEIA on July 22, 2019. Although the comments were received after the close of the public comment period, they are addressed here. The comments requested further grandfathering of CDG projects to allow the mass market participants in CDG projects that apply after January 1, 2020 and before January 1, 2021 to be eligible for net energy metering. In support of this request, Ms. Bono writes that certain incentives are lower in Long Island than in the rest of the state, including: the VDER Community Credit; the battery incentive; solar rebates; incentives for carports; and that interconnection costs and related hurdles are higher.

Staff response: As noted above, the compensation of mass market participants in new CDG projects under VDER (rather than net energy metering) was passed in 2017, together with the rest of the state. On Long Island, implementation was delayed by two years (to January 1, 2020) to allow for a more gradual transition. The Long Island industry has had two more years than the rest of the state to prepare.

The newly proposed community credit is a supplement over and above the value that CDG projects provide to the grid. It is based on the Long Island-specific difference between average VDER payments and net metering. Most of the state's utilities have a 2.25 cent community credit. For consistency and to alleviate stakeholder concerns, LIPA Staff proposes to increase the community credit to 2.25 cents (from 1.2 cents as originally proposed). In addition, as it does other value stack components, LIPA Staff will periodically review the community credit together with DPS and NYSERDA.

In further response, Authority staff notes:

- **Long Island's NYSERDA storage incentives of \$250/kWh are the second-highest in the state, after New York City.**
- **Long Island has the state's first (and, to our knowledge, only) demand response incentives for storage and hybrid storage + solar.**
- **Through LIPA's rebates and NYSERDA NY Sun block grants, customers and developers have received over \$226 million in behind-the-meter residential and commercial solar incentives on Long Island since 2000. These rebates and**

block grants were intended to stimulate the behind-the-meter solar market not to provide a permanent subsidy.

- **In addition to the programs offered in the rest of the state, LIPA has offered Feedin-Tariffs (FITs), which target the same mid-size solar projects as the CDG program. The most recent FIT was open to commercial roof-tops and carports.**
- **PSEG Long Island's energy efficiency and DER budget is funded in part by RGGI funds and in part through LIPA's DER rider. It includes a broad array of Utility 2.0 projects, BTM storage and hybrid storage+solar incentives, grid-scale storage projects, energy efficiency programs, smart metering, smart thermostats, non-wire alternatives, electric vehicle programs, interconnection process improvements, and more. Additional renewable energy projects are funded through LIPA's power supply charge.**

No other public comments were received.

Recommendation

For the foregoing reasons, I recommend that the Trustees approve the modifications to the Tariff for Electric Service described herein and set forth in the accompanying resolutions.

After questions and a discussion by the Trustees, and the opportunity for the public to be heard, upon a motion duly made and seconded, the following resolution was approved by the Trustees.

1486. APPROVAL OF MODIFICATIONS TO THE VALUE OF DISTRIBUTED ENERGY RESOURCES TARIFF TO EFFECTUATE RECENT ACTIONS OF THE PUBLIC SERVICE COMMISSION

WHEREAS, on December 19, 2017, the Authority adopted Tariff changes implementing the Value of Distributed Energy Resources Phase One Order ("VDER Phase One"); and

WHEREAS, the New York Public Service Commission subsequently issued orders modifying VDER Phase One; and

WHEREAS, the Board accepts the recommendations of the Authority staff to implement modifications of VDER Phase One in accordance with the Commission's orders; 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 August 15, 2018, two public hearings were held in Suffolk and Nassau counties on June 26 and June 27, 2019, and the public comment period has since expired;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, the proposed modifications to the Authority's Tariff are hereby adopted and approved to be effective August 1, 2019; and be it further

RESOLVED, that the Chief Executive Officer and his designees are authorized to carry out all actions deemed necessary or convenient to implement this Tariff; and be it further

RESOLVED, that the Tariff amendments reflected in the attached redlined Tariff leaves are approved.

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Chairman Suozzi stated that the next item on the agenda was the Approval of the Annual Report and Amendments to the Board's Policy on Resource Planning, Energy Efficiency and Renewable Energy to be presented by Rick Shansky and Paul Napoli.

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

Requested Action

The Board of Trustees of the Long Island Power Authority (the "Board") is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Resource Planning, Energy Efficiency and Renewable Energy (the "Policy") (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) approving certain amendments to the Policy, which resolution is attached hereto as Exhibit "A"

Background

By Resolution No. 1372, dated July 26, 2017, the Board adopted the Policy. The Policy was last amended by the Board by Resolution No. 1421, dated July 25, 2018.

The Policy sets objectives for resource planning, power supply procurement, portfolio management, and energy efficiency programs that support the Authority's mission and the State's clean energy goals. The Policy also establishes regular performance reporting by Staff to enable the Board to assess performance against the objectives of the Policy.

Compliance with the Policy

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

Compliance with each element of the Policy is discussed in detail below.

Planning

"Planning for and maintaining a power supply portfolio that meets applicable New York State Independent System Operator and New York State Reliability Council requirements, environmental standards, and the State's Clean Energy Standard; and updating the Integrated Resource Plan to reassess system needs, when such updates are necessary, but no less often than every five years."

- **Long Island capacity reserves are expected to meet NYISO's minimum capacity requirement through 2040.**
- **The load forecast continues to decline through the late 2020's. Potential new electrification requirements resulting from New York's recently passed Climate Leadership and Community Protection Act ("CLCPA") will be incorporated into future forecasts.**
- **Implementation of the CLCPA will require replacement of existing fossil fuel plants by 2040 with renewable energy, battery storage, energy efficiency projects, and other carbon free technologies.**
- **PSEG Long Island is studying Long Island's peaking generation portfolio and integration of renewables, batteries, demand response, and distributed resources.**
- **Existing resources and current procurements are projected to provide sufficient Renewable Energy Credits ("REC") for the Authority to meet its share of the State Clean Energy for 2019. Future procurements or REC purchases from NYSERDA will be considered as part of new requirements resulting from the CLCPA for 2020 and beyond.**

Managing the Portfolio

"Managing the power supply portfolio to minimize cost and maximize performance, including the economic scheduling of assets, power plant availability and thermal efficiency, within contractual constraints."

- **All power supply portfolio contracts met or exceeded contract targets.**
- **Heat rate (i.e. efficiency) and availability of generation fleet continues to be better than industry average for comparable technologies.**
- **Nine Mile Point Unit 2's capacity factor for 2018 exceeded industry average.**
- **PSEG Energy Resource & Trade has met or exceeded all contractual performance targets, including Neptune and Cross Sound cable performance, generation bidding to the NYISO, load forecasting, fuel procurement and scheduling, as well as settlements and invoicing.**
- **LIPA obtained reductions in National Grid's gas transportation rates for 2019.**

Competitive Procurement

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

- **LIPA has competitively procured 374 MWs of Clean Energy Standard resources through RFPs and feed-in tariffs, including:**
- **88 MWs of solar projects that are currently operational;**
- **110 MWs of solar projects under development;**
- **130 MWs of offshore wind under development; and**
- **46 MWs of fuel cells under development.**

Clean Energy

"Procuring cost-effective renewable resources, renewable energy certificates ("RECs"), and behind-the-meter resources such as energy efficiency and demand response, including acting in coordination with other State energy authorities, if advantageous to our customers; and 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."

- **LIPA had sufficient RECs to meet its share of the State Clean Energy Standard for 2018 and is projected to have sufficient RECs for 2019, including from the CES procurements described above.**
- **In 2018, residential and commercial energy efficiency programs resulted in 53.8 MW of incremental demand savings and 291,882 MWh of energy savings.**
- **Long Island continues to have the most robust rooftop solar market with more than 45,000 residential systems. In 2018, customer side installed capacity increased 56 MW (DC) with incremental annualized energy savings of 67 MWh.**
- **In 2018, two 5-MW (40 MWh) utility-scale storage systems became operational.**
- **Value of Distributed Resources ("VDER") was instituted for demand-metered customers.**
- **PSEG Long Island has continued a five-year deployment of Smart Meters.**
- **Home Energy Management Program was expanded to 490,000 customers.**
- **Deployed Dynamic Load Management ("DLM") and Edge load curtailment programs.**
- **Initiated the region's first large-scale anaerobic digestor project to produce electricity.**
- **Collaborative partnership for developing a microgrid project in Huntington.**

Wholesale Market Policy

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

- **Opposed rules that would increase Long Island's capacity requirements while reducing capacity requirements for other regions in New York.**
- **Evaluated alternative means to integrate the Social Cost of Carbon into NYISO markets.**
- **Engaged in assessments of NYS NOx emission regulations, integration of carbon costs into energy markets, market rules and investments in energy storage, and offshore wind procurement and market mechanisms and development and integration into transmission and distribution system.**

Annual Review of the Policy

Staff proposes the following revisions to the Policy:

- **The reference to the Clean Energy Standard was updated to "clean energy goals" to reflect the comprehensive clean energy goals of the recently passed CLCPA.**
- **Amending the annual reporting requirements consistent with the reporting requirements for other Board policies.**

The proposed changes are more specifically shown on Exhibit "B".

Recommendation

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

After questions and a discussion by the Trustees, and the opportunity for the public to be heard, upon a motion duly made and seconded, the following resolution was approved by the Trustees.

1487. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON RESOURCE PLANNING, ENERGY EFFICIENCY AND RENEWABLE ENERGY

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

WHEREAS, the Policy was last amended by Resolution No. 1421, dated July 25, 2018; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with and the changes to the Policy recommended herein are due and proper.

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

Planning, Energy Efficiency and Renewable Energy Policy for the period since the last annual review and approves the annual report to the Board; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in attachment Exhibit "B" are hereby approved.

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Chairman Suozzi stated that the next item on the agenda was the Approval of the Annual Report and Amendments to the Board's Policy on Regionally Comparable Rates to be presented by Justin Bell.

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

Requested Action

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

Background

By Resolution No. 1318, dated September 21, 2016, the Board adopted the Policy.[1] The purpose of the Policy is to set reasonable objectives for the Authority's electric rates and rate design and to review LIPA's electric rates relative to other similar regional utilities each year. The Board conducts an annual review of the Policy and considers as part of its review whether LIPA has remained in compliance with the Policy and whether any updates or revisions should be made to the Policy. The Policy was last reviewed and updated by the Board on July 25, 2018.

Compliance with the Regionally Comparable Rates Policy

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

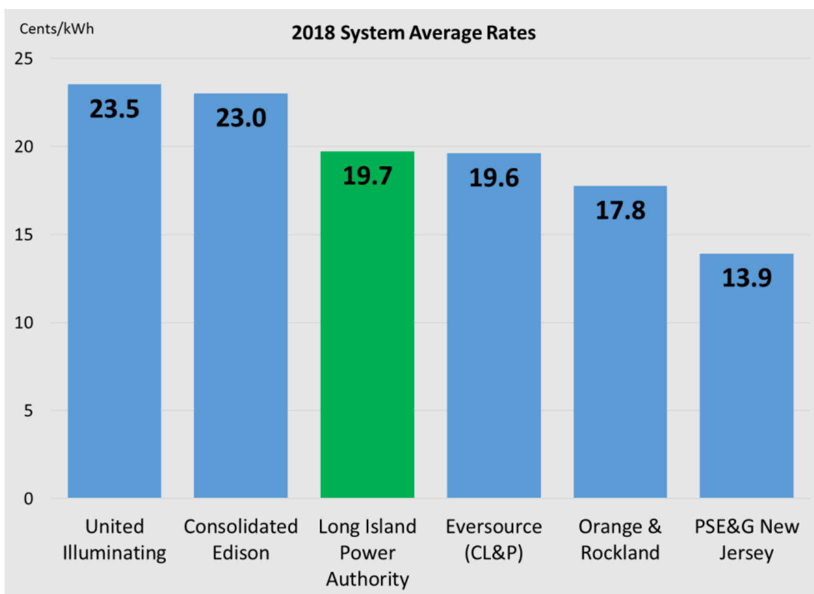
[1] The Policy was originally known as the Board Policy on Competitive Rates.

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

- **In December 2018, the Board of Trustees adopted the 2019 Budget and Rate Update, which implemented an annual budget and rate update at the lowest level consistent with sound fiscal and operating practices, as those practices are defined by Board Policy, and within the statutory threshold provided in the Public Authorities Law.**

***Regionally Comparable Electric Rates*: The Policy states "Electric rates should be comparable to the published rates on a system average basis of other regional utilities that surround the Authority's service territory, which most closely resemble the costs and power/gas supply options of the Authority, including: Consolidated Edison, Orange & Rockland, United Illuminating, Eversource (formerly Connecticut Light and Power), and PSE&G."**

- **LIPA's system average electric rate was 19.7 cents in 2018. This is competitive with the other five major regional utilities that surround LIPA's service territory, listed in the Policy.**
- **The system average electric rates of the regional utilities ranged from 13.9 cents (PSE&G) to 23.5 cents (United Illuminating).**
- **LIPA's system average rate is 16% below the highest priced regional utility, making LIPA's system average rate the third out of six and roughly average for the region.**

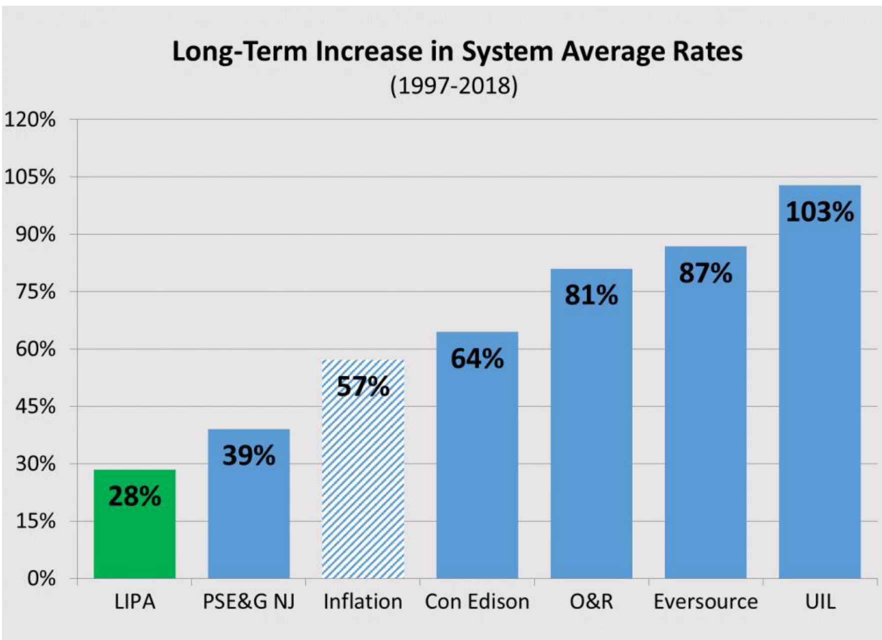


- **If LIPA's property taxes, which comprise 15% of the bill, were equivalent to the national average of 5% of the bill, LIPA's 2018 system average rate would have been 17.6 cents rather than 19.7 cents.**
- **The New York City metro area has above average labor, land, tax, and commodity costs and highly seasonal weather patterns (i.e. electricity is used for cooling in the summer while other fuels are used for heating in the winter). This causes the New**

York metro area to have per kilowatt hour electric rates that are above the national average. For example, the national system average retail electric rate in 2017, according to the U.S. Energy Information Agency, was 10.5 cents per kilowatt-hour. State-by-state averages include 17.6 cents for Connecticut, 17.1 cents for Massachusetts, 14.7 cents for New York, 14.6 cents for Vermont, 13.3 cents for New Jersey, and 10.1 cents for Pennsylvania. Even within New York, there is a significant difference in prevailing power prices between upstate and downstate. The upstate grid is primarily fueled by lower-cost hydro and nuclear power while downstate is primarily fossil-fuel fired generation. The Board's policy recognizes these significant regional differences by benchmarking to five utilities that surround the LIPA service territory rather than utilities in other regions of the country or state.

***Changes in Electric Rates*: The Policy states "Changes in the Authority's electric rates and bills should be similar to other regional utilities on a system average basis."**

- **LIPA's system average rates have been competitive on a long-term basis, having risen more slowly than any of the other regional utilities during LIPA's stewardship of the Long Island grid (see chart below).**
- **LIPA's rates increased 28% since LIPA took over the Long Island grid in 1997, compared to a range of 39% to 103% for the other utilities. The consumer price index, a standard measure of inflation, increased 57%.**



- **Over the past 5 years, LIPA's system average electric rates have increased 0.3% as compared to a range of -3.5% to 26.7% for the other regional utilities.**

***Prudent Rate Design*: The Policy states "Electric rates should: be simple and easy to understand; equitably allocate costs across and within customer classes by taking into consideration the cost to provide service; be affordable by people with low incomes and**

severe medical conditions; and be consistent with statewide policies, where possible, including the goals of the Reforming the Energy Vision, which seeks to encourage the most efficient use of utility plant by reflecting the cost of energy at the time it is used, reducing on-peak use, and encouraging energy efficiency and conservation."

During 2018, the Authority took the following actions in furtherance of this policy:

- **Approved a new rate modernization roadmap and billing engine as part of PSEG Long Island's 2018 Update to its Utility 2.0 Plan**
- **Approved a new "Power to Save" modern time-of-use rate in connection with PSEG Long Island's Super Saver Utility 2.0 initiative**
- **Approved updates to make more efficient lighting options available under the Outdoor Area Lighting tariff**
- **Approved updates to 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 ("PSC")**
- **Approved new 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 customers**
- **Approved expanded 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 PSC action**
- **Approved increases in the Authority's discounts for low-income customers and related improvements to the low-income discount program**
- **Approved an extension of the Authority's Feed-in-Tariff for commercial rooftop solar**
- **Approved clarifications to customers' rights and responsibilities when opting out or requesting removal of an Advanced Metering Infrastructure-equipped smart meter**
- **Approved clarifications to customers' rights to consent to be contacted on a wireless telephone number consistent with recent guidance by the Federal Communications Commission**

2019 Work Plan and Utility 2.0 Plan

LIPA's 2019 Work Plan and PSEG Long Island's Utility 2.0 Plan include numerous proposals to advance the Board's Policy:

- **Development of 2020 rate pilots for time-of-use pricing and electric vehicles**
- **An update to the 2018 Rate Modernization Roadmap**
- **Development of expanded programs to improve energy efficiency and beneficial electrification of heating and cooling, including on-bill financing of heat pumps**
- **Implementation of demand response for behind-the-meter energy storage**
- **Implementation of electric vehicle off-peak charging discounts**
- **Development of a FlexPay program to provide additional payment options for customers**

Annual Review of the Policy

The Policy was last amended by the Board pursuant to Resolution No. 1422, dated July 25, 2018. Staff recommends amendments to the Policy, as shown in Exhibit B, including:

- **Renaming the policy the "Customer Value and Affordability Policy" and adding language to reflect the priorities outlined in the 2019 Budget around customer value. Specifically, that the Authority will strive to maximize the value provided for customers' dollars by investing in areas that customers value and minimizing costs in areas that customers do not value.**
- **Adding language to reflect that, over time, an emphasis on customer value that strikes a balance between cost and service can be expected to result in increases to electric rates similar to the rate of inflation.**
- **Further elaborating on rate design and tariff changes arising out of statewide proceedings, which are intended to be consistent with New York State policy.**

Recommendation

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

After questions and a discussion by the Trustees, and the opportunity for the public to be heard, upon a motion duly made and seconded, the following resolution was approved by the Trustees.

1488. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON REGIONALLY COMPARABLE RATES

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

WHEREAS, the Policy was last amended by the Board pursuant to Resolution No. 1422, dated July 25, 2018; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with and the changes to the Policy recommended herein are due and proper.

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

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in attachment Exhibit "B" are hereby approved.

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Chairman Suozzi stated that the next item on the agenda was the CFO's Report to be presented by Kenneth Kane.

Mr. Kane presented the CFO Report and took questions from the Trustees.

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Chairman Suozzi stated that the next item on the agenda was the Secretary's Report on Board Policies and Communication,to be presented by Bobbi O'Connor.

Ms. O'Connor presented the Secretary's Report and then took questions from the Trustees.

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Chairman Suozzi stated the last item on the agenda was the PSEG Long Island Operating Report to be presented by John O'Connell.

Mr. O'Connell presented the PSEG Long Island Operating Report and took questions from the Trustees.

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Chairman Suozzi then allowed public comment to be heard, and then announced that the next Board meeting is scheduled for Wednesday, September 25, 2019 at 11:00 a.m. in Uniondale.

Chairman Suozzi then asked for a motion to adjourn to Executive Session to discuss litigation matters and announced that no votes would be taken and that the Board would not be returning to Open Session. The motion was duly made and seconded, and the following resolution was adopted:

1489. EXECUTIVE SESSION – PURSUANT TO SECTION 105 OF THE PUBLIC OFFICERS LAW

RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Trustees of the Long Island Power Authority shall convene in Executive Session for the purpose of discussing litigation matters.

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