

**LONG ISLAND POWER AUTHORITY**

**MINUTES OF THE 284th MEETING**

**HELD ON SEPTEMBER 25, 2019**

*The Long Island Power Authority (the “Authority”) was convened for the two-hundred-and-eighty-fourth time at 11:23 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on September 20, 2019, and electronic notice posted on the Authority’s website.*

*The following Trustees of the Authority were present:*

**Ralph Suozzi, Chair  
Elkan Abramowitz  
Drew Biondo  
Sheldon Cohen  
Matthew Cordaro  
Thomas McAteer**

**Representing the Authority were Thomas Falcone, Chief Executive Officer; Anna Chacko, General Counsel; Rick Shansky, Vice President of Operations Oversight; Kenneth Kane, Interim Chief Financial Officer, Bobbi O’Connor, Vice President of Policy, Strategy and Administration & Secretary to the Board of Trustees; Kathleen Mitterway, Vice President of Audit and James Miskiewicz, Assistant General Counsel.**

**Representing PSEG Long Island were Daniel Eichhorn, President and Chief Operating Officer; 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 284th meeting of the Long Island Power Authority Board of Trustees and led the Pledge of Allegiance.*

*After the Chairman's Remarks, Chairman Suozzi 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:*

**1490. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JULY 24, 2019 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY**

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**RESOLVED**, that the Minutes of the meeting of the Authority held on July 24, 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 adopt a resolution: (i) finding that the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA (collectively the "Authority" or "LIPA") have complied with the Board Policy on the Construction of Transmission and Distribution Projects (the "Policy"); (ii) approving the annual report for the Policy; and (iii) approving certain amendments to the Policy, which resolution is attached hereto as Exhibit "A".

**Background**

By Resolution No. 1383, dated September 27, 2017, the Board adopted the Policy with the purpose of supplementing existing requirements and practices and to guide consistent decision making related to: (i) the evaluation of system-wide benefits and costs for underground construction of projects where such benefits may exceed their costs; and (ii) public outreach prior to construction of major projects. The Policy was last reviewed, and amendments approved by Resolution No. 1449, dated December 19, 2018.

**Compliance with the Policy**

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

The Policy requires that the Chief Executive Officer annually report to the Board on compliance with the key provisions of the Policy. The key provisions of the Policy require that LIPA and PSEG Long Island:

**“Utilize standardized criteria for evaluating the system-wide benefits and costs to the public of construction of overhead versus underground transmission projects similar to the criteria used by New York utilities subject to Title 16 of the New York Codes, Rules and Regulations (NYCRR) Part 102<sup>1</sup>”:**

- **In 2019, PSEG Long Island proposed to construct a new Lindbergh Substation together with certain transmission and distribution work in the area around the Nassau Coliseum in Uniondale and East Meadow in the Town of Hempstead. As part of the project, two sections of an existing 69kV overhead transmission circuit totaling approximately 1.75 miles were proposed to be upgraded. In compliance with the Policy, PSEG Long Island prepared the Lindbergh Substation Report (the “Report”) that evaluated the system-wide benefits and costs to the public of construction of overhead versus underground transmission projects similar to the criteria used by other New York utilities.**
- **With respect to outreach, the Report stated that “[o]utreach for the [project] was conducted during several meetings in accordance with PSEG Long Island’s outreach standards. Outreach was conducted with the Town of Hempstead, various Nassau County agencies, including the Executive’s Office and the Legislature, the Department of Public Service staff, Nassau County Community College and a significant number of customers in the vicinity of the Proposed Action.”**
- **The Report concluded that the selection of construction type (i.e. maintenance as an overhead circuit) and outreach satisfied the Policy. The Report was provided to the Board, as well as the Department of Public Service, in accordance with the Policy.**
- **Certain other transmission projects may require a similar type of preconstruction report pursuant to the Policy. These projects may include: (i) construction of a new 69kV transmission line from the Ruland Road substation to the Plainview substation; (ii) reconductoring of an existing 69kV transmission line from the Elwood substation to the Pulaski substation; (ii) reconductoring of an existing 69kV transmission line from the Indian Head substation to the Deposit substation; (iii) reconductoring of an existing 69kV transmission line from the Port Jefferson substation to the Stony Brook substation; and (iv) reconductoring of an existing 69kV transmission line from the Berry Street substation to the South Farmingdale substation. Currently, the proposed projects are expected to be in-service within the next several years.**

**“Maintain a special tariff for undergrounding to provide a financing mechanism that allows local communities to pay for the additional cost of undergrounding all or a portion of a transmission or distribution project where insufficient systemwide benefits exist to justify allocation of the incremental expense throughout the Service Area”:**

- **As previously reported to the Board, in December 2017, the Board adopted changes to the Authority’s Tariff for Electrical Service (the “Tariff”) to create a municipal financing program that allows the Authority to apply a charge to customers in**

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<sup>1</sup> LIPA’s standardized criteria for evaluating eligible projects is included as an attachment to the Policy

**municipalities where the municipality has requested the incremental undergrounding of T&D facilities in lieu of overhead construction where overhead construction is the appropriate method.**

- **The Tariff provisions allow the requesting municipality the option of paying either the full incremental cost of undergrounding in advance of construction or paying the cost in the form of an incremental consumption charge for a period of 20 years.**
- **Pursuant to these Tariff provisions, PSEG Long Island has begun discussions with the Village of Farmingdale and the Village of Westhampton Beach to underground certain distribution facilities in commercial areas. The final details of these projects remain pending. The status of those projects will be reported to the Board as part of the next annual review.**

**“Conduct outreach to affected public officials, civic leaders, and communities in advance of the construction of transmission and distribution projects in a manner appropriate to each project, including visual representations of the proposed project as built, if appropriate, consistent with industry best practices, as mutually agreed upon by the Service Provider and LIPA, and in consultation with the Department of Public Service”:**

- **PSEG Long Island outreach is integrated into capital project planning, design and construction.**
- **Project scoring with outreach tiers is assigned based on various factors, including, project need, community impact, governmental impact, media landscape, permitting and regulatory requirements, aesthetic impacts, and environmental, historical, cultural and construction considerations. An outreach plan is developed for each specific project. The outreach tiers are used as a guideline, and outreach tools are then tailored to each project’s specific circumstances.**
- **Tier 1 project activities may include: (i) developing collateral materials; (ii) conducting media and regulatory audits to determine the outreach landscape and identification of stakeholders; (iii) briefing impacted officials; and (iv) notifying impacted customers.**
- **Tier 2 project activities may include: (i) all Tier 1 activities; (ii) mailings or door hangers to impacted customers; (iii) follow-up with impacted officials; and (iv) sharing project information on the PSEG Long Island’s website and social media accounts.**
- **Tier 3 project activities may include: (i) all Tier 1 and 2 activities; (ii) engaging in early design discussions; (iii) conducting early outreach and partnering with elected officials; (iv) hosting open houses; (v) collaborating with third-party experts; (vi) implementing a print and/or broadcast media communications plan; and (vii) email updates to impacted customers.**

- Since the last annual report to the Board, the new Montauk substation was designated as a Tier 3 project. Tier 2 projects included both the Lindbergh and Hempstead substations and associated transmission and distribution line projects, the LIRR pole replacement project, as well as several others started in 2019.

### Annual Review of the Policy

Staff proposes the following changes to the Policy:

- Clarifications to distinguish the sections of the Policy that apply to transmission projects as compared to those portions of the Policy that apply to distribution projects.
- Certain other non-material wording changes as set forth in 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.

### 1491. RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS ON THE BOARD POLICY ON THE CONSTRUCTION OF TRANSMISSION AND DISTRIBUTION PROJECTS

WHEREAS, the Board Policy on the Construction of Transmission and Distribution Projects (the “Policy”) was originally approved by the Board of Trustees Resolution No. 1383, dated September 27, 2017; and

WHEREAS, the Policy was last amended by the Board pursuant to Resolution No. 1449, dated December 19, 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 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 Exhibit “B” are hereby approved.

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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 the Long Island Lighting Company d/b/a LIPA (collectively the “Authority” or “LIPA”) has complied with the Board Policy on Enterprise Risk Management (the “ERM Policy” or “Policy”); (ii) approving the annual report for the Policy; and (iii) approving certain amendments to the Policy, as detailed herein, which resolution is attached hereto as Exhibit “A”.

## **Background - Board Policy on Enterprise Risk Management**

By Resolution No. 1351, dated March 29, 2017, the Board adopted the ERM Policy, focusing on the identification, assessment, management and mitigation of risks. The Policy was last reviewed and amended by the Board by Resolution No. 1428, dated September 27, 2018.

The Finance & Audit Committee (“F&A Committee”) of the Board, in its Charter, was delegated the responsibility of reviewing the Authority’s practices relating to Enterprise Risk Management (“ERM”). The Authority’s Service Provider, PSEG Long Island, also participates in the implementation of the Authority’s ERM Program. There are certain ERM Program requirements, which are described below.

Specifically, the Policy provides that “the Chief Executive Officer or his or her designee will report annually to the F&A Committee of the Board on the Policy, including: review of the significant risks to LIPA’s mission; and compliance with the key provisions 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 objectives of the Policy for the period since the last annual report.

The Policy provides: “under the direction of the Authority’s Chief Executive Officer, the Authority and its Service Provider shall maintain an Enterprise Risk Management Program with the following key provisions”:

“An Executive Risk Management Committee consisting of the Chief Financial Officer and at least two other Authority staff appointed by the Chief Executive Officer, one of whom must be drawn from LIPA’s senior management, to oversee the processes and procedures of the Program”

- The Authority has an active Executive Risk Management Committee (“ERMC”) that reviews the ERM process and controls and oversees the implementation of the ERM Program. Over the last twelve months, the ERMC has met seven times to review the progress of the ERM Program at LIPA and PSEG Long Island. This included review of the assessment and mitigation efforts of all LIPA departments, as well as completed actions relating to the DPS Recommendation.

- **Currently there are seven members on the Committee including the CEO, Interim CFO, the VP Policy, Strategy & Administration and other Staff at the Director level.**
- **The ERMC maintains an ERM procedures manual that was recently updated by the ERM staff and approved by the ERMC reflecting additional risk assessment factors, prioritization criteria, reporting framework and governance practices.**

**The ERM Policy also provides that: “An evaluation of the most significant risks facing the Authority and its Service Provider, and corresponding mitigation activities, reported to senior management of the Authority and its Service Provider for review and evaluation on an annual basis, with ongoing monitoring activity between reviews”**

- **In 2018, the Authority and PSEG Long Island revised the ERM Program to follow a bottom up approach to engage each department or business unit at LIPA and PSEG Long Island. ERM staff from the Authority and PSEG Long Island collectively facilitated working sessions with the appropriate subject matter experts in each department or business unit.**
- **The ERM process includes the identification of risks affecting LIPA’s and PSEG Long Islands’ goals and objectives and utilizes quantitative and qualitative methods to assess the magnitude of the risk exposure. The ERM process includes a review of the mitigation of each risk. Each department or business unit Vice President is required to review and approve the department risks portfolio and mitigation activities as risk-owner.**
- **LIPA and PSEG Long Island have established a reporting structure whereby a formal presentation of the significant high-priority risks and associated mitigation activities of each department is brought before LIPA’s and PSEG Long Island’s senior management at their Management Review Board meetings.**
- **Annually, the F&A Committee receives an ERM Program Update highlighting the significant risks facing LIPA and PSEG Long Island and mitigation strategies concurrent with this annual report.**

**The ERM Policy recognizes insurance and business continuity planning as strategies to mitigate exposure to certain risks, noting:**

**“A review of the Authority’s insurance and other forms of coverage against insurable risks, including the availability and economics of such coverage, performed each year.”; and**

**“Business continuity plans for LIPA and its Service Provider that are reviewed each year.”**

**Insurance:**

- Each year the Authority and its insurance advisor oversee the placement of various policies by PSEG Long Island such as property insurance and general liability insurance and other required coverages as deemed prudent to protect the interest of the Authority’s bondholders and customer-owners.
- The AR OSA requires the Authority to provide written notification to PSEG Long Island regarding the renewal of required policies, desired changes in coverages, and any requests to investigate other types of coverages. The Authority’s notification is sent each December.
- The Authority maintains several other insurance policies including directors and officers liability, premises general liability and property insurance as well as cyber insurance and employee practices liability insurance.
- The levels of coverage were reviewed during 2019 and prudent and economic levels of coverage are in place for each type of policy, including:
  - D&O Insurance \$200M Limit/\$1M Retention
  - Excess 3<sup>rd</sup> Party General Liability \$300M Limit/\$3M Retention
  - Property Insurance (all risks, excludes wires and poles) \$500M/CAT\$300M Limit adder/\$1.5-\$7.5M Retention; includes U.S. Property Terrorism
  - Cyber Insurance:
    - LIPA named insured on PSEG Long Island’s Cyber Insurance \$15M Limit/\$2.5M Retention
    - LIPA Business Office Cyber Policy \$5M Limit/\$10K retention
  - Nuclear Electric Replacement (NMP2) \$300M Limit/12-week deductible period
  - Employee Practices Liability Insurance \$5M Limit + \$1M Additional Defense Cost/\$15K Retention
  - LIPA premises Liability and Property Insurance \$150K-\$3M Limit/\$0 Retention

**Business Continuity:**

- The Authority maintains departmental and corporate level business continuity plans (“BCPs”). PSEG Long Island also maintains detailed business continuity plans for each operational area within each business unit.
- LIPA and PSEG Long Island’s BCPs are reviewed annually and were reviewed during 2019.
- Alternative operations within the BCPs are tested on a periodic basis to assure the most essential business functions are maintained or returned to service in appropriate time frames. Most tests have been completed, with the remaining tests and exercises to be completed by the end of 2019.



The ERM Policy also requires a maturity assessment of the ERM Program to assure the continued development of an effective ERM process, stating: “An annual review of the maturity of the Program compared to industry best practices, will be provided to senior management and the Authority’s Internal Audit staff.”

- The updated maturity model was provided to senior management and discussed at the ERMC’s September meeting.
- The Authority’s Internal Audit department received a copy of the 2019 ERM maturity assessment and diagnostic report prepared by a third-party vendor which measures the current maturity of the Authority’s ERM Program and comparison to industry benchmark.

### Annual Review of the Policy

Authority Staff has reviewed the Policy and recommends: (i) renaming the Executive Risk Management Committee as the Enterprise Risk Management Committee and minor modifications to the required composition of the Committee; and (ii) certain other non-material wording changes. The proposed changes to the Policy are more particularly set forth in 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.

### 1492. RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS ON THE BOARD POLICY ON ENTERPRISE RISK MANAGEMENT

WHEREAS, the Enterprise Risk Management Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1351, dated March 29, 2017; and

WHEREAS, the Policy was last reviewed and amended by Resolution No. 1428, dated September 27, 2018; and

WHEREAS, the Finance and Audit Committee of the Board of Trustees has conducted an annual review of the Policy and has recommended 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 of Trustees hereby finds that the Authority has complied with the Policy for the period since the last annual review and approves the annual report.

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

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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 the Long Island Lighting Company d/b/a LIPA (collectively the “Authority” or “LIPA”) has complied with the Board Policy on the Power Supply Hedging Program (the “Policy”); (ii) approving the annual report for the Policy; and (iii) approving certain amendments to the Policy, as detailed herein, which resolution is attached hereto as Exhibit “A”.

### **Background - Board Policy on the Power Supply Hedging Program**

By Resolution No.1352, dated March 29, 2017, the Board adopted the Policy to maintain an effective commodity hedging program, focused on meeting the expectations of the Authority’s customers for reasonable stability and predictability in power supply costs. The Policy was last reviewed and amended by Resolution No. 1429, dated September 27, 2018.

The Finance & Audit Committee (“F&A Committee”) of the Authority’s Board of Trustees, in its charter, was delegated the responsibility of reviewing the Authority’s practices relating to commodity risk management. Certain responsibilities, as set forth in the Policy, were delegated by the Board to the Executive Risk Management Committee (“ERMC”).

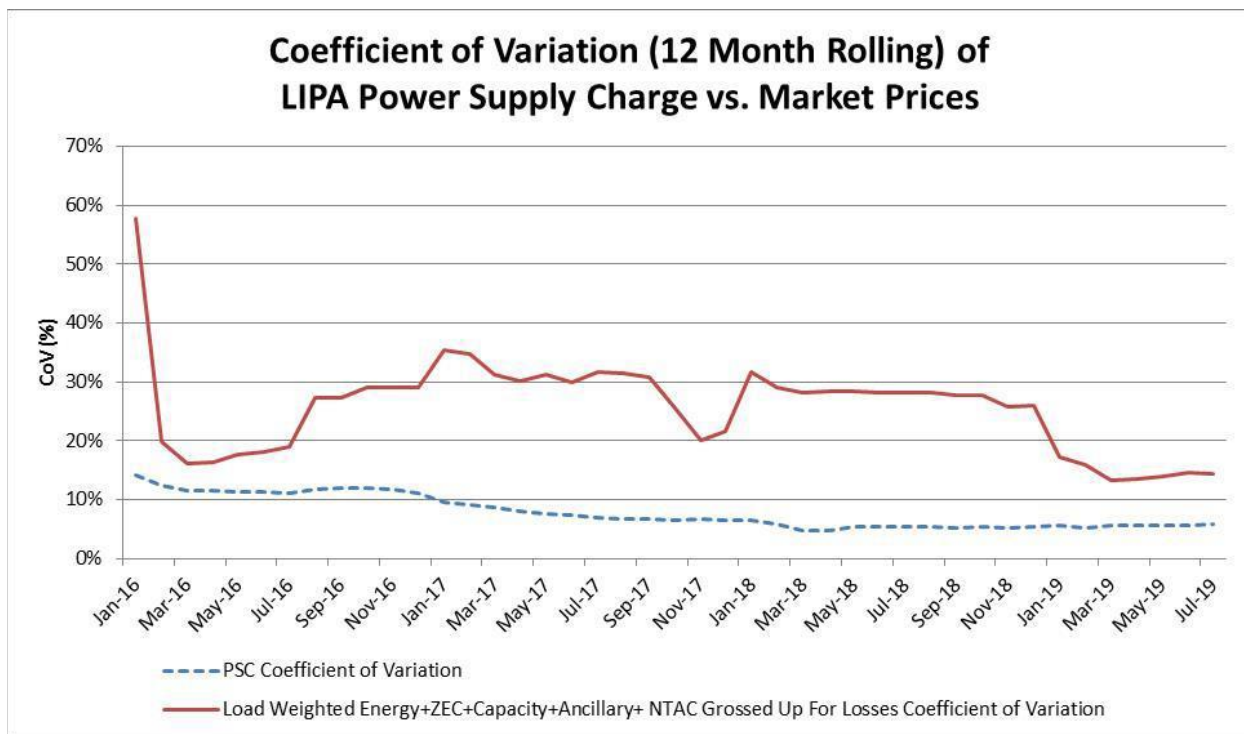
Specifically, the Policy provides that “the Chief Executive Officer, or his or her designee, will provide an annual compliance report on the Power Supply Hedging Program to the Finance and Audit Committee.”

### **Compliance with the Policy**

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

The Policy is intended to “Mitigate a portion of the volatility of power supply costs in a programmatic and reasonable way on behalf of the Authority’s customer-owners.”

- The ERMC approves the LIPA Hedge Plan which identifies certain power supply cost components which can be fixed to create reasonable and stable rates. In general, hedging these cost components has proven to reduce the Power Supply Charge (“PSC”) volatility in the absence of a hedging program and purchasing power in the open market. PSEG Energy Resource and Trade (“PSEG ER&T”) presented to the F&A Committee at the September 25, 2019 meeting the following graph indicating the actual PSC volatility as compared to the volatility customers would be exposed to based upon unhedged market prices.



The Policy shall be “executed using financial derivative and physical supply and delivery contracts for a portion of the Authority’s projected fuel and purchased power purchases, provided, however that: the net hedge position does not exceed 90% of projected fuel and purchased power needs; and the term of any such hedge does not exceed ten years without the prior approval of the Board or a term in excess of seventy-two (72) months without the prior approval of the Finance and Audit Committee of the Board.”

- PSEG ER&T authorized traders to execute both financial and physical hedge transactions on the Authority’s behalf for defined volumes that as of January 1, 2020 would be within a 59-month hedge horizon. All transactions are monitored by PSEG Enterprise Risk Management (“PSEG ERM”) back office for compliance; PSEG ERM generates and distributes hedge ratio position reports daily, weekly and monthly to the Authority’s ERMC staff.
- Hedge transactions are triggered based on a time or value trigger protocol that has been established with an independent third-party hedge advisor. Time-trigger transactions allow for the accumulation of minimum required volume hedge levels under all price environments, value-triggered transactions allow for the accumulation of additional hedge levels based on lower decile pricing levels of value versus 4-year historical pricing. In addition, volumes associated with Board Approved Purchase Power Agreements (“PPAs”) having fixed prices and the Authority’s 18% ownership of Nine Mile Point 2 are included as part of the hedged volume. Currently, the ERMC has set a maximum hedge level limit of 85%.

- No hedges exceed a term of seventy-two months and the net hedge position does not exceed 90% of projected fuel and purchased power needs, meeting the requirements of the Policy.

The Policy states that the program shall “Achieve appropriate risk mitigation and is not for purposes of financial speculation.”

- All transactions are based on ERMC Approved projected fuel and power requirements associated with the Authority-approved annual sales forecast. Specific power supply component volumes are also validated against historical consumption data. Each hedge transaction is reviewed by PSEG ERM’s middle-office risk management group for compliance to ERMC approved LIPA Hedge Plan and procedures.

The Policy states that the program shall “Provide transparency regarding the Authority’s commodity risk management activities and the results of such activities.”

- PSEG ER&T and PSEG ERM provide to the ERMC staff on a daily, weekly and monthly basis a hedge transaction report, hedge position report and position valuation report. In addition, the following table identifies several other required reports to the ERMC and to the Authority’s F&A Committee, their distribution and reporting frequency and the originator of the reports.

<b>Report</b>	<b>Distribution</b>	<b>Normal Frequency</b>	<b>Originator</b>
<b>Trading Activity Summary</b>	<b>ERMC Traders</b>	<b>Daily Weekly</b>	<b>Front Office Middle Office</b>
<b>Position Report</b>	<b>ERMC Traders</b>	<b>Weekly</b>	<b>Middle Office</b>
<b>Credit Risk Exposure Reports</b>	<b>ERMC Traders</b>	<b>Weekly</b>	<b>Middle Office</b>
<b>ERMC Meeting Minutes</b>	<b>ERMC</b>	<b>As Meetings are Held</b>	<b>ERMC Designated Secretary</b>
<b>Benchmarking</b>	<b>ERMC</b>	<b>Quarterly</b>	<b>Independent third-party hedge advisor</b>
<b>Power Supply Hedging Program</b>	<b>Board Finance &amp; Audit Committee</b>	<b>Bi-annually</b>	<b>PSEG ER&amp;T</b>
<b>Annual Compliance Report</b>	<b>Board Finance &amp; Audit Committee</b>	<b>Annually</b>	<b>CEO or Designee</b>

**The Policy requires that “the Authority’s Chief Executive Officer shall appoint an Executive Risk Management Committee (“ERMC”) consisting of the Chief Financial Officer and at least two other Authority staff, one of which must be drawn from the senior management of the Authority. The ERMC will establish, maintain, and monitor processes and controls, the conduct of the Authority’s Power Supply Hedging Program, and the activities of its Service Provider, PSEG Energy Resource and Trade (“PSEG ER&T”). The key provisions of the ERMC’s activities shall include”:**

**“Oversight and ensuring that all Power Supply Hedging Program activities conducted by the Authority and PSEG ER&T are in accordance with this Board Policy Statement”.**

- **All active participants of the Power Supply Hedging Program are required to read and comply with the ERMC Approved Policies, Controls and Procedures Manual for Power Supply Hedging Program (“Manual”), which incorporates the Board Policy. All active participants are required to certify compliance with the Manual and Policy by executing the Yearly Certification of Compliance with Risk Management Policy and Procedures Form.**

**“Determining the Authority’s tolerance for exposure to fuel and purchased power price movements and power supply cost volatility considering the costs of limiting such exposure.”**

- **The ERMC has approved a Manual for the hedging program that establishes the Authority’s tolerance for exposure to fuel and purchased power price movements. The ERMC has established minimum and maximum hedging limits by time-period as well as collateral posting limits.**
- **The cost of the hedging program is evaluated each day in the form of mark-to-market value of the positions and stress testing collateral exposure potential of all positions executed to limit PSC volatility.**

**“Addressing all risk factors that are demonstrably quantifiable, actionable and material to the program.”**

- **The ERMC approved Manual specifically identifies authorized markets and delivery points, permissible hedge instruments and the terms and volumes available for hedging to reduce PSC volatility. Within the Manual there is also a specific LIPA Hedge Plan that addresses the PSC hedge components that are quantifiable, actionable and there is market liquidity available to hedge the required products and delivery points (i.e. natural gas, gas basis, power, power basis).**

**“Establishing risk boundaries consistent with such tolerances and evaluating allowable financial and physical instruments in executing the Power Supply Hedging Program.”**

- **The ERMC approved Manual specifically identifies authorized markets, delivery points, permissible hedge instruments, terms and volumes associated with hedging to reduce PSC volatility. Within the Manual there is also a specific LIPA Hedge Plan**

which addresses minimum and maximum hedge levels by time-period – consistent with utility peers.

“Establishing appropriate processes and protocols to review and monitor counterparty credit worthiness on a regular basis.”

- The Manual identifies specific procedures carried out by PSEG Credit Risk Management on behalf of the Authority for managing and monitoring counterparty credit risk on an ongoing basis. PSEG Credit Risk Management provides the ERM with a credit report each week as noted above.

“Monitoring Commodity Futures Trading Commission rule making and all other regulatory and legal requirements to ensure that the Authority is taking all actions required to maintain compliance with respect to any transactions under the Power Supply Hedging Program.”

- PSEG ER&T, PSEG Corporate Legal department and the Authority’s internal and outside counsel monitor Commodity Futures Trading Commission regulatory rule-making to determine what actions, if any, the Authority is required to undertake to assure continued compliance.

#### Annual Review of the Policy

Authority Staff has reviewed the Policy and recommends: (i) renaming the Executive Risk Management Committee as the Power Supply Risk Management Committee and minor modifications to the required composition of the Committee; and (ii) certain other non-material wording changes. The proposed changes to the Policy are more particularly set forth in 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.

#### 1493. RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS ON THE BOARD POLICY ON THE POWER SUPPLY HEDGING PROGRAM

WHEREAS, the Board Policy on the Power Supply Hedging Program (the “Policy”) was originally approved by the Board of Trustees by Resolution No.1352, dated March 29, 2017; and

WHEREAS, the Policy was last reviewed and amended by Resolution No. 1429, dated September 27, 2018; and

WHEREAS, the Finance and Audit Committee of the Board of Trustees has conducted an annual review of the Policy and has recommended 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 of Trustees hereby finds that the Authority has complied with the Policy for the period since the last annual review and approves the annual report; and

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

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### **Requested Action**

The Board of Trustees (the “Board”) of the Long Island Power Authority (the “Authority”) is requested to adopt a resolution amending the Board Policy on Investments (the “Policy”), which resolution is attached hereto as Exhibit “A”.

### **Discussion**

Consistent with Section 2925 of the Public Authorities Law (“PAL”), the Policy was last reviewed and approved by the Board on March 20, 2019. Subsequent to the March 2019 approval, based on Staff review, Staff is proposing additional modifications to the Policy to: (i) replace the definition of “Authorized Persons” in Section 7 of the Policy, entitled Bank Authorization, to be defined as the Authority’s Chief Executive Officer (CEO) or authorized designees; and (ii) transfer the monetary threshold requirements to an internal Financial Policy and Procedure. These changes are intended to allow more efficient handling of internal processes related to Treasury while maintaining strong system of internal controls.

The suggested changes to the Policy are more fully set forth in Exhibit “B”.

### **Recommendation**

Based upon the foregoing, I recommend the approval of the above requested action by adoption of resolution in the form attached hereto as Exhibit “A”.

### **1494. RESOLUTION APPROVING AMENDMENTS TO THE BOARD POLICY ON INVESTMENTS**

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**RESOLVED**, that the Board of Trustees hereby approves and adopts the revised Board Policy on Investments in the form presented at this meeting to be effective immediately.

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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 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 next item on the agenda was the PSEG Long Island Operating Report to be presented by Daniel Eichhorn.*

*Mr. Eichhorn presented the PSEG Long Island Operating Report and took questions from the Trustees.*

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*Chairman Suozzi stated the last item on the agenda was a Briefing on the Implementation of Management Audit Recommendations to be presented by Kathleen Mitterway and James Miskiewicz.*

*Ms. Mitterway and Mr. Miskiewicz presented a Briefing on the Implementation of Management Audit Recommendations 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, November 13, 2019 at 11:00 a.m. in Uniondale.*

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

**1495. EXECUTIVE SESSION – PURSUANT TO SECTION 105 OF THE PUBLIC OFFICERS LAW**

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**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 12:34 p.m. the Open Session of the Board of Trustees was adjourned on a motion to enter Executive Session.*

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