

LONG ISLAND POWER AUTHORITY
MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING
HELD ON DECEMBER 18, 2019

The Finance and Audit Committee of the Long Island Power Authority (the "Authority") was convened at 8:26 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on December 13, 2019 and electronic notice posted on the Authority's website annually.

The following Trustees of the Authority were present:

Sheldon Cohen, Committee Chair
Elkan Abramowitz, Committee Member
Mark Fischl, Committee Member
Drew Biondo
Ali Mohammed

Representing the Authority were Thomas Falcone, Chief Executive Officer; Kenneth Kane, Interim Chief Financial Officer, Bobbi O'Connor, Vice President of Policy & Strategy and Secretary to the Board of Trustees; Donna Mongiardo, Vice President and Controller; Kathleen Mitterway, Vice President of Audit; and Justin Bell, Director of Rates and Regulation.

Representing PSEG LI were Markus Ramlall, Director of Finance; and Richard Tinelli, Manager of Regulatory Requirements.

Chair Cohen welcomed everyone to the Finance and Audit Committee meeting of the Long Island Power Authority Board of Trustees.

Chair Cohen stated that the first item on the agenda is the adoption of the minutes from the September 25, 2019 Committee meeting.

Upon motion duly made and seconded, the minutes of the September 25, 2019 meeting were approved unanimously.

Chair Cohen stated that next item on the agenda is the Overview of Financial Results.

Ms. Mongiardo presented the Overview of Financial Results, and Mr. Ramlall and Mr. Tinelli of PSEG LI reported on the PSEG LI Operating Results and then took questions from the Trustees.

Chair Cohen stated that the next item on the agenda is the Overview of Quarterly Financials Ended September 30 to be presented by Donna Mongiardo.

Ms. Mongiardo presented the Overview of Quarterly Financials Ended 30 and then took questions from the Trustees.

Chair Cohen stated that the next item on the agenda is the Recommendation to Approve Amendments to the Board Policy on Debt and Access to the Credit Markets to be presented by Kenneth Kane.

Mr. Kane presented the following action item and took questions from the Trustees:

Requested Action

The Finance and Audit Committee (the “Committee”) of the Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution recommending amendments to the Board Policy on Debt and Access to the Credit Markets (the “Policy”), which resolution is attached hereto as Exhibit “A”.

Background

By Resolution No. 1319, dated September 21, 2016, the Board adopted the Policy with the purpose of serving the long-term interests of LIPA’s customer-owners by adopting sound

financial plans in each year. The Policy was amended by the Board by Resolution No. 1354, dated March 29, 2017 and last updated by Resolution No. 1473, dated March 20, 2019.

Recommended Changes to the Policy

I. Fixed Obligation Coverage Target

The Policy currently targets 1.45x coverage of fixed-obligation coverage on debt and *capital lease* payments, in order to generate adequate cash flow to keep long-term borrowing, on average, below 64 percent of capital spending.

In 2019, the Governmental Accounting Standards Board (“GASB”) issued new rules for leases effective for 2020 called Statement No. 87 - Leases. This new standard no longer differentiates between “capital” and “operating” leases and now considers all leases with a term greater than one year to be a financing arrangement, creating a corresponding asset and liability on the balance sheet.

The new accounting rules do not change LIPA’s cash flow or borrowing requirements. To maintain the same level of cash flow, LIPA Staff proposes to modify its financial target in the Policy from 1.45x coverage of debt and *capital lease* payments to 1.35x coverage of annual debt and *lease payments*, using the new definition of leases as set forth in GASB 87. As demonstrated in the 2020 budget, the proposed new target produces an identical amount of dollars to cover fixed obligations as the prior 1.45x coverage ratio under the prior lease accounting rules.

II. Percent of Capital Spending Funded by Debt

Given the variability in capital spending from year to year, as well as the variability in timing of bond issuance, LIPA Staff recommends targeting a revenue funding percentage of capital spending over a multi-year planning period as opposed to implementing a strict year-by-year percentage target. Therefore, LIPA Staff proposes to modify the Policy to measure the 64% funding test on a rolling three-year average basis. In addition, further clarification is proposed within the Policy to recognize that to the extent LIPA uses cash to retire debt in advance of its due date, that is the functional equivalent of paying cash for capital expenditures.

III. Pre-funding of Other Post-Employment Benefits (“OPEBs”)

Under the Amended and Restated Operations Services Agreement (the “OSA”), certain postemployment health and life insurance benefit plan expenses known as OPEBs for the employees of PSEG Long Island LLC are payable by LIPA both during the term of the OSA and after termination. To ensure funds are available for such obligations, by Resolution No. 1246, dated December 17, 2014, the Board established an OPEB Account for the purpose of providing for these future OPEB costs (the “OPEB Resolution”). The Board authorized the deposit of monies in such OPEB Account as permitted by its Investment Policy and the withdraw of funds under certain limited circumstances.

The Trustees are being requested to supersede the OPEB Resolution by incorporating such terms into the Policy. The only substantive change between the OPEB Resolution and the proposed Policy is to eliminate an annual certification that was required in the OPEB Resolution prior to making annual deposits to the OPEB Account. The amounts deposited to the OPEB Account are now pursuant to an actuarial study and are reflected in the approved Operating and Capital Budget.

All proposed changes to the Policy 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.

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

RESOLUTION RECOMMENDING APPROVAL OF AMENDMENTS TO THE BOARD POLICY ON DEBT AND ACCESS TO THE CREDIT MARKETS

WHEREAS, the Board Policy on Debt and Access to the Credit Markets (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1319, dated September 21, 2016; and amended by the Board of Trustees by Resolution No. 1354, dated March 29, 2017 and by Resolution No. 1473, dated March 20, 2019; and

WHEREAS, the Finance and Audit Committee (the “Committee”) has reviewed the Policy and recommends approval of the amendments to the Policy as recommended by Staff in the accompanying memorandum.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Committee hereby recommends approval of amendments to the Policy.

Chair Cohen stated that the next item on the agenda is the Recommendation for Approval of the Authority’s 2020 Budget and Amendment to the 2019 Budget to be presented by Kenneth Kane.

Mr. Kane presented the following action item and took questions from the Trustees:

Requested Action

The Finance and Audit Committee (the “Committee”) of the Board of Trustees of the Long Island Power Authority (the “Board”) is requested to adopt a Resolution recommending: (i) approval of the proposed 2020 Operating and Capital Budgets (the “Budget”) which sets forth the revenue, grant, other income, and expenditure forecasts for the year ending December 31, 2020, and (ii) amendment of the 2019 Operating and Capital Budget, as described below and specified in Exhibit “A”.

Background on 2020 Operating and Capital Budgets

The proposed 2020 Budget totals \$4.574 billion, including an Operating Budget of \$3.754 billion and a Capital Budget of \$820.0 million. The proposed 2020 Operating Budget funds delivery and power supply costs, taxes and debt service. The Capital Budget funds long-life infrastructure investments such as transmission, distribution, substations, poles and wires. In addition, the Operating and Capital Budgets fund investments in various information technology projects, services and commodities needed to support system operations.

The proposed 2020 Budget is consistent with the Board’s Policy on Debt and Access to the Credit Markets (the “Financial Policy”), as amended, which seeks to reduce the Authority’s borrowing and interest costs and maintain the Authority’s credit ratings at a minimum of A2/A/A. The 2020 Budget achieves a fixed obligation coverage ratio of 1.35x, after reflecting the new definition of leases implemented by the Governmental Accounting Standard Board (“GASB”) in Statement No. 87 Leases.

For 2020, staff projects LIPA will fund 68% of the \$820.0 million Capital Budget from debt issues, inclusive of FEMA projects. The Board’s Financial Policy, as amended, calls for generating sufficient cash flow from revenues to maintain the issuance of new debt below 64% of capital spending, as measured over a rolling three-year average. Due to two large projects scheduled in 2020, the percent of capital funded from debt will be above LIPA’s target for the year. Staff will monitor this ratio and recommend appropriate adjustments to either increase cash flow or reduce capital spending if LIPA remains above the target with future Budgets. No change is recommended at this time.

The monthly electric bill for the average residential customer is projected to be \$155.07 in 2020, which is \$0.13 per month or 0.08% above the 2019 budgeted level of \$154.94. The primary drivers of the increase include higher infrastructure investments, storm restoration costs, operating expenses due to inflation, and energy efficiency investments, partially offset by lower Power Supply costs and credits resulting from the Revenue Decoupling Mechanism. The higher investments are described in greater detail in the Budget.

Changes from the Proposed Budget

The 2020 Budget presented herein includes a correction to the Proposed Budget presented to the Trustees on November 13, 2019. A correction to the calculation of the 2020 debt service costs resulted in a decrease in the 2020 budget for LIPA Debt Service and Coverage of \$6.3

million from \$509.3 million to \$503.0 million. This change resulted in a reduction to the projected average residential customer bill from \$155.37 to \$155.07 for 2020.

Annual Budget and Rate Updates

Under the New York Public Authorities Law as amended by the LIPA Reform Act (P.A.L. § 1020 et seq.), the Authority and PSEG Long Island are required to submit a proposed rate increase to the New York Department of Public Service (the “DPS”) for review if it would increase the rates and charges by an amount that would increase the Authority’s annual revenues by more than 2.5% of total annual revenues. The proposed budget and associated rate adjustments would increase the Authority’s 2020 revenues by less than this threshold. The delivery rate adjustments will be effectuated through a pro rata increase to all Service Classifications and rate components.

Allocation of Intra-Year Power Supply Capacity Costs

In December 2015, the Trustees approved a regulatory asset to allow a greater share of fixed generation capacity costs to be recovered through the Power Supply Charge (“PSC”) during the summer months, consistent with when the generation capacity is needed. Staff believes this accurately reflects cost causation in electric rates. The regulatory asset specified that the schedule of deferrals and amortization in future years would be presented in future budgets. There is no net impact on an annual basis from the reallocation of these costs within the year, with allocations by month ranging from plus \$30.25 million to minus \$27.0 million, as shown in the table below.

	Reallocation of the Proposed Fixed Capacity Costs in the Power Supply Charge
January	(\$19,000,000)
February	(\$27,000,000)
March	(\$13,500,000)
April	(\$12,500,000)
May	\$2,000,000
June	\$9,750,000
July	\$28,000,000
August	\$30,250,000
September	\$17,000,000
October	(\$3,000,000)
November	(\$500,000)
December	(\$11,500,000)
Annual	\$0 Million

Clean Energy Compliance Fund

The Board’s Policy on Resource Planning, Energy Efficiency and Renewable Energy, directs LIPA to comply with the renewable energy targets established by New York’s Clean Energy Standard (“CES”), including acquisition of Renewable Energy Credits (“RECs”), based on LIPA’s share of the State’s electrical load. Through 2019, renewable energy projects under contract to LIPA supplied sufficient RECs to meet LIPA’s share of state-wide targets.

PSEG Long Island projects that self-supplied RECs from projects directly under contract to LIPA are likely to be insufficient to meet LIPA’s share of state-wide targets in 2020 due to delays or cancellations of certain clean energy projects previously awarded by the Authority, as well as uncertainty as to whether certain technologies (e.g. fuel cells) can comply with the requirements of the State’s newly adopted Climate Leadership and Community Protection Act.

New York’s investor-owned utilities and load-serving entities (“LSEs”) primarily purchase RECs from the New York State Energy Research and Development Authority (“NYSERDA”). To the extent that NYSEDA has insufficient RECs available to meet LSE demand, LSEs make an “Alternative Compliance Payment” as prescribed in the CES Order.

LIPA staff proposes to purchase NYSEDA-procured RECs and Offshore Wind RECs (“O-RECs”) as an additional means to meet state-wide CES targets. Additionally, in any given year, to the extent that LIPA has insufficient self-supplied RECs and NYSEDA also has insufficient RECs available to meet LSE demand, LIPA staff proposes to establish a dedicated account (the “Clean Energy Compliance Fund”) to fund renewable energy projects or future REC purchases through LIPA procurements or NYSEDA, in a manner consistent with the NYSEDA Alternative Compliance Payment process prescribed in the CES Order. Such deposits into the Clean Energy Compliance Fund will be collected in rates through the Power Supply Charge and deferred based on actual renewable production and customer load. The amount deposited to the Clean Energy Compliance Fund will be sufficient to cover actual and projected shortfalls in RECs in any given year.

The proposed 2020 Budget includes an estimate of \$5.0 million to be deposited to the Clean Energy Compliance Fund, in accordance with regulatory accounting, for future purchases of RECs from LIPA procurements or NYSEDA, if available¹ or to fund other projects to facilitate the State’s climate goals. The amount collected and recorded will vary according to the process prescribed in the CES Order.

2020 Utility 2.0 Plan

The 2020 Proposed Budget includes \$67.2 million in Capital funding and \$27.2 million in Operating funding for initiatives proposed in the 2020 update to PSEG Long Island’s Utility 2.0 Plan (including the carryover as discussed below). The proposed funding of the Utility 2.0 Plan is consistent with the DPS recommendation (attached as Exhibit “C”). The Utility 2.0 Plan provides for continuation of the previously approved full deployment of Smart Meters, expanded customer outreach and information initiatives to increase customer

¹ Such funds may also be used for purchase of similar renewable attributes, such as offshore wind-RECs from offshore wind generation.

satisfaction and awareness of programs to reduce energy usage, an Electric School Bus program with vehicle-to-grid capabilities, an on-bill financing pilot, a flexible payment program pilot, a heat pump controls pilot, and a hosting capacity mapping program.

Pursuant to a DPS recommendation, PSEG Long Island tracks all Utility 2.0 project cost and reconciles these the costs to funding levels on an annual basis. Further, DPS recommends that budget variances be addressed exclusively as part of future Utility 2.0 Plan filings. LIPA will follow regulatory accounting treatment to implement the DPS tracking recommendation and to properly align revenue recognition with the timing of expenses.

2020 Energy Efficiency Plan

The 2020 Proposed Budget includes \$88.8 million in Operating funding for initiatives proposed in PSEG Long Island’s 2020 Energy Efficiency and Renewable Plan. The proposed funding of the Energy Efficiency and Renewable Plan is consistent with the DPS recommendation (attached as Exhibit “D”).

Information Technology

LIPA’s proposed Operating and Capital Budgets include \$11.9 million for Information Technology (“IT”) professional services and commodities that are expected to be procured using contracts negotiated by the New York State Office of the General Services (“NYS-OGS”) and Federal Supply Schedules (General Service Administration or “GSA”).

IT professional services include management support and expert assistance outside the scope of service for LIPA’s current IT consulting services contracts. These services would be billed on a fixed hourly labor rate or at a fixed-cost, at or below the rates negotiated by the NYS-OGS or the GSA, as applicable, on an as-needed basis to support various IT system implementation initiatives as well as operational and oversight support functions. Over the next three years, such anticipated professional services include system design, architecture and integration in order to support LIPA IT infrastructure upgrade, data analytics, data warehouse, enterprise document and record management, intranet, website, time and attendance, IT helpdesk, inventory management, enterprise resource planning system and cybersecurity initiatives, IT strategic planning, business process improvement initiatives related to various IT systems implementations, quality assurance of various IT initiatives within LIPA and independent verification and validation of IT system implementations managed by PSEG Long Island.

Commodities to be procured include hardware, software and software licenses, application and cloud subscription, cybersecurity and systems monitoring and management services, systems and data center hosting, telephony, telecom, audiovisual support and services on an as-needed basis in the ordinary course of business and continued maintenance of the existing hardware and software.

Amendment of the 2019 Operating and Capital Budgets

PSEG Long Island’s 2019 approved Operating Budget is being reduced by \$12.6 million to account for the carryover of unused funds related to Utility 2.0 Plan initiatives from 2019 to 2020. The carryover aligns funding with the timing of when costs will be incurred for Smart Meter support initiatives, Electric Vehicle incentives and the Grid Storage Program.

PSEG Long Island is reducing its approved 2019 Capital Budget by \$56.9 million. This reflects the carryover of \$52.3 million in Capital projects from 2019 to 2020, including \$37.6 million in Load Growth projects such as the Ruland Road New 69 kV Circuit and various substation upgrade projects. In addition, 2019 Utility 2.0 Plan capital funding is reduced by \$4.6 million to reflect carryover projects of \$9.1 million from 2019 to 2020 offset by accelerated spending of \$4.5 million as a result of the accelerated Smart Meter deployment.

Public Comment on the 2020 Operating and Capital Budgets

The Authority held two public comment sessions on the 2020 Budget, one in Suffolk County, held on November 12, 2019, and one in Nassau County held on November 13, 2019. One public comment was received in Suffolk objecting to the Authority’s community solar program. One public comment was received at the Nassau public hearing objecting to the construction of the Jones Beach educational center. The Authority also accepted written and emailed comments. No comments were received from individual customers.

The DPS received the Authority’s Annual Budget and Rate Update filing and Utility 2.0 filing as described above.

Public Comment on the Utility 2.0 Plan

Ten organizations submitted comments on the Utility 2.0 Plan to the DPS. The comments are summarized in the DPS Utility 2.0 Recommendation (Exhibit C) and are available in full on the Department’s Document Matter Management (DMM) website under Matter No. 14-01299. In general, the comments were supportive of the initiatives proposed in the Utility 2.0 Plan. Several specific recommendations are addressed below:

- Comment: New York City supports the EV Bus V2G pilot and commented that PSEG Long Island should explore whether the project would be more cost-effective if located outside of Suffolk County, such as in the Rockaways. New York City also states that at any site the project is undertaken, PSEG Long Island must ensure that the equipment is made resilient to potential flood risks. The City urges PSEG Long Island to share insights gained from the bus project with other stakeholders.**
- Response: PSEG Long Island will take these considerations into account as it undergoes site identification for the summer V2G use of the buses. Reporting on insights, experiences, and costs is encapsulated within PSEG Long Island’s Utility 2.0 reporting process.**
- Comment: New York City commented that PSEG Long Island and LIPA undertake and perform a comprehensive Climate Change Vulnerability Study.**

- **Response:** PSEG Long Island and LIPA periodically undergo storm vulnerability assessments, review the results of climate change vulnerability assessments conducted by regional and local planning councils, and will continue to do so on a regular basis. We will review a similar Con Edison study and consider proposing a study in next year's Utility 2.0 Plan or a separate venue.
- **Comment:** The New York Power Authority ("NYPA") supported the proposal to develop DER hosting capacity maps and commented that PSEG Long Island should consider developing more advanced hosting capacity maps, in particular maps that provide information to potential developers of electric vehicle fast charging stations. NYPA further commented that PSEG Long Island should prioritize the deployment of AMI meters to public entities and streamline the availability of AMI data to such customers.
- **Response:** As proposed in the Utility 2.0 Plan, PSEG Long Island's hosting capacity maps will have capabilities that are consistent with the hosting capacity maps being developed by the rest of the State's utilities. In next year's Utility 2.0 Plan, PSEG Long Island will propose further advancements to its hosting capacity maps as needed, including capabilities specific to electric vehicle fast charging. Regarding AMI, PSEG Long Island has worked with various public entities to prioritize deployment of AMI meters and improve customers' ease of access to data generated by AMI meters and will welcome the opportunity to work with NYPA to do the same.
- **Comment:** New York Best commended PSEG Long Island for its work to deploy the first in the State behind-the-meter battery storage program for residential and commercial customers. NY Best commented that the Utility 2.0 Plan should include more energy storage programs targeted at other market segments, such as bulk energy storage and peaker replacements.
- **Response:** LIPA and PSEG Long Island support New York's Energy Storage Roadmap. PSEG Long Island is already conducting additional studies needed to target future energy storage programs including those targeting the bulk storage market and T&D deferral opportunities. Those programs will be proposed either in future Utility 2.0 Plans or via separate solicitations

Public Comment on the 2020 Energy Efficiency Plan

Thirteen public comments were received by the DPS on the 2020 Energy Efficiency and Renewables Plan. The comments are summarized in the DPS Energy Efficiency Recommendation (Exhibit D) and are available in full on the Department's Document Matter Management (DMM) website under Matter No. 19-01859. The comments are presented by theme below together with staff's responses.

- **Comment:** Several commenters support allocating more funding to low and moderate income customers in light of the Climate Leadership and Community Protection Act's ("CLCPA") mandate that 40% of the benefits of the State's clean energy transition should be dedicated to disadvantaged populations.

- **Response:** LIPA and PSEG Long Island agree that the benefits of Long Island’s clean energy programs must be shared by all. To that end, LIPA and PSEG Long Island have implemented low and moderate-income bill discounts designed with the goal that no household be compelled to spend more than 6% of its household income on energy bills. In addition, the 2020 Energy Efficiency Plan proposed that low and moderate-income customers who install heat pumps be eligible to receive rebates that are 50% higher than the standard rebates available. The 2020 Budget further announced a new Solar Communities program, a 20-megawatt shared solar development that will be dedicated exclusively to benefiting low and moderate-income customers. LIPA and PSEG Long Island will continue to explore new ways to ensure that low and moderate-income customers share in the benefits of its energy efficiency and renewable energy.
- **Comment:** Several commenters urged LIPA and PSEG Long Island to meet or exceed Long Island’s share of the statewide energy efficiency targets announced in the CLCPA. Some commenters questioned whether PSEG Long Island would be able to achieve annual energy efficiency savings of 2% per year (measured in megawatt-hour savings as a percentage of load), as targeted by the rest of the State’s utilities.
- **Response:** The LIPA Board of Trustees has directed LIPA to meet Long Island’s share of statewide clean energy goals, including those of the CLCPA. LIPA and PSEG Long Island have aggressively pursued energy efficiency for many years. In fact, Long Island has exceeded the annual energy efficiency savings of the rest of the State’s utilities in every year since the current Clean Energy Standard targets were developed. Because Long Island is further along than the rest of the State in reducing its electric load through energy efficiency, the opportunities for further cost-effective energy efficiency savings may differ from those available in other areas of the State. Nevertheless, LIPA and PSEG Long Island remain committed to aggressively pursuing all cost-effective opportunities for energy efficiency savings. LIPA and PSEG Long Island will work together with NYSERDA and the DPS to ensure that we are meeting or exceeding our share of the policy goals set forth in New Efficiency: New York. In addition, we will advocate for a measurement methodology that emphasizes overall carbon reduction through energy efficiency and beneficial electrification, as we believe that overall progress toward the goal of carbon reduction is the most important success metric for a utility’s energy efficiency and beneficial electrification initiatives.
- **Comment:** Several commenters requested that more funding be allocated toward incentivizing distributed energy resources and asserted that current programs and incentives are insufficient to meet Long Island’s share of New York’s 6 gigawatt distributed solar goal.
- **Response:** LIPA and PSEG Long Island are committed to meeting Long Island’s share of the State’s 6 gigawatt distributed solar goal by 2025. Allocated by load share, this equates to a goal of 750 megawatts of distributed solar on Long Island. Notably, LIPA and PSEG Long Island have made more progress toward this goal than the rest of the State and are on track to exceed the goal by 2025. Long Island currently has 563 megawatts of installed distributed solar, putting it 75% of the way to achieving

its share of the 2025 goal. By comparison, the rest of the state is 25% of the way to achieving its share. As noted in the proposed 2020 Budget (page 18), LIPA currently projects to spend \$41 million in 2020 alone on distributed solar incentives through its Net Energy Metering and Value of Distributed Energy Resources programs, an amount which is forecasted to increase significantly in future years. This investment is separate from and in addition to the \$88.8 million 2020 Energy Efficiency Plan and the \$147.6 million investment in utility scale renewable power. LIPA and PSEG Long Island routinely monitor the growth of distributed solar in the service territory and are actively studying what if any additional incentives may be needed to meet or exceed Long Island's share of the State's distributed solar goals. We will work with interested stakeholders to ensure ample opportunities exist to provide input throughout the process.

Recommendation

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

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

RECOMMENDATION FOR APPROVAL OF THE 2020 OPERATING AND CAPITAL BUDGETS AND AMENDMENT OF THE 2019 BUDGETS

WHEREAS, the Long Island Power Authority ("Authority"), through its wholly owned subsidiary, LIPA, owns the electric transmission and distribution system serving the counties of Nassau and Suffolk and a small portion of the County of Queens known as the Rockaways; and

WHEREAS, the Board of Trustees (the "Board") is required to approve annual budgets for the operations of the Authority and for capital improvements; and

WHEREAS, the proposed 2020 budget incorporates Operating and Capital budgets for the operation and maintenance of the transmission and distribution system, customer services, business services and energy efficiency and renewable energy programs which are predicated on improving storm response and restoration, customer satisfaction, reliability and storm hardening; and

WHEREAS, under the New York Public Authorities Law as amended by the LIPA Reform Act (P.A.L. § 1020 et seq.), the Authority and PSEG Long Island are required to submit a proposed rate increase to the New York State Department of Public Service for review if it would increase the rates and charges by an amount that would increase the Authority's annual revenues by more than 2.5% of total annual revenues. The proposed budget and associated rate adjustments would increase the Authority's 2020 revenues by less than this

threshold. Therefore, the proposed budget contains rate updates consistent with the Authority’s Mission, Board Policies, and the LIPA Reform Act; and

WHEREAS, the Authority presented its proposed 2020 Operating and Capital Budgets to the Board of Trustees on November 13, 2019 and held two public comment sessions one on November 12, 2019 and one on November 13, 2019; and

WHEREAS, the memorandum accompanying this resolution includes a schedule of deferrals and amortization of certain generation capacity costs within the months of the year to affect the more accurate reflection of cost causation in electric rates within each month of the year; and

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Finance and Audit Committee (the “Committee”) of the Board of Trustees hereby recommends approval of the 2020 Operating and Capital Budgets and associated rate adjustments, which are attached hereto; and

BE IT FURTHER RESOLVED, that the Committee hereby recommends amendment to the Authority’s 2019 Capital Budget to reduce expenditures by \$56.9 million and defer these expenditures to 2020 and adjust the Utility 2.0 Plan funding in 2019 to reflect accelerated Smart Meter deployment; and

BE IT FURTHER RESOLVED, that the Committee hereby recommends amendment to the Authority’s approved 2019 Operating Budget to reduce by \$12.6 million to defer these expenditures associated with Utility 2.0 Plan initiatives to 2020; and

BE IT FURTHER RESOLVED, that the Committee hereby recommends the approval of the establishment of a regulatory accounting treatment to ensure a proper alignment of revenue and costs associated with the Utility 2.0 Plan initiatives; and

BE IT FURTHER RESOLVED, that the Committee hereby recommends the authorization of the Chief Executive Officer or his designee to purchase Renewable Energy Credits (“RECs”) or Offshore Wind Renewable Energy Credits (“O-RECs”) from the New York State Energy Research and Development Authority in amounts necessary to meet the Authority’s share of New York’s Clean Energy Standard, or any successor standard enacted pursuant to the Climate Leadership and Community Protection Act; and

BE IT FURTHER RESOLVED, that the Committee hereby recommends the collection in the Power Supply Charge amounts consistent with the NYSERDA Alternative Compliance Payment process for Renewable Energy Credits to be used to fund renewable energy projects or purchases of Renewable Energy Credits in future periods and account for such funds in the Clean Energy Compliance Fund; and

BE IT FURTHER RESOLVED, that the Committee hereby recommends that the Authority finance the requirements of the 2020 and 2021 Capital Budgets, as adjusted from time to time, through a combination of internally-generated funds and the issuance of tax-exempt or

taxable debt of the Authority and authorizes the Chief Executive Officer or his designers to evidence such intent by appropriate certifications; and

BE IT FURTHER RESOLVED, that the Committee hereby recommends that the Chief Executive Officer and his designees be authorized to carry out all actions deemed necessary or convenient to implement this resolution.

Chair Cohen stated that the next item on the agenda is the Recommendation for Approval of the Plan of Finance and 2020 Bond Authorizations to be presented by Kenneth Kane.

Mr. Kane presented the following action item and took questions from the Trustees:

Requested Action

The Finance and Audit Committee (the “Committee”) is requested to recommend that the Board authorize the issuance of up to \$760,000,000 aggregate principal amount of Electric System Revenue Bonds (the “Authorized Bonds”) for the purposes described below.

The Committee is also being requested to recommend that the Board authorize the execution and delivery of one or more interest rate or basis swaps relating to the Authorized Bonds and potential future refunding bonds, and the termination, assignment or amendment of any swaps if the economic conditions prove favorable.

Finally, the Committee is being requested to recommend that the Board approve an amendment to the Twenty-Third Supplemental Bond Resolution to permit the aggregate outstanding principal amount of Electric System General Revenue Notes (the “GR Notes”) authorized thereby to be increased by \$200 million, to a new total of \$1,200,000,000, such increase to fund the remaining work under the Federal Emergency Management Agency (“FEMA”) storm hardening program.

Plan of Finance

The Authority is considering issuing the Authorized Bonds for:

- (i) An amount no greater than \$560,000,000 for the purposes of funding the costs of system improvements and/or reimbursing such costs already incurred, including refinancing of notes or revolving credit agreement borrowings incurred to finance such costs.

- (ii) An amount no greater than \$200,000,000 for the purposes of refunding up to \$200,000,000 of variable rate bonds associated with the total return swaps that expire June 29, 2020.
- (iii) The Authority has determined that it is prudent to amend the Twenty-Third Supplemental Bond Resolution to permit the aggregate outstanding principal amount of Electric System General Revenue Notes (the “GR Notes”) authorized to be increased by \$200,000,000, to \$1,200,000,000 maximum outstanding, allowing for such increase to fund all or a portion of the remaining work under the FEMA storm hardening program.

The Authority has determined that it may be appropriate to enter into one or more interest rate or basis swaps (“Financial Contracts”) relating to the Authorized Bonds, should they provide debt service savings or mitigate interest rate risk for the Authorized Bonds as compared to merely issuing conventional fixed-rate or floating-rate bonds. Authorization to enter into such Financial Contracts with an aggregate notional amount of up to \$760,000,000 is requested. The material terms of the agreements relating to any such Financial Contracts are expected to be substantially similar to agreements previously entered into by the Authority and may include interest rate risk, basis risk, settlement risk, termination risk, counterparty risk, and certain continuing covenants. Any such Financial Contracts would be approved by the Authority’s Executive Risk Management Committee, per the Board’s Policy on Interest Rate Exchange Agreements.

The Authority has also determined that it may be appropriate to enter into one or more Financial Contracts relating to future refunding bonds which may be sold to refinance up to \$512,610,000 of outstanding bonds of the Authority. These outstanding bonds include up to \$413,070,000 Series 2014-A Bonds, and up to \$99,540,000 Series 2015-B Bonds. The Financial Contracts will be executed should they provide debt service savings and/or mitigate interest rate risk for the future refinancings of these Bonds. Under current market conditions, utilizing Financial Contracts to hedge future refinancings of these bonds could product expected net present value savings in excess of \$150,000,000. Authorization to enter into such agreements with an aggregate notional amount of up to \$525,000,000 is requested to correspond to an amount of bonds which may be issued to refund the Series 2014-A Bonds and 2015-B Bonds, as well as fund issuance costs related to the refunding bonds. The material terms of the agreements relating to any such Financial Contracts are expected to be substantially similar to agreements previously entered into by the Authority and may include interest rate risk, basis risk, settlement risk, termination risk, counterparty risk, and certain continuing covenants. Any such Financial Contracts would be approved by the Authority’s Executive Risk Management Committee, per the Board’s Policy on Interest Rate Exchange Agreements.

Authorized Actions

The Authorized Bonds will be issued as either fixed-rate or variable-rate bonds or a combination thereof and sold either on a negotiated basis (i) to one or more underwriters for resale to investors or (ii) directly to one or more investors or financial institutions at such price or prices and on such terms and conditions as they shall determine to be the most cost

effective and advantageous for the Authority. The new Authorized Bonds could be issued in conjunction with such previously authorized, but not yet issued, bonds or be sold separately.

Any underwriter, dealer, or swap counterparty will be one of the firms approved pursuant to the Authority's most recent procurement for underwriting, investment banking and swap counterparty services, which firms include BofA Merrill Lynch, Barclays, Citigroup, Goldman Sachs & Co., J.P. Morgan, Jefferies, Morgan Stanley, RBC Capital Markets, Ramirez & Co. Inc., Siebert Cisneros Shank & Co. LLC, TD Securities and Wells Fargo Securities. The Trustees are requested to permit the Chief Executive Officer, Chief Financial Officer or Vice President -- Controller of the Authority to designate, as necessary, the underwriters, remarketing agents, or swap counterparties, as applicable, assigned to each bond series from the approved list of firms.

As and to the extent that bonds are issued for the purpose of refunding bonds with respect to which there are existing interest rate swap agreements, the Chief Executive Officer, Chief Financial Officer or Vice President -- Controller of the Authority will be authorized to allocate such interest rate swap agreements to other Authority bonds or notes or to terminate or amend such agreements, all as such officer may determine appropriate so as to permit the Authority to obtain the benefit of such interest rate swap agreements or to minimize the cost associated with the refunding. Each such officer will also be authorized to amend or terminate any other interest rate swap agreements which such officer determines may be amended or terminated on attractive economic terms. To the extent that such agreements are terminated or amended, some or all of the costs of such termination or amendment may be funded with the proceeds of the Authorized Bonds.

The Twenty-Third Supplemental Bond Resolution adopted by the Authority on August 6, 2014, as amended (the "Twenty-Third Supplemental Resolution"), authorizes the issuance of General Revenue Notes ("GR Notes") in aggregate principal amount outstanding, together with other short-term indebtedness described in the Twenty-Third Supplemental Resolution, of up to \$1,000,000,000. In order to provide a source of interim funding for costs of system improvements which are expected to be reimbursed by FEMA, the total outstanding principal amount of GR Notes authorized (together with such other short-term indebtedness) is proposed to be increased to \$1,200,000,000. The Twenty-Third Supplemental Resolution is also proposed to be amended to eliminate references to certain short-term indebtedness which is no longer outstanding.

Recommendation

Based upon the foregoing, I recommend that the Committee recommend to the Board the adoption of the resolutions attached hereto authorizing the issuance of up to \$760,000,000 aggregate principal of Electric System General Revenue Bonds, to fund new money capital expenditures or refund Authority bonds or notes, the execution and delivery of one or more new Financial Contracts, and the termination or amendment of one or more interest rate swap agreements, and the amendment to the Twenty-Third Supplemental Bond Resolution, all as described above.

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

resolution:

AUTHORIZATION RELATING TO THE ISSUANCE OF ELECTRIC SYSTEM GENERAL REVENUE BONDS FOR THE PURPOSES OF FUNDING COSTS OF SYSTEM IMPROVEMENTS AND CERTAIN OTHER COSTS AND REFUNDING CERTAIN OUTSTANDING BONDS

WHEREAS, on May 13, 1998, Long Island Power Authority (the “Authority”) adopted its Electric System General Revenue Bond Resolution (the “General Resolution”), which authorizes bonds, notes or other evidences of indebtedness of the Authority, such bonds to be designated as “Electric System General Revenue Bonds” (the “Bonds”), for, among other purposes, funding Costs of System Improvements (as defined in the General Resolution) and other lawful purposes of the Authority and refunding other bonds or notes of the Authority; and

WHEREAS, Article II of the General Resolution requires that the issuance of each series of Bonds by the Authority shall be authorized by a supplemental resolution or resolutions of the Authority adopted at or prior to the time of issuance, subject to further delegation to certain officers to establish the details of the terms of such Bonds; and

WHEREAS, the Authority has various series of outstanding Bonds that may, depending on market conditions, advantageously be refunded; and

WHEREAS, the Authority wishes to authorize the issuance of one or more series of Bonds (the “Authorized Bonds”) for the purpose of funding Costs of System Improvements (as defined in the General Resolution) and/or reimbursing such costs already incurred, including refinancing of notes or revolving credit agreement borrowings incurred to finance such costs and for the purpose of refunding outstanding fixed or variable rate bonds or notes of the Authority (the “obligations to be refunded”), which Authorized Bonds shall be in an aggregate principal amount not to exceed \$760,000,000, of which no more than \$560,000,000 in principal amount shall be issued for the purpose of funding Costs of System Improvements; and

WHEREAS, the Authority has entered into interest rate swap agreements relating to certain of the Authority’s bonds and notes and, to the extent that such bonds and notes are refunded, it is anticipated that such interest rate swap agreements will either be reallocated to other bonds or notes of the Authority, assigned to or assumed by other counterparties, or terminated, as determined by the Chief Executive Officer or Chief Financial Officer; and

WHEREAS, the Authority wishes to issue the Authorized Bonds as either a fixed rate or variable rate or a combination thereof; and

WHEREAS, in order to achieve such purposes there has been prepared and submitted to the Trustees a form of Twenty-Ninth Supplemental Resolution (the “Twenty- Ninth Supplemental General Resolution”); and

WHEREAS, the General Resolution permits the Authority to enter into Financial Contracts (as defined therein), which include interest rate caps or collars and forward rate, future rate and certain swap agreements with Qualified Counterparties (as defined therein); and

WHEREAS, the Authority has determined that the use of such swap agreements is appropriate in certain circumstances but recognizes that certain risks can arise in connection with their use and the Authority has adopted guidelines (the “Guidelines”) for the use of such agreements in order to assure that such agreements are used for appropriate purposes and to assure that the risks potentially associated with such agreements are effectively managed and minimized; and

WHEREAS, under current market conditions the Authority has determined that it may achieve debt service savings by entering into one or more such interest rate swap agreements in an aggregate notional amount of up to \$560,000,000 relating to all or a portion of the Authorized Bonds pursuant to which the Authority and the counterparties thereto would agree to make payments to one another based principally upon certain indices, formulae or methods to be specified therein; and

WHEREAS, the decision as to which specific strategy or strategies to be employed in connection with such new or existing interest rate swap agreements and the indices, formulae or methods to be used in calculating payments to be made to the Authority or the counterparties will be made by the Chief Executive Officer or Chief Financial Officer, taking into account market conditions and the advice of the Authority’s Financial Advisor, with the intention of lowering the effective rate of interest payable in connection with the Authority’s indebtedness or mitigating risks associated with such indebtedness consistent with interest rate and other risk considerations;

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

- 1. The Twenty-Ninth Supplemental General Resolution, in the form presented to this meeting and made a part of this resolution as though set forth in full herein, is hereby approved and adopted. The Chief Executive Officer, Chief Financial Officer, Vice President-Controller and Secretary (collectively, the “Authorized Officers”) are each hereby authorized to deliver the Twenty-Ninth Supplemental General 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.**
- 2. The Chief Executive Officer and the Chief Financial Officer are each authorized to sell all Bonds issued on a negotiated basis either (i) to one or more underwriters for resale to investors or (ii) by private placement to one or more investors or financial**

institutions at such price or prices as determined to be the most cost effective and advantageous for the Authority.

- 3. Each of the Chief Executive Officer and the Chief Financial Officer is hereby authorized with respect to each series of the Authorized Bonds, to execute and deliver a Bond Purchase Agreement (a “Bond Purchase Agreement”) in substantially the form of the bond purchase agreement executed by the Authority in connection with the issuance of the Authority’s Electric System General Revenue Bonds, Series 2019, with such modifications thereto as the Chief Executive Officer or Chief Financial Officer, upon the advice of counsel to the Authority, approves, or in in connection with any private placement of the Authorized Bonds, a placement continuing covenant or other financing, loan or credit agreement (each a “Placement Agreement”) with the purchaser(s) thereof in such form, upon advice of counsel to the Authority, as may be approved by the Chief Executive Officer or Chief Financial Officer, which approval in each case shall be conclusively evidenced by the execution thereof by the Chief Executive Officer or Chief Financial Officer.**
- 4. Each of the Chief Executive Officer and the Chief Financial Officer is hereby authorized and directed to execute and deliver any and all documents, including but not limited to the execution and delivery of one or more official statements or other disclosure documents and instruments and to do and cause to be done any and all acts necessary or proper for carrying out each Bond Purchase Agreement or Placement Agreement, the issuance, sale and delivery of the Authorized Bonds and for implementing the terms of each Bond Purchase Agreement or Placement Agreement, and the transactions contemplated thereby, the Twenty-Ninth Supplemental General Resolution and this resolution.**
- 5. As and to the extent that Refunding Bonds (as defined in the General Resolution) are issued for the purpose of refunding bonds or notes of the Authority with respect to which there are existing interest rate swap agreements, the Chief Executive Officer and the Chief Financial Officer are each authorized to allocate such interest rate swap agreements to such other outstanding Authority bonds or notes, or to terminate such agreements, as such officer may determine appropriate so as to permit the Authority to obtain the benefit of such interest rate swap agreements or to minimize the cost associated with the refunding and, to the extent that such agreements are terminated, some or all of the costs of such termination may be funded with the proceeds of the Refunding Bonds, as determined by such officer. Any such officer is also hereby authorized to arrange for the assignment and assumption of any existing interest rate agreement to another counterparty or the amendment or termination of any such agreement, to the extent officer determines any such assignment and assumption, amendment or termination to be advisable.**
- 6. As and to the extent that the Chief Executive Officer or the Chief Financial Officer determines that it would be advantageous in current market conditions to issue bond anticipation notes, such officer is hereby authorized to determine whether such bond anticipation notes shall be issued as “Bonds” or “Subordinated Indebtedness” (as**

defined in the General Resolution). In the event that bond anticipation notes are issued as Subordinated Indebtedness, the details thereof shall be incorporated in a Note Certificate executed by such officer and delivered to the trustees under the General Resolution and the Authority's Electric System General Subordinated Revenue Bond Resolution, along with a copy of this resolution. Such Note Certificate may include such amendments and modifications to the provisions of this resolution as such officer shall determine necessary and appropriate to effectuate such determinations and details. A copy of such Note Certificate also shall be filed with this resolution into the records of the Authority and, upon such filing, shall be deemed to be a part of this resolution as if set forth in full herein.

7. The Chief Executive Officer and the Chief Financial Officer are, and each of them hereby is, authorized to enter into interest rate swap agreements in an aggregate notional amount of up to \$560,000,000 relating to the Authorized Bonds with such Qualified Counterparties (as defined in the General Resolution) as such officers may select in accordance with the Guidelines, which agreements shall (i) commence on such date or dates as the Chief Executive Officer or Chief Financial Officer specifies, (ii) have a term ending on or prior to the anticipated final maturity of the bonds to which they relate, as the Chief Executive Officer or Chief Financial Officer specifies, (iii) provide for payments to the Authority determined based upon such index, formula or method as may be approved by the Chief Executive Officer or Chief Financial Officer, and (iv) otherwise be in accordance with the Guidelines and substantially in the form of interest rate swap agreements entered into by the Authority in relation to other interest rate swap transactions, with such changes and additions to and omissions from such form as such authorized executing officer deems in his discretion to be necessary or appropriate, such execution to be conclusive evidence of such approval. In connection with the authorizations herein set forth, the Authority has determined, after consideration of the risks inherent in the use of interest rate swap agreements, including those outlined in the memo submitted to the Trustees in connection with the financing authorized hereby and the advice of the Authority's financial advisor relating to the use of the proposed interest rate swap agreements, that (a) the use of such interest rate swap agreements will, in the judgment of the Authority, result in lowering the effective rate of interest payable in connection with the Authority's indebtedness, (b) the risks of the proposed interest rate swap agreements are both manageable and reasonable in relation to the potential benefits; and (c) the proposed interest rate swap agreements are necessary or convenient in the exercise of the power and functions of the Authority under the Act.
8. The Chief Executive Officer and the Chief Financial Officer are, and each of them hereby is, authorized to enter into reimbursement or other agreements with banks or other financial institutions providing Credit Facilities (as defined in the General Resolution) in connection with the Authorized Bonds, which agreements shall be substantially similar to such agreements previously entered into by the Authority in relation to other Credit Facilities, with such changes and additions to and omissions from such prior agreements as such authorized executing officer deems in his discretion to be necessary or appropriate, such execution to be conclusive evidence of

such approval. Such agreements may be entered into with Barclays Bank PLC, Bank of Montreal, Citibank NA, Royal Bank of Canada, State Street Bank and Trust Company, TD Bank NA, US Bank, and/or Wells Fargo Bank, NA.

9. Each of the Chief Executive Officer and the Chief Financial Officer are hereby further authorized and directed to execute and deliver any and all documents and 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.
10. This resolution shall take effect immediately.

Chair Cohen stated that the next item on the agenda is the Recommendation for Approval of Tariff Changes to be presented by Justin Bell.

Mr. Bell presented the following action item and took questions from the Trustees:

Requested Action

The Finance and Audit Committee (the “Committee”) of the Board of Trustees (the “Board”) is requested to recommend that the Board approve changes to the Authority’s Tariff for Electric Service (“Tariff”) to implement modifications to the Authority’s pole attachment rates and PSEG Long Island’s Smart Grid Small Generator Interconnection Procedures (“SGIP”) consistent with recent orders of the New York Public Service Commission (the “Commission” or “PSC”). The proposed changes will (1) set a standard cost-based rate for pole attachments of wireless and wired communication equipment and (2) provide additional clarity to applicants for interconnection under the SGIP.

Background of Pole Attachment Rate Changes

Over the last 20 years, the Commission has taken several actions to remove barriers to entry in the telecommunications market, including promoting standard rates and processes for wired attachments to utility poles. In June 1997, the Commission ordered New York’s investor-owned utilities to establish a specific rate methodology for wired attachments by adopting the Federal Communications Commission (FCC) calculation of rates applicable to “horizontal cable” and wired attachments. At that time, the Commission determined that the price and terms for wire^{less} (i.e. non-wired) attachments should be determined through negotiations.

In April 2004, the Commission adopted an order² that introduced a standard rate methodology for wireless attachments to the Niagara Mohawk Power Corporation d/b/a National Grid's distribution poles. At that time, the Commission did not extend this methodology to other utility pole owners.

In 2011, the FCC opined that “wireless providers are entitled to the same rate [] as other telecommunication carriers.”³ In 2015, the FCC further attempted to harmonize regulatory treatment for pole attachments⁴. The FCC construct is based on cost-based pole attachment methodology.

In 2016, The Wireless Association (“CTIA”) filed a petition (the “Petition”) with the Commission seeking a proceeding to update and clarify wireless pole attachment policies. The Petition sought an order declaring, *inter alia*, that the Commission’s regulation of pole attachments applies, in a non-discriminatory manner, to wireless facilities attached to the utility poles and that the Commission’s rate principles for wireless attachments reflect the FCC’s telecommunications rate methodology.

After an extended period of deliberation, the Commission issued an *Order Approving Petition in Part and Continuing Proceeding*,⁵ issued and effective March 14, 2019 (the “March Pole Attachment Order”). In the March Pole Attachment Order, the Commission established an interim rental rate to be charged for new wireless pole attachments in public rights-of-way. The Commission’s interim wireless pole attachment rate is a cost-of-service-based rate per foot of space occupied by the pole attachment, using a cost allocation methodology consistent with the FCC’s formula. In the March Pole Attachment Order, the Commission also announced a new phase of the pole attachment proceeding that includes a more comprehensive review of pole attachment policy, including both wireless and wired attachments, and explores innovative approaches to the rates, terms, and conditions for attachment in the various areas of a pole.

On July 16, 2019, the Commission issued an *Order Suspending Wireless Pole Attachment Rate Tariff Filings and Granting a Filing Extension to the New York Municipal Power Agency*, suspending implementation of the interim wireless attachment rates set forth in the March Pole Attachment Order until November 28, 2019, and ordering the investor-owned utilities to review wired attachment rates and update them if needed.

On November 18, 2019, the Commission issued an *Order Establishing Updated Pole Attachment Rates with Modifications* (the “November Pole Attachment Order”), which directed each utility to reset its wired pole attachment rates so as to be “non-discriminatory” (i.e. in parity) with respect to the utility’s newly established wireless rates. The November Pole Attachment Order further directed the New York Municipal Power Agency and

² Case 03-E-1578, *Joint Petition of Niagara Mohawk Power Corp. and National Grid Comm. Inc.*, Order Approving Petition with Modifications (issued April 7, 2004).

³ FCC Numbers WC 07-245 and GN 09-51, *In the Matter of Implementation of Section 224 of the Act, A National Broadband Plan for Our Future*, Report and Order and Order on Reconsideration (adopted April 7, 2011) (FCC 2011 Order).

⁴ FCC WC Docket No. 07-245, GN Docket No. 09-51, *Order on Reconsideration* (adopted November 24, 2015) (FCC 2015 Order).

⁵ Case 16-M-0330, *Petition of CTIA The Wireless Association to Initiate a Proceeding to Update and Clarify Wireless Pole Attachment Protections*, Order Approving Petition in Part and Continuing Proceeding (issued and effective March 14, 2019).

Jamestown, both of which are municipal owned utilities, to update their pole attachment rates to be in parity with those of National Grid, which has the lowest pole attachment rates of the Investor Owned Utilities, based on the rationale that it would not be cost-effective for the municipal utilities to develop unique applications of the FCC methodology given differences between the investor-owned and municipal utility accounting and regulatory frameworks.

Proposed Action on Pole Attachment Rates

The Authority Staff proposes to update the Tariff for Electric Service to set a standard rate for new wireless pole attachments located in public rights-of-way. Previously, the rate was set at a negotiated rate on a case-by-case basis in a written agreement between the customer and the Authority. Pursuant to the November Pole Attachment Order, LIPA Staff proposes to establish a standard annual rate per foot of space occupied by the wireless pole attachment, using the methodology adopted in Case 16-M-0330, of \$13.62 per foot.⁶ Additionally, the Authority Staff proposes to revise the wired attachment rate to \$13.62 per attachment to ensure non-discriminatory approach between wireless and wired pole attachment rates.

The Authority will provide rental space to CATV and telecommunications companies for the purpose of installing cables, wires, amplifiers and wireless equipment to specific Company-owned poles within an agreed area. An agreement may be required between the Authority and each CATV or telecommunications company, as outlined in the “Definitions of Space Allocation on LIPA Distribution Poles” document which describes the requirements for attaching cables, wires, amplifiers and wireless equipment. The “Definitions of Space Allocation on LIPA Distribution Poles” document, which is available upon request from PSEG Long Island, provides the provisions needed to ensure the safety of our line workers when making electrical repairs.

Background of Smart Grid Small Generator Interconnection Procedure Changes

On April 19, 2018, the Commission issued an *Order Modifying Standardized Interconnection Requirements* (the “SIR”) in Case 18-E-0018 (the “April Order”), which was subsequently implemented by the Authority on December 19, 2018.

On June 8, 2018, members of the statewide Interconnection Policy Working Group and Interconnection Technical Working Group filed a petition for clarification of the April Order (the “Petition”).⁷

On July 13, 2018, the Commission issued an order granting clarification of the SIR (the “July Order”), which addressed some issues raised by the Petition and deferred others for additional working group consideration and public comment. Subsequently, on October 18, 2018, following additional working group consideration and public comment, the

⁶ Because the FCC formula includes inputs that—while commonly reviewed in investor-owned utility rate cases—are not reviewed in a public power or municipal utility rate case, the Department of Public Service accepted PSEG Long Island’s proposal in its 2015 rate case (Matter No. 15-E-00262) that the Authority should adopt the pole attachment fees of the New York investor owned utility with the lowest such fee. Pursuant to this rationale, the Authority now proposes to adopt the pole attachment fees of National Grid, for both wireless and wired attachments, which is \$13.62 per foot of space occupied by the attachment, per year

⁷ Case 18-E-0018, *In the Matter of Proposed Amendments to the New York State Standardized Interconnection Requirements (SIR) for Small Distributed Generators, Order Modifying Standardized Interconnection Requirements*; Issued and Effective April 19, 2018.).

Commission issued an order addressing the previously deferred issues from the Petition (the “October Order”). The issues addressed by the Commission in the July Order and the October Order are summarized in the next section of this proposal memorandum.

Proposed Action on of Smart Grid Small Generator Interconnection Procedure Changes

Staff proposes six modifications to the SGIP to implement the July Order and the October Order. Additionally, Staff proposes two other modifications to the SGIP that are essential to continue to allow applicants in unique situations to safely interconnect to LIPA’s grid, and several ministerial edits. The proposed changes are as follows:

NYS SIR Modifications

1. **Increased time for applicants to make initial payments (systems above 50 KW up to 5 MW):** To be consistent with the New York State SIR, Staff proposes to update the SGIP to increase the number of days for applicants to make advanced payments from 60 days to 90 days under Section 1.C, Step 7. This proposal will increase the amount of time applicants have to make initial payments.
2. **Clarification of when the applicant will receive a signed Interconnection Agreement:** Staff proposes to modify Section D, “Payments & Construction Milestones” of the SGIP to state that, for projects 5 MW and under, a signed Standardized Interconnection Agreement will be returned to the applicant within 15 business days of receipt of initial payment. This proposal is consistent with the updates to the New York State SIR.⁸
3. **Clarification on commencement of design work:** Staff proposes to modify Section D “Payments & Construction Milestones” to clarify that design work would commence in accordance with the in-service timeline. This proposal is consistent with the updates to the New York State SIR.
4. **Clarification of when an application is deemed complete:** Staff proposes to modify Section E, “Application Process for Energy Storage Systems (ESS)” Step 2, by removing the language “Once an application has been deemed complete” and replacing it with “Following the completion of Step 3 in Section I.B, or upon passing the Preliminary or Supplemental Screening Analysis in Step 4 in Section I.C” to prompt the next step in the process. This proposal is consistent with the updates to the New York State SIR.
5. **Changes in the Energy Storage System Application Requirements (Appendix J):** Staff proposes to add in language for applicants to identify whether the application is for a new Stand-Alone or Hybrid Energy Storage System project or a change to the operating characteristics of an existing renewable system, allowing for modifications on existing interconnected systems. This proposal is consistent with the updates to the New York State SIR.

⁸ The NYS SIR is limited to interconnections 5 megawatts and under. While the PSEG Long Island SGIP also governs interconnections between 5 megawatts and 10 megawatts, the recent PSC orders do not apply to projects of such larger size. Larger projects require additional analysis to ensure proper interconnection to the grid prior to the Standard Interconnection Agreement being returned.

Additional Requested Updates to SGIP

1. **Definitions of Business Day and Force Majeure Event:** LIPA Staff proposes to modify in Section III, the term Business Day. This proposed change will better align with LIPA’s service provider’s (PSEG Long Island) definition of a Business Day. Additionally, it is proposed to add Force Majeure Event to the Glossary of Terms, with the understanding that any deadlines in the SGIP will be extended to the extent they are affected by a Force Majeure Event.
2. **Providing timing flexibility for interconnection of emerging technologies:** LIPA’s Staff is proposing to modify the SGIP for the evaluation of emerging technologies. With the possibility for new untested technologies (e.g. regenerative braking for electrified trains) to interconnect to LIPA’s grid, it recognizes that these new emerging technologies may require special studies and testing to determine their impact on the grid. This proposal would allow for additional study time to interconnect technologies that have not previously interconnected to LIPA’s system. However, PSEG Long Island will commit to using its best efforts to meet the standard SGIP timelines. In addition, once an emerging technology is successfully interconnected to the grid, any future applications for that technology would follow the standard timelines outlined in the SGIP. This will set expectations for these new technologies and allow the time necessary to ensure the connections do not interfere with safe and reliable electricity for all customers.
3. **Miscellaneous edits:** Staff proposes additional ministerial changes to terms that do not affect the content of the document. Changes include:
 - Change the term “Interconnection and Metering Standards” to “Interconnection and Metering Requirements”
 - Change the term “Interconnection Guide” to “Interconnection Procedures and Requirements”
 - Change the term “Metering Standards” to “Metering Requirements”
 - Removal of duplicate language under Appendix J.

Financial Impact

Annual wireless pole attachment revenue for 2019 is \$118,668.29. There are currently 29 wireless pole attachments with rates which were negotiated at a market-based rate. Assuming the wireless pole attachment customers will relocate their wireless pole attachments and terminate their current contract, all current wireless communication attachments will be priced \$13.62 per foot per attachment. Assuming most wireless pole attachments occupy two feet, the proposed annual miscellaneous revenue from the current wireless pole attachments is estimated to be \$790.⁹

This proposal significantly lowers the cost of wireless attachments, which in combination with market forces will likely lead to an increase the number of wireless attachments in the service territory to more than 29. This is a new market for wireless carriers and the number of attachments is expected to increase, which will partially offset the loss of miscellaneous revenue. However, no known forecast of new attachments exists for the Long Island service territory.

⁹ The estimation of \$790 is based on a \$13.62 per foot pole attachment rate multiplied by 29 attachments multiplied by two feet respectively.

Projected annual wired pole attachment revenue for 2019 is \$4,285,987. The increase from \$11.92 to \$13.62 will increase wired pole attachment revenue by \$586,729 annually. The proposed changes to the SGIP have no financial impact.

Department of Public Service Input

The DPS has provided a letter recommending adopting of these Tariff modifications. The DPS provided feedback and input throughout the process of developing the Tariffs. Feedback provided by DPS early in the development process was incorporated into the original Tariff proposals.

Feedback provided by DPS since the release of the original Tariff proposals is reflected in the final Tariff redlines. The following changes have been made since the release of the original Tariff proposals:

1. Originally, LIPA Staff had proposed adopting a wireless pole attachment rate of \$17.12, which is the rate adopted by Rochester Gas & Electric (“RG&E”), whose wired pole attachment rate the Authority previously adopted in its 2015 rate case. Since RG&E’s rate is no longer the lowest among the investor-owned utilities, the DPS recommended that the Authority instead adopt the new lower rate, which is National Grids, for the reasoning described in footnote 5. The Authority has modified the proposed tariff leaves consistent with this recommendation.
2. The DPS suggested revisions to the SGIP proposal to clarify language and further increase uniformity with the New York State SIR. The Authority has modified the proposed SGIP consistent with this recommendation.

Public Input

The Authority held two public comment sessions on the proposed tariff changes, one in Suffolk County, held on November 12, 2019, and one in Nassau County held on November 13, 2019. No members of the public commented on these proposals at the public comment sessions.

Written comments were received from one stakeholder and are summarized here. The commenter, Crown Castle, is a telecommunication provider with pre-existing wireless pole attachments in LIPA’s service territory that are currently subject to a negotiated rate that is significantly higher than the newly proposed, generally applicable tariffed wireless rate of \$13.62 per foot. In the original proposal memorandum, LIPA Staff noted that existing wireless pole attachment customers could terminate their existing contracts by relocating (or removing then reattaching) their existing attachments, thereby receiving the newly proposed rate. Crown Castle commented that all wireless pole attachments, whether presently existing or installed after the effective date of the tariff changes, should be subject to the new formula rate from the day such rate takes effect. Crown Castle reasoned that moving existing wireless facilities from one LIPA pole to another should not be a prerequisite to benefit from the rate change and would result in considerable inefficiencies and capacity degradation should telecommunications service providers be forced to move wireless facilities in order to take advantage of the new rates. The Authority agrees and will allow lessees of existing wireless pole attachments to terminate their existing negotiated rate contracts, upon request, and to

receive the newly proposed wireless pole attachment rate, subject to the “Definitions of Space Allocation on LIPA Distribution Poles” document described above.

Recommendation

For the foregoing reasons, I recommend that the Committee recommend to the Board the approval of the modifications to the Tariff for Electric Service described herein and set forth in the accompanying resolutions.

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

RECOMMENDATION TO APPROVE MODIFICATIONS TO LIPA’S TARIFF RELATED TO POLE ATTACHMENTS

WHEREAS, the Board of Trustees of the Long Island Power Authority (the “Authority”) has adopted a Board Policy on Customer Value and Affordability, which sets forth the Board’s commitment to establishing rates that are comparable to similarly situated regional utilities and consistent with New York Public Service Commission policy; and

WHEREAS, the proposal is consistent with the Board Policy on Customer Value and Affordability; 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 September 11, 2019, public hearings were held in Suffolk County, on November 12, 2019, and in Nassau County, on November 13, 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 Finance and Audit Committee hereby recommends approval of the proposed modifications to the Authority’s Tariff to be effective January 1, 2020; and be it further

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

RESOLVED, that the Finance and Audit Committee hereby recommends that the Tariff amendments reflected in the attached redlined Tariff leaves be approved.

RECOMMENDATION TO APPROVE MODIFICATIONS TO LIPA’S TARIFF FOR ELECTRIC SERVICE RELATED TO THE SMART GRID SMALL GENERATOR INTERCONNECTION PROCEDURES

WHEREAS, the Board of Trustees of the Long Island Power Authority (the “Authority”) has adopted a Board Policy on Resource Planning, Energy Efficiency and Renewable Energy, which sets forth the Board’s commitment to integrating cost-effective distributed energy production and storage technologies into the Authority’s electric transmission and distributions system, and enabling the economic and secure dispatch of resources deployed within the distribution system and within customer premises (the “Board Policy on Resource Planning”); and

WHEREAS, the proposal is consistent with the Board Policy on Resource Planning; 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 September 11, 2019, public hearings were held in Suffolk County, on November 12, 2019, and in Nassau County, on November 13, 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 Finance and Audit Committee hereby recommends approval of the proposed modifications to the Smart Grid Small Generator Interconnection Procedures (“SGIP”) to be effective January 1, 2020; and be it further

RESOLVED, that the Finance and Audit Committee hereby recommends that the Chief Executive Officer and his designees be authorized to carry out all actions deemed necessary or convenient to implement this proposal; and be it further

RESOLVED, that the Finance and Audit Committee hereby recommends that the SGIP amendments reflected in the attached redlined SGIP be approved.

Chair Cohen stated that the last item on the agenda is the Discussion of Internal Audit Activities and the Approval of the 2020 Internal Audit Plan and Resource Requirements to be presented by Kathleen Mitterway.

Ms. Mitterway presented the Discussion of Internal Audit Activities and then presented the following action item and took questions from the Trustees:

Requested Action

The Finance and Audit Committee is requested to approve the 2020 Internal Audit Plan (the “Plan”) and resource requirements.

Background

In accordance with the International Standards for the Professional Practice of Internal Auditing (the “Standards”), LIPA annually establishes an Internal Audit Plan. The Standards require the Vice President of Audit to establish a risk-based Internal Audit Plan consistent with LIPA’s goals. Additionally, the Vice President of Audit must communicate the Internal Audit Plan and resource requirements, including significant interim changes, to senior management and the Board for review and approval.

Discussion

The 2020 LIPA Internal Audit Plan includes audits selected and prioritized based on the results of a risk assessment performed by the LIPA Internal Audit Department, with input from various stakeholders and the PSEG Long Island Internal Audit Department.

The annual goal is to define a Plan that covers LIPA and PSEG Long Island’s business units and risk areas and LIPA’s strategic initiatives and top enterprise risks. The Plan must also address the resources necessary to successfully complete the Plan.

The Plan includes five (5) audits of PSEG Long Island, one (1) audit of National Grid and eight (8) audits and advisory reviews of LIPA and the Utility Debt Securitization Authority, including audits of the completed 2018 Management & Operations Audit Implementation Plans.

Recommendation

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

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

resolution:

RESOLUTION APPROVING THE 2020 INTERNAL AUDIT PLAN AND RESOURCE REQUIREMENTS

NOW, THEREFORE, BE IT RESOLVED, that consistent with the attached memorandum, the Finance and Audit Committee of the Board Trustees hereby approves the 2020 Internal Audit Plan and resource requirements.

At approximately 9:17 a.m. Chair Cohen stated that the Committee would adjourn to Executive Session. Chair Cohen stated that no votes would be taken and that the Committee would not be returning to public session.
