

**BOARD AGENDA SUMMARY SHEET**

<b>Committee or Board:</b> Board	<b>Date:</b> March 23, 2020	<b>Board Meeting Date:</b> March 27, 2020
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**For All Board Voting Items:**

**Title of Agenda Item:** Approval of Resolutions Related to Revenue Notes and Revolving Credit Agreements

**Consent Agenda:**  Yes  No

**Accompanying Presentation:**  Yes  No

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

**LIPA Presenter:** Kenneth Kane

**PSEG Long Island Presenter:** N/A

**For Finance Approval Items Only:**

**Budget** ; **Plan of Finance** ; **Tariff Changes** ; **Other**  (describe below)

<b>Requested Action:</b>	The Board of Trustees is requested to approve: (i) an amendment of LIPA’s Twenty-Third Supplemental Bond Resolution, as heretofore amended and supplemented, for the purpose of facilitating the marketing of certain Revenue Notes issued thereunder; and (ii) a resolution authorizing the amendment of LIPA’s Revolving Credit Agreement with JP Morgan Chase Bank NA and the execution and delivery of one or more additional revolving credit agreements with one or more financial institutions.
<b>Summary:</b> <b>(include proposed amendments to Board Policies, if applicable)</b>	<p>The Board has previously authorized an aggregate principal amount of Revenue Notes and revolving credit agreements that may be issued and outstanding at any time of up to \$1,200,000,000. These Revenue Notes and revolving credit agreements, together with cash on hand and investments, provide interim funding to LIPA for capital projects, working capital needs, and unexpected events, such as severe storms. The recent public health crisis has caused dislocations in the money markets over the last two weeks. The Federal Reserve and U.S. Treasury have responded with several measures to restore market liquidity and confidence.</p> <p>As we monitor the condition of the money markets and actions by the Federal Reserve, Staff seeks the Board’s authorization for certain changes to the Revenue Note Program and an expansion of revolving credit agreement capacity to provide flexibility to respond to evolving market conditions.</p>

## **FOR CONSIDERATION**

March 27, 2020

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of Resolutions Related to Revenue Notes and Revolving Credit Agreements

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### **Requested Action**

The Board of Trustees is requested to approve: (i) an amendment of LIPA's Twenty-Third Supplemental Bond Resolution, as heretofore amended and supplemented, for the purpose of facilitating the marketing of certain Revenue Notes issued thereunder; and (ii) a resolution authorizing the amendment of LIPA's Revolving Credit Agreement with JP Morgan Chase Bank NA and the execution and delivery of one or more additional revolving credit agreements with one or more financial institutions.

### **Background**

The Board has previously authorized an aggregate principal amount of Revenue Notes and revolving credit agreements that may be issued and outstanding at any time of up to \$1,200,000,000. These Revenue Notes and revolving credit agreements, together with cash on hand and investments, provide interim funding to LIPA for capital projects, working capital needs, and unexpected events, such as severe storms.

The recent public health crisis has caused dislocations in the money markets over the last two weeks. The Federal Reserve and U.S. Treasury have responded with several measures to restore market liquidity and confidence.

### **Discussion**

As we monitor the condition of the money markets and actions by the Federal Reserve, Staff seeks the Board's authorization for certain changes to the Revenue Note Program and an expansion of revolving credit agreement capacity to provide flexibility to respond to evolving market conditions.

*Changes to Revenue Note Program.* LIPA has previously authorized the issuance of senior lien Notes in one or more series (collectively, the "Revenue Notes") having maturities of up to five years pursuant to a Twenty-Third Supplemental Bond Resolution, as amended and restated (the "Twenty-Third Supplemental Bond Resolution"). Pursuant to such authorization, LIPA has issued Revenue Notes of several series from time to time. To date, all such Revenue Notes have had maturities or been subject to mandatory tender on a date not less than 271 days after the issuance thereof.

Recent market conditions have caused an increase in the interest rates on such short term Revenue Notes. In order to provide greater flexibility in the marketing of such Revenue Notes and to assure LIPA has access to liquidity on favorable terms, we now intend to consider issuing longer maturities of such Revenue Notes and may place such Revenue Notes directly with one or more financial institutions, rather than offering such Revenue Notes through Dealers to investors in the money markets. Revenue Notes presently outstanding are secured by letters of credit or other similar facilities (“Note Credit Facilities”) issued by banks. Staff proposes to permit Revenues Notes that mature longer than 271 days or are directly placed with financial institutions that are not required to be so secured by Note Credit Facilities. The Twenty-Third Supplemental Resolution permits Notes to be issued with or without such Note Credit Facilities, to the extent approved by a resolution adopted by the Trustees. The financial institutions to participate in these placements would be selected by the Chief Executive Officer or his designee following receipt of proposals.

All of the Revenue Notes issued as part of the existing series of Revenue Notes will continue to be secured as currently provided. Any Revenue Notes issued with a maturity longer than 271 days or issued without a Note Credit Facility will be issued as part of new series under the Twenty-Third Supplemental Resolution pursuant to one or more new Certificates of Determination delivered under the Twenty-Third Supplemental Resolution, as amended and supplemented pursuant to the attached resolution.

To the extent that Revenue Notes are directly placed with a financial institution, LIPA may enter into a placement, continuing covenant or other agreements with such financial institution. The Issuing and Paying Agency Agreement and Dealer Agreements contemplated by the Twenty-Third Supplemental Bond Resolution will not be utilized with respect to any such Revenue Notes.

*Expansion of Revolving Credit Agreement Capacity.* The Board has previously authorized LIPA to enter into a revolving credit agreement with JPMorgan Chase Bank, N.A. in an amount up to \$350,000,000. Pursuant to such authorization, in 2019, LIPA entered into such an agreement for an amount up to \$200,000,000.

In light of current money market conditions, Staff proposes to increase the authorization of this source of liquidity.

Accordingly, Staff proposes that LIPA be authorized to amend its existing revolving credit agreement with JPMorgan Chase Bank, N.A. to increase the amount borrowable thereunder and to enter into one or more new credit agreements with one or more financial institutions. Authorization is requested for additional revolving credit agreement borrowing capacity of up to \$300,000,000 for a total of \$500,000,000 borrowing capacity under one or more revolving credit agreements. The banks to participate in any expansion of the revolving credit will be selected by the Chief Executive Officer or his designee following receipt of proposals.

The obligation to repay amounts advanced under the proposed new or amended credit agreements will be evidenced by Notes issued under the Amended and Restated Nineteenth Supplemental Electric System General Revenue Bond Resolution on May 18, 2016 and one or more Certificates of Determination to be entered into pursuant thereto.

The total amount of Revenue Notes and revolving credit agreements that may be issued and outstanding at any time will continue to be capped at up to \$1,200,000,000. The requested actions provide additional flexibility to meet LIPA's short-term funding needs while not increasing total debt outstanding.

### **Recommendation**

Based upon the foregoing, I recommend that the Trustees adopt the resolutions attached hereto authorizing (i) the placement of Revenue Notes with financial institutions, providing flexibility as to the delivery of Note Credit Facilities and making certain amendments to the Twenty-Third Supplemental Bond Resolution and (ii) authorizing the amendment of LIPA's Revolving Credit Agreement with JP Morgan Chase Bank NA and the execution and delivery of one or more additional revolving credit agreements with one or more financial institutions.

### **Attachments**

**Exhibit "A"** Amendment and Supplement to Twenty-Third Supplemental Bond Resolution

**Exhibit "B"** Resolution authorizing the Amendment of the Authority's existing Revolving Credit Agreement and the Execution and Delivery of one or more Additional Revolving Credit Agreements.

**AMENDMENT AND SUPPLEMENT TO  
TWENTY-THIRD SUPPLEMENTAL BOND RESOLUTION  
OF THE LONG ISLAND POWER AUTHORITY ADOPTED AUGUST 6, 2014,  
AS HERETOFORE AMENDED AND RESTATED**

WHEREAS, the Twenty-Third Supplemental Electric General Revenue Bond Resolution Authorizing Electric System General Revenue Notes of the Long Island Power Authority ("LIPA" or the "Authority") adopted August 6, 2014, as heretofore amended and restated (the "Twenty-Third Supplemental Resolution"), presently authorizes LIPA to issue "Electric System General Revenue Notes" (the "Revenue Notes") from time to time in a maximum aggregate principal amount which, together with certain other obligations of the Authority described therein, does not exceed \$1,200,000,000 outstanding at any time, all as more particularly provided in the Twenty-Third Supplemental Resolution; and

WHEREAS, LIPA wishes to amend and supplement certain provisions of the Twenty-Third Supplemental Resolution related to the method of marketing and delivering the Revenue Notes and as to the circumstances in which Note Credit Facilities (as defined in the Twenty-Third Supplemental Resolution) must be delivered, all for the purpose of facilitating the marketability of the Revenue Notes on reasonable terms.

NOW THEREFOR be it resolved by LIPA as follows:

Section 1. Pursuant to Section 4.01 of the Twenty-third Supplemental Resolution, with respect to Revenue Notes issued on or after March 27, 2020 which mature at least 271 days after the issuance thereof or are privately placed with a financial institution need not be supported by a Note Credit Facility to the extent so provided in the Certificate of Determination relating to such Revenue Notes.

Section 2. Notwithstanding anything in the Twenty-Third Supplemental Resolution to the contrary, provisions related to the Issuance and Paying Agency Agreement, Dealer Agreements and Offering Memorandum shall not apply to Revenue Notes privately placed with a financial institution and no such agreement or document shall be required with respect to such Revenue Notes, all to the extent so provided in the applicable Certificate of Determination. In connection with any such placement with a financial institution, any Authorized Representative may and is hereby authorized to enter into a placement, purchase agreement, continuing covenant agreement or other agreement with any such financial institution, in such form as such Authorized Representative shall approve.

Section 3. All terms used and not otherwise defined are used as defined in the Twenty-Third Supplemental Resolution.

Section 4. The Chief Executive Officer, Chief Financial Officer, Vice President-Controller and Secretary (collectively, the "Authorized Officers") are each hereby authorized to deliver this Amendment and Supplement to Twenty-Third Supplemental Resolution to The Bank of New York Mellon, as the Trustee for the Bonds, with such amendments, supplements, changes, insertions and omissions thereto as may be approved by such Authorized Officer, which amendments, supplements, insertions and omissions shall be deemed to be part of such resolution

as approved and adopted hereby. This Amendment to Twenty-Third Supplemental Resolution shall be fully effective in accordance with its terms the filing with the Trustee of a copy hereof, certified by an Authorized Officer of the Authority.

Section 5. Except as amended and supplemented hereby, the Twenty-Third Supplemental Resolution shall remain in full force and effect and is hereby ratified and confirmed. Nothing in this resolution shall be deemed or construed to limit or alter any rights of the owner of any outstanding Revenue Notes.

**RESOLUTION AUTHORIZING THE AMENDMENT OF LIPA’S EXISTING  
REVOLVING CREDIT AGREEMENT AND  
THE EXECUTION AND DELIVERY OF ONE OR MORE  
ADDITIONAL REVOLVING CREDIT AGREEMENTS**

WHEREAS, on May 13, 1998 the Long Island Power Authority (“LIPA” or the “Authority”) adopted its Eclectic System General Revenue Bond Resolution (the “General Resolution”), which authorizes bonds, notes or other evidences of indebtedness of the Authority, as special obligations of the Authority in accordance with the terms thereof for any lawful purpose of the Authority; and

WHEREAS, on December 13, 2012, the Trustees adopted the Nineteenth Supplemental Electric System General Revenue Bond Resolution and on May 18, 2016, the Trustees approved the amendment and restatement thereof (as so amended and restated, the “Nineteenth Supplemental Resolution”) which authorized Electric System General Revenue Notes in an amount not to exceed \$500,000,000 outstanding at any one time; and

WHEREAS, pursuant to the Nineteenth Supplemental Resolution LIPA has previously entered into an agreement with JPMorgan Chase Bank NA (the “Existing Revolving Credit Agreement”) in a principal amount not to exceed \$200,000,000, for the purpose of a providing a source of funding for the capital, operating needs, and other purposes of the Authority, as set forth in the Nineteenth Supplemental Resolution; and

WHEREAS, the Board of Trustees has determined to increase LIPA’s access to liquidity by amending the Existing Revolving Credit Agreement to increase the amount which may be borrowed thereunder and/or to enter into one or more new agreements with one or more financial institutions (collectively, the “New Agreements”);

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. That the Board of Trustees hereby authorizes amendment of the Existing Revolving Credit Agreement to increase the principal amount permitted to be borrowed thereunder and authorizes the execution and delivery of one or more New Agreements, such that the combined principal amount to be borrowed and outstanding at any time under the Existing Revolving Credit Agreement and the New Agreements shall not to exceed \$500,000,000.

2. The payment obligation of the Authority under the Existing Revolving Credit Agreement and any New Agreements shall be evidenced by the issuance of Notes constituting senior lien obligations under the General Resolution, as provided in the Nineteenth Supplemental Resolution.

3. That the Chief Executive Officer, Chief Financial Officer, Vice President-Controller and Secretary (collectively, the “Authorized Officers”) be, and each of them hereby is, authorized to approve, execute and deliver, under the seal of the Authority if required, any amendment to the Existing Revolving Credit Agreement and any New Agreements and such other agreements, certificates and other instruments and to do any and all acts necessary or proper for carrying out and implementing the terms of, and the transactions contemplated by this resolution and each of the documents authorized thereby and hereby.

4. The Authorized Officers are each hereby authorized to deliver this resolution to The Bank of New York Mellon, as the Trustee, with such amendments, supplements, changes, insertions and omissions thereto as may be approved by such Authorized Officer, which amendments, supplements, insertions and omissions shall be deemed to be part of such resolution as approved and adopted hereby. This resolution shall be fully effective in accordance with its terms the filing with the Trustee of a copy hereof, certified by an Authorized Officer of the Authority.

5. Except as supplemented hereby or pursuant to the terms hereof, the Nineteenth Supplemental Resolution shall remain in full force and effect and is hereby ratified and confirmed. Nothing in this resolution shall be deemed or construed to limit or alter any rights of the owner of any outstanding Note issued under the Nineteenth Supplemental Resolution.

Dated: March 27, 2020.