

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 289th MEETING

HELD ON MAY 20, 2020

The Long Island Power Authority (the “Authority”) was convened for the two-hundred-and-eighty-ninth time at 11:16 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on May15, 2020, and electronic notice posted on the Authority’s website.

In compliance with Governor Andrew M. Cuomo’s Executive Order No. 202.1 on COVID-19 safety, the following guidelines were publicly posted and followed:

The Long Island Power Authority is taking steps to minimize the risk of exposure for the public and our employees. As such, LIPA will not be permitting in-person access to its May 20, 2020 Board meeting. Members of the public are encouraged to observe the live stream of the Board meeting posted at the LIPA website. The meeting will also be recorded and posted to LIPA’s website for later viewing

The following Trustees of the Authority were present:

Ralph Suozzi, Chairman (via video conferencing)
Matthew Cordaro, Acting Chair (in person)
Elkan Abramowitz (via video conferencing)
Drew Biondo (via video conferencing)
Sheldon Cohen (via video conferencing)
Mark Fischl (via video conferencing)
Peter Gollon (via video conferencing)
Laureen Harris (via video conferencing)
Ali Mohammed (via video conferencing)

Representing the Authority, in person, were Thomas Falcone, Chief Executive Officer; and Bobbi O’Connor, Chief Administrative Officer & Board Secretary. Participating via video conferencing were Rick Shansky, Senior Vice President of Operations Oversight; Kenneth Kane, Interim Chief Financial Officer; Anna Chacko, General Counsel; Donna Mongiardo, Vice President – Controller; Justin Bell, Vice President of Public Policy and Regulatory Affairs; and Jason Horowitz, Assistant General Counsel and Assistant Secretary to the Board.

Representing PSEG Long Island via video conferencing were Daniel Eichhorn, President and Chief Operating Officer; John O’Connell, Vice President of Power Supply and Transmission and Distribution; and Scott Brown, Manager of Power Program Operations. Via conference call were Rick Walden, Vice President of Customer Service; Peggy Keane, Vice President of Construction and Operations and Andrea Elder-Howell, Vice President of Legal Services.

Acting Chair Cordaro welcomed everyone to the 289th meeting of the Long Island Power Authority Board of Trustees.

Acting Chair Cordaro stated that the first item on the agenda was the Consideration of the Consent Agenda Items.

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

1523. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MARCH 27, 2020 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on March 27, 2020 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is being requested to adopt a Resolution approving certain amendments to the Oversight and REV Committee (the “Committee”) Charter and LIPA’s By-laws

Discussion

In 2019, New York State adopted the Climate Leadership and Community Protection Act (“CLCPA”). The CLPCA codified many of the clean energy goals and initiatives that were part of the Reforming the Energy Vision (“REV”) proceeding before the New York State Public Service Commission (“PSC”). In furtherance of CLCPA, the PSC and New York State Department of Environmental Conservation (“DEC”) will be issuing regulations and orders to

utilities to implement CLPCA’s clean energy goals. Additionally, New York State adopted the Accelerated Renewable Energy Growth and Community Benefit Act (the “Siting Act”), which created an Office of Renewable Energy Siting to improve and streamline the process for environmentally responsible and cost-effective siting of large-scale renewable energy projects across New York. The Siting Act directs LIPA to conduct certain transmission and distribution studies to support the New York State’s clean energy goals and initiatives. LIPA will have to comply with these mandates and will have to establish its own programs to mirror those of the PSC.

In reviewing the roles and responsibilities of the Oversight and REV Committee, and since New York State policies have been amended and modified pursuant to CLCPA and the Siting Act, Staff is proposing to expand the Committee’s responsibilities beyond the REV proceedings to include New York State’s clean energy initiatives, laws and directives. As such, among other changes, Staff is proposing to rename the Committee to the Oversight and Clean Energy Committee. The amended Committee Charter is attached hereto as Exhibit “B”.

With respect to the By-laws, Staff proposes to amend the provisions relating to Article V, Section 3, consistent with the proposed changes to the Committee Charter. The amended By-laws are attached hereto as Exhibit “D”.

Recommendation

Based upon the foregoing, it is recommended that the Trustees adopt the resolution in the form attached hereto as Exhibit “A”.

1524. RESOLUTION APPROVING AMENDMENTS TO THE OVERSIGHT AND REV COMMITTEE CHARTER AND LIPA’S BY-LAWS

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the amendments to the Oversight and REV Committee Charter and LIPA’s Bylaws, in the form attached hereto, are hereby approved.

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority is requested to adopt a resolution: (i) finding that the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA (collectively “LIPA”) have complied with the Board Policy on Taxes and PILOTs¹ (the “Policy”); and (ii) approving the annual report for the Policy.

Background

By Resolution No. 1320, dated September 21, 2016, the Board adopted the Policy. The Policy was last reviewed and amended by the Board by Resolution No. 1464, dated January 23, 2019. Additionally, since 2016, LIPA has published an annual tax report to update the Board and the public on LIPA’s efforts to reduce the tax burden and lower energy costs for all 1.1 million customers.

¹ The term “PILOT” is the abbreviation for Payment In Lieu of Taxes

Compliance with the Policy

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

The Policy provides that LIPA should “Pay only such taxes, PILOTs, assessments, and fees as are required by law or by agreement.”

- **Long Island power plants are nationally recognized as among the highest taxed commercial properties in the United States. The excessive tax burden on power plants has resulted in operational costs that are no longer competitive with prices of power in the electric market. As such, LIPA has availed itself of the lawful right to challenge excessive payment obligations on four legacy power plants for each year beginning in 2010.**
- **As previously reported to the Board, LIPA entered into a settlement agreements with the Town of Brookhaven and the Village of Port Jefferson in 2018 to gradually reduce the taxes on the Port Jefferson power plant, which were approximately \$33 million per year, by 50 percent through 2027. If the taxing jurisdictions fulfill the terms of the settlement, LIPA will waive a refund for back tax years estimated at over \$225 million, plus interest.**
- **In November 2019, LIPA entered into a tentative settlement with the County of Nassau for the E.F. Barrett and Glenwood Landing power stations. The settlement is contingent on approval of a PILOT agreement by the Nassau County Legislature. If implemented, the settlement will reduce LIPA’s annual payments to 50% of current levels by 2027.**
- **LIPA and PSEG Long Island have implemented procedures to ensure that PILOTs on each annual bill related to transmission and distribution equipment owned by LIPA do not exceed 102% of the prior calendar year’s payment, consistent with the provisions of the LIPA Reform Act. LIPA has also taken action to defend itself in litigation challenging the 2% tax cap in certain jurisdictions on Long Island.**
- **As previously reported to the Board, LIPA undertook a review of selected substations across the service territory. The review found several substations that were assessed in excess of their value. Accordingly, LIPA filed challenges on several over-assessed substations, and will continue to monitor assessed valuations of substations.**

The Policy provides that LIPA should “Avail itself of the lawful right to challenge excessive tax assessments and payment obligations to minimize the cross-subsidization of taxpayers in some taxing jurisdictions by the Authority’s customer-owners in other jurisdictions.

- **LIPA has sought to achieve this objective by the actions stated above. The Policy provides that LIPA should “Inform customers of the burden of taxes, PILOTs, assessments, and fees in their electric bills”.**
- **LIPA issued a Property Tax Report during 2019, which is available on its website, and was provided to community leaders, stakeholders, elected officials, media, and investors in response to inquiries related to the burden of taxes on LIPA’s customers.**

- LIPA staff regularly meets with stakeholders and local leaders to discuss the impact of taxes on energy bills.
- Attached as Exhibit “B” is the 2020 Tax Report. The report provides additional detail on the tax burden in Long Island electric bills and LIPA’s tax reduction efforts.

Annual Review of the Policy

Staff proposes no amendments to the Policy at this time.

Recommendation

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

1525. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON TAXES AND PILOTs

WHEREAS, the Board Policy on Taxes and PILOTs (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1320, dated September 21, 2016; and

WHEREAS, the Policy was last reviewed and amended by the Board pursuant to Resolution No. 1464, dated January 23, 2019; and

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

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

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to approve the issuance of up to \$1,000,000,000 additional aggregate principal amount of Electric System Revenue Bonds (the “Authorized Bonds”) for the purpose of refunding LIPA Bonds as described below. In order to accomplish such issuance, the Board is requested to authorize the amendment and restatement of the Twenty-Ninth Supplemental Electric System General Resolution (the “Twenty-Ninth Supplemental Resolution”) approved by the Board at its December 18, 2019 meeting, so that the Twenty-Ninth Supplemental Resolution will authorize the issuance and sale of one or more series of Bonds in an aggregate original principal amount of up to \$1,760,000,000.

Plan of Finance

At the December 18, 2019, meeting, the Trustees authorized the issuance of up to \$760,000,000 principal amount of Electric System General Revenue Bonds, of which \$560,000,000 were for the purpose of financing costs of system improvements and \$200,000,000 were for the purpose of refunding certain LIPA bonds, and authorized the execution and delivery or termination of Financial Contracts and other related agreements.

Additionally, the Trustees authorized LIPA to enter into one or more interest rate or basis swaps (“Financial Contracts”) relating to future refunding bonds to refinance outstanding bonds of the Authority. Such future refunding bonds were then expected to be issued close to the call dates of such outstanding bonds.

Under current market conditions, LIPA has determined that it may be economically advantageous to issue such refunding bonds as soon as this year rather than in the future and, depending on market conditions, to refund additional fixed or variable rate bonds of the Authority. To accomplish this, LIPA now requests that the Trustees authorize the amendment and restatement of the Twenty-Ninth Supplemental Resolution to permit the issuance of up to \$1,000,000,000 of Authorized Bonds for the purpose of refunding outstanding fixed or variable rate bonds of the Authority in addition to the \$200,000,000 previously authorized. The amount of Bonds that may be issued under the Twenty-Ninth Supplemental Resolution for the purposes of funding the costs of system improvements and/or reimbursing such costs already incurred remains unchanged at \$560,000,000.

The authorization of the Trustees included in the December 19, 2019 resolution to enter into one or more Financial Contracts relating to the Authorized Bonds will also apply to any additional bonds issued. 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 LIPA’s Risk Management Committee, per the Board’s Policy on Interest Rate Exchange Agreements.

Certain of the refunding bonds may be issued as federally taxable notes which would be refunded by federally tax-exempt bonds when it is permissible to do so under the Internal Revenue Code. The principal amount of the notes so refunded will not be taken into account in determining the principal amount of Bonds that may be issued under the Twenty-Ninth Supplemental Resolution.

Recommendation

Based upon the foregoing, I recommend that the Board adopt the resolutions attached hereto authorizing the amendment and restatement of Twenty-Ninth Supplemental Resolution to permit the issuance of up to an additional \$1,000,000,000 aggregate principal of Electric System General Revenue Bonds, so that the Twenty-Ninth Supplemental Resolution will authorize the issuance and sale of one or more series of Bonds in an aggregate original principal amount of up to \$1,760,000,000, and to make certain other amendments relating to such bonds.

1526. AUTHORIZATION RELATING TO THE ISSUANCE OF ELECTRIC SYSTEM GENERAL REVENUE BONDS FOR THE PURPOSES OF 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 adopted a Twenty-Ninth Supplemental Bond Resolution on December 18, 2019 (the “Twenty-Ninth Supplemental Resolution”) which authorized the issuance of Bonds in an aggregate original principal amount of \$760,000,000 for the purposes of funding Costs of System Improvements and refunding bonds and notes of the Authority, as more particularly set forth in the Twenty-Ninth Supplemental Resolution; 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 amend the Twenty-Ninth Supplemental Resolution to increase the aggregate original principal amount of Bonds that may be issued thereunder for the purpose of refunding outstanding fixed or variable rate bonds or notes of the Authority (the “obligations to be refunded”) by \$1,000,000,000, so that the Twenty-Ninth Supplemental Resolution will authorize the issuance and sale of one or more series of Bonds (the “Authorized Bonds”) in an aggregate original principal amount of \$1,760,000,000; provided that the principal amount of any bond anticipation notes issued pursuant to this resolution which are refunded with Bonds issued pursuant to the Twenty-Ninth Supplemental Resolution shall be excluded for purposes of the limit on the principal amount of Authorized Bonds that may be issued (such limit being referred to herein as the “Authorized Principal Amount”); and

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

WHEREAS, subject to certain conditions, the Financing Agreement between the Authority and its wholly-owned subsidiary, the Long Island Lighting Company d/b/a LIPA (“LIPA”) and the General Resolution permits the Authority to consolidate with and assume all of the obligations of LIPA; and

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

- 1. The Amended and Restated Twenty-Ninth Supplemental 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, Controller and Secretary (collectively, the “Authorized Officers”) are each hereby authorized to deliver the Amended and Restated Twenty-Ninth 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, including, without limitation, such amendments to the General Resolution as may be necessary or desirable in connection with an eventual consolidation of the Authority and LIPA, which amendments, supplements, changes, insertions and omissions shall be deemed to be part of such resolution as approved and adopted hereby.

2. Each of the resolutions by the Trustees adopted on December 18, 2019 relating to the Twenty-Ninth Supplemental Resolution and the Bonds authorized thereunder is hereby ratified and affirmed and shall be deemed to refer to the Authorized Bonds as defined herein and all limitations therein on the principal or notional amount of any contract or other document authorized thereby shall be deemed to refer to the Authorized Principal Amount.
3. Each Authorized Officer is hereby further authorized and directed to execute and deliver any and all documents and instruments, to amend or supplement such agreements and documents, 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 the Amended and Restated Twenty-Ninth Supplemental Resolution and each of the documents authorized thereby and hereby.
4. This resolution shall take effect immediately.

1527. TWENTY-NINTH SUPPLEMENTAL ELECTRIC SYSTEM GENERAL REVENUE BOND RESOLUTION

BE IT RESOLVED by the Trustees of the Long Island Power Authority as follows:

DEFINITIONS AND STATUTORY AUTHORITY

101. **Supplemental Resolution; Authority.** This resolution (“Supplemental Resolution”) is supplemental to, and is adopted in accordance with Articles II and VIII of, a resolution adopted by the Authority on May 13, 1998, entitled “Electric System General Revenue Bond Resolution,” as heretofore supplemented (“General Resolution”), and is adopted pursuant to the provisions of the Act.

102. **Definitions.** 1. All terms which are defined in Section 101 of the General Resolution (including by cross-reference to Section 101 of the Resolution) shall have the same meanings for purposes of this Supplemental Resolution, unless otherwise defined herein.

2. **In this Supplemental Resolution:**

“Authorized Denominations” with respect to Bonds of a Series, shall have the meaning set forth in the applicable Certificate of Determination.

“Bonds” or “Bonds of a Series” and words of like import shall mean each or all a Series of Bonds issued pursuant hereto collectively, as the context may require.

“Bond Purchase Agreements” means the Bond Purchase Agreement(s) among or between the Authority and Purchaser or Purchasers for the sale of the Bonds and shall include any placement, continuing covenant, financing, loan or credit agreement entered into in connection with the placement of Bonds with an investor or financial institution.

“Certificate of Determination” shall mean a certificate or certificates of an Authorized Representative of the Authority delivered pursuant to Section 204 of this Supplemental Resolution, setting forth certain terms and provisions of the Bonds of a Series, as such certificate(s) may be amended and supplemented.

“Code” means the Internal Revenue Code of 1986 (Title 26 of the United States Code). “Commercial Paper Rate” with respect to Bonds of a Series, has the meaning set forth in the applicable Certificate of Determination.

“Commercial Paper Mode” means the mode during which Bonds of a Series bear interest at a Commercial Paper Rate.

“Credit Facility Issuer” means the issuer of any Credit Facility.

“Daily Rate” with respect to Bonds of a Series, has the meaning set forth in the applicable Certificate of Determination.

“Daily Rate Mode” means the mode during which Bonds of a Series bear interest at a Daily Rate.

“DTC” shall mean The Depository Trust Company, New York, New York, or its successors.

“Electronic Means” means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication.

“Fiduciary” or “Fiduciaries” means any Fiduciary (as defined in the General Resolution) and any Tender Agent, or any or all of them, as may be appropriate.

“Fixed Rate” means an interest rate fixed to the maturity date of the Bonds of a Series.

“Fixed Rate Mode” means the period during which Bonds of a Series bear interest at a Fixed Rate.

“Index Mode” means the mode during which Bonds of a Series bear interest at an Index Rate.

“Index Rate” with respect to Bonds of a Series, has the meaning set forth in the applicable Certificate of Determination.

“Interest Period” for a Series of Bonds, shall have the meaning set forth in the applicable Certificate of Determination.

“Liquidity Facility” means any standby bond purchase agreement, letter of credit or similar obligation, arrangement or instrument issued or provided by a bank, insurance company or other financial institution which provides for payment of all or a portion of the Purchase Price (including accrued interest) of the Bonds of any Series that may be obtained by the Authority pursuant to Section 601 hereof.

“Liquidity Facility Issuer” means the issuer of a Liquidity Facility.

“Mandatory Purchase Date” for any Series of Bonds, means any date specified as such in the applicable Certificate of Determination.

“Maturity Date” means, with respect to any Bond, the final date specified therefor in the Certificate of Determination, which shall not be later than thirty-five years after the date of issuance.

“Maximum Rate” means for Bonds of a Series, such rate as may be specified in the applicable Certificate of Determination; provided, however, that in no event shall the Maximum Rate exceed the maximum rate permitted by applicable law.

“Mode” means the Commercial Paper Mode, Daily Rate Mode, Index Mode, Term Rate Mode, the Weekly Rate Mode, the Fixed Rate Mode or any other method of determining the interest rate applicable to Bond of a Series permitted under the applicable Certificate of Determination.

“Mode Change Date” means, with respect to Bonds of a Series, the date one Mode terminates and another Mode begins.

“Purchase Date” for Bonds of a Series shall have the meaning set forth in the applicable Certificate of Determination.

“Purchase Fund” means a fund by that name that may be established by a Certificate of Determination pursuant to Section 403 hereof.

“Purchase Price” means the price at which Bonds subject to optional or mandatory tender for purchase are to be purchased as provided in the Certificate of Determination.

“Purchaser” or “Purchasers” means the underwriter(s) or purchaser(s) for the Bonds of a Series named in the Bond Purchase Agreement for the Bonds of such Series.

“Refunded Obligations” means such portion, if any, of the Authority’s outstanding fixed or variable rate Bonds and Subordinated Bonds as shall be specified in a Certificate of Determination.

“Remarketing Agent” means the remarketing agent at the time serving as such for the Bonds of a Series (or portion thereof) pursuant to Section 503 hereof.

“Remarketing Agreement” means the remarketing agreement entered into by and between the Authority and the Remarketing Agent with respect to the Bonds of a Series (or portion thereof).

“Resolution” means the General Resolution, as amended and supplemented by the Supplemental Resolution.

“Securities Depository” shall mean DTC as the Securities Depository appointed pursuant to Section 203(a) hereof, or any substitute Securities Depository, or any successor to any of them.

“Tender Agent” means the Trustee as tender agent appointed for the Bonds pursuant to Section 504 hereof.

“Term Rate,” with respect to Bonds of a Series (or portion thereof), has the meaning set forth in the applicable Certificate of Determination.

“Term Rate Mode” means the mode during which Bonds of a Series (or portion thereof) bear interest at a Term Rate.

“Weekly Rate” with respect to Bonds of a Series, has the meaning set forth in the applicable Certificate of Determination.

“Weekly Rate Mode” means the mode during which Bonds of a Series bear interest at a Weekly Rate.

ARTICLE II AUTHORIZATION OF BONDS

201. Principal Amount, Designation, Series and Trustee. (a) Pursuant to the provisions of the General Resolution, one or more separate Series of Bonds entitled to the benefit, protection and security of such provisions are hereby authorized in a not-to-exceed aggregate original principal amount described below and with the following designation: “Electric System General Revenue Bonds, Series 20 _” and with such additional or different designations as may be set forth in the applicable Certificates of Determination. The aggregate principal amount of each Series of Bonds shall be determined by an Authorized Representative of the Authority, subject to the terms of Section 204 hereof. Each Series shall initially bear interest in accordance with the Interest Rate Mode specified in and as may be provided by the applicable Certificate of Determination.

(b) Bonds issued pursuant to this Supplemental Resolution shall be issued in a not-to- exceed aggregate original principal amount of \$1,760,000,000, provided that to the extent that any bond anticipation notes are issued pursuant to Section 204(b) of this Supplemental Resolution and are refunded with Bonds issued pursuant to this resolution, the principal amount of such bond anticipation notes shall be excluded for purposes of the limit on the aggregate original principal amount of Bonds that may be issued hereunder.

(c) The authorization in this Section 201 to issue additional Bonds is in addition to any previous authorization of Bonds pursuant to any prior Supplemental Resolution, which shall remain in full force and effect. Any Bonds issued pursuant to this Supplemental Resolution bonds may be issued in conjunction with any previously authorized, but not yet issued, Bonds or be issued separately as may be provided in the applicable Certificate of Determination.

202. Purposes. (a) The purposes for which the Bonds of any Series are to be issued shall include such of the following as shall be specified in the applicable Certificate of Determination:

- (i) to fund Costs of System Improvements, including, without limitation, reimbursement of moneys theretofore expended by the Authority or the Subsidiary for such costs or refinancing of notes or revolving credit agreement borrowings incurred to finance such costs;
- (ii) to refund all or a portion of the Refunded Obligations, including refinancing of notes or revolving credit agreement borrowings incurred to refund all or a portion of the Refunded Obligations;
- (iii) to pay or reimburse the Authority for amounts due under any Financial Contract entered into in connection with any bonds or notes of the Authority, including, without limitation, termination payments that may be payable under an interest rate swap or other Financial Contract entered into in connection with any Refunded Obligations; and

- (iv) to pay fees and expenses in conjunction with each of the foregoing and the issuance of the Bonds of a Series, including reimbursement of fees and expenses expended by the Authority in connection therewith.

(b) The proceeds of each Series of Bonds shall be deposited and applied in accordance with the applicable Certificate of Determination.

203. Securities Depository.

(a) **Securities Depository.** The Bonds of each Series when initially issued shall be registered in the name of Cede & Co., as nominee of DTC, in the form of a single fully registered Bond for each maturity of the Bonds of each Series. DTC is hereby appointed initial Securities Depository for the Bonds, subject to the provisions of subsection (b) of this Section. So long as DTC or its nominee, as Securities Depository, is the registered owner of Bonds, individual purchases of beneficial ownership interests in such Bonds may be made only in book-entry form by or through DTC participants, and purchasers of such beneficial ownership interest in Bonds will not receive physical delivery of bond certificates representing the beneficial ownership interests purchased.

So long as DTC or its nominee, as Securities Depository, is the registered Owner of Bonds, payments of principal, the Purchase Price and the Redemption Price of and interest on such Bonds will be made by wire transfer to DTC or its nominee, or otherwise pursuant to DTC's rules and procedures as may be agreed upon by the Authority, the Trustee and DTC. Transfers of principal, the Redemption Price, and interest payments to DTC participants will be the responsibility of DTC. Transfers of such payments to beneficial owners of Bonds by DTC participants will be the responsibility of such participants, indirect participants and other nominees of such beneficial owners.

So long as DTC or its nominee, as Securities Depository, is the Owner of Bonds, the Authority shall send, or cause the Trustee to send, or take timely action to permit the Trustee to send, to DTC notice of redemption of such Bonds and any other notice required to be given to Owners of Bonds pursuant to the General Resolution, in the manner and at the times prescribed by the General Resolution, or otherwise pursuant to DTC's rules and procedures or as may be agreed upon by the Authority, the Trustee (if applicable) and DTC.

Neither the Authority nor any Fiduciary shall have any responsibility or obligation to the DTC participants, beneficial owners or other nominees of such beneficial owners for (1) sending transaction statements; (2) maintaining, supervising or reviewing, or the accuracy of, any records maintained by DTC or any DTC participant, indirect participant or other nominees of such beneficial owners; (3) payment or the timeliness of payment by DTC to any DTC participant, indirect participant or by any DTC participant, indirect participant or other nominees of beneficial owners to any beneficial owner, of any amount due in respect of the principal or the Redemption Price of or interest on Bonds; (4) delivery or timely delivery by DTC to any DTC participant or indirect participant, or by any

DTC participant, indirect participant or other nominees of beneficial owners to any beneficial owners, of any notice (including notice of redemption) or other communication which is required or permitted under the terms of the General Resolution to be given to holders or Owners of Bonds; (5) the selection of the beneficial owners to receive payment in the event of any partial redemption of Bonds; or (6) any action taken by DTC or its nominee as the registered Owner of the Bonds.

Notwithstanding any other provisions of this Supplemental Resolution to the contrary, the Authority, the Trustee and each other Fiduciary shall be entitled to treat and consider the Person in whose name each Bond is registered in the books of registry as the absolute owner of such Bond for the purpose of payment of principal, the Purchase Price, the Redemption Price, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal and the Redemption Price of and interest on the Bonds only to or upon the order of the respective Owners, as shown on the books of registry as provided in this Supplemental Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of principal and the Redemption Price of and interest on the Bonds to the extent of the sum or sums so paid.

Notwithstanding any other provisions of this Supplemental Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal, the Purchase Price and the Redemption Price of, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, pursuant to DTC's rules and procedures.

Payments by the DTC participants to beneficial owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC participant and not of DTC, the Trustee or the Authority, subject to any statutory and regulatory requirements as may be in effect from time to time.

Provisions similar to those contained in this subsection (a) may be made by the Authority in connection with the appointment by the Authority of a substitute Securities Depository, or in the event of a successor to any Securities Depository.

Authorized Officers are hereby authorized to enter into such representations and agreements as they deem necessary and appropriate in furtherance of the provisions of this subsection (a).

(b) Replacement Bonds. The Authority shall issue Bond certificates (the “Replacement Bonds”) directly to the beneficial owners of the Bonds, or their nominees, in the event that DTC determines to discontinue providing its services as Securities Depository with respect to such Bonds, at any time by giving notice to the Authority, and the Authority fails to appoint another qualified Securities Depository to replace DTC. In addition, the Authority shall issue Replacement Bonds directly to the beneficial owners of the Bonds, or their nominees, in the event the Authority discontinues use of DTC as Securities Depository at any time upon determination by the Authority, in its sole discretion and without the consent of any other Person, that beneficial owners of the Bonds shall be able to obtain certificated Bonds.

(c) Notices. In connection with any notice of redemption provided in accordance with Article VI of the General Resolution, notice of such redemption shall also be sent by the Trustee by first class mail, overnight delivery service or other secure overnight means, postage prepaid, to any Rating Agency; to the Securities Depository which are known to the Trustee to be holding Bonds, to any Liquidity Facility Issuer with respect to such Bonds, and to at least two (2) of the national Information Services that disseminate securities redemption notices, in each case not later than the mailing of notice required by the General Resolution.

204. Delegation of Authority. There is hereby delegated to each Authorized Representative of the Authority, subject to the limitations contained herein, the power with respect to the Bonds of each Series to determine and effectuate the following:

(a) the principal amount of the Bonds of each Series to be issued, provided that the aggregate original principal amount of Bonds of all Series shall not exceed limit set forth in Section 201(b), and provided further that the aggregate original principal amount of the portion of the Bonds authorized by this Supplemental Resolution issued to fund Costs of System Improvements shall not exceed \$560,000,000;

(b) whether to issue Bonds as “bond anticipation notes” and the maturities, interest rates, tender and redemption provisions, if any, and other terms of such bond anticipation notes;

(c) the dated date or dates, maturity date or dates and principal amount of each maturity of the Bonds of such Series, the first and subsequent interest payment date or dates of the Bonds of such Series, and the date or dates from which the Bonds of such Series shall bear interest;

(d) the methods of determining the interest rate applicable to the Bonds of such Series which may include Commercial Paper Rates, Daily Rates, Index Rates, Term Rates, Fixed Rates, Weekly Rates or other methods of determining the interest rate applicable to such Bonds and the initial interest rate or rates of the Bonds of such Series, provided that the initial interest rate or rates applicable to the Bonds of a Series at the date of their issuance shall not exceed six percent (6%) per annum;

- (e) the amounts of the proceeds of the Bonds of each Series to be deposited and applied in accordance with Section 202 hereof;
- (f) the redemption provisions, if any, of the Bonds;
- (g) the tender provisions, if any, of the Bonds;
- (h) the definitive form or forms of the Bonds and the definitive form or forms of the Trustee's certificate of authentication thereon;
- (i) the specification, from time to time, of a new Maximum Rate, in accordance with the definition thereof;
- (j) provisions that are deemed advisable by such Authorized Representative in connection with a change in the Mode applicable to the Bonds of a Series;
- (k) obtaining any Credit Facility or Liquidity Facility related to the Bonds of a Series or any portion thereof, and complying with any commitment therefor including executing and delivering any related agreement with any Credit Facility Issuer or Liquidity Facility Issuer, to the extent that such Authorized Representative determines that to do so would be in the best interest of the Authority;
- (l) whether the interest on the Bonds will be included in gross income for Federal income tax purposes; and
- (m) any other provisions deemed advisable by such Authorized Representative, not in conflict with the provisions hereof or of the General Resolution.

Such Authorized Representative shall execute one or more certificates evidencing determinations or other actions taken pursuant to the authority granted herein, an executed copy of which shall be delivered to the Trustee. Each such certificate shall be deemed a Certificate of Determination and shall be conclusive evidence of the action or determination of such officer as to the matters stated therein. The provisions of each Certificate of Determination shall be deemed to be incorporated in Article II hereof. No such Certificate of Determination, nor any amendment to this Supplemental Resolution, shall change or modify any of the rights or obligations of any Credit Facility Issuer or any Liquidity Facility Issuer without its written assent thereto.

205. **Form of Bonds and Trustee's Authentication Certificate.** Subject to the provisions of the General Resolution and this Supplemental Resolution, the form of the Bonds of each Series, form of assignment, and the Trustee's Certificate of Authentication shall be in substantially the form set forth in the applicable Certificate of Determination. Any portion of the text of any Bond of a Series may be set forth on the reverse thereof, with an appropriate reference thereto on the face of such

Bond. Bonds of any Series may be typewritten, printed, engraved, lithographed or otherwise reproduced and may incorporate such legends and other additional text as may be customary, including but not limited to any legend to reflect delivery of the Bonds of any Series to a Securities Depository.

206. Denominations; Medium, Method and Place of Payment of Principal and Interest; Dating. The Bonds of each Series shall be issued in the form of fully registered bonds in Authorized Denominations and shall be numbered, lettered and dated as prescribed in the applicable Certificate of Determination. The principal of and premium, if any, and interest on the Bonds of each Series shall be payable in lawful money of the United States of America as provided in the applicable Certificate of Determination.

Interest on Bonds of a Series shall be calculated as provided in the applicable Certificate of Determination. The interest rates for Bonds of a Series contained in the records of the Trustee shall be conclusive and binding, absent manifest error, upon the Authority, the Remarketing Agent, the Tender Agent, the Trustee, the Liquidity Facility Issuer, the Credit Facility Issuer and the Owners.

No Bond of a Series may bear interest at an interest rate higher than the Maximum Rate.

207. Determination of Interest Rate(s); Purchase Price. The interest rate applicable during any Rate Period (other than a Fixed Rate determined on or prior to the date of issuance of the related Bonds) shall be determined in accordance with the applicable Certificate of Determination. Except as otherwise provided in the applicable Certificate of Determination, any such rate shall be the minimum rate that, in the sole judgment of the Remarketing Agent, would result in a sale of the Bonds of the Series at a price equal to the principal amount thereof on the date on which the interest rate on such Bonds is required to be determined in accordance with the applicable Certificate of Determination, taking into consideration the duration of the Interest Period, which shall be established by the Authority.

ARTICLE III

SALE OF EACH SERIES; CERTAIN FINDINGS; DETERMINATIONS AND AUTHORIZATIONS; AMENDMENTS TO GENERAL RESOLUTION

301. Sale of the Bonds. (a) The Bonds of each Series may be sold to the Purchasers therefor named in the respective Bond Purchase Agreement and approved by an Authorized Representative of the Authority, upon the terms and conditions set forth in the Bond Purchase Agreement at an aggregate purchase price (excluding accrued interest) of not less than ninety-five percent (95%) of the aggregate principal amount of such Bonds to be sold. The Purchaser or Purchasers of the Bonds of each Series shall be approved by the Chief Executive Officer and shall be one or more of the financial institutions approved by the Authority to act as underwriters of the Authority's bonds.

(b) The Authority hereby authorizes one or more Bond Purchase Agreements with respect to the Bonds, which in the case of any series of Bonds being sold to a purchaser for resale to the public, shall be in substantially the form of the bond purchase agreements executed by the Authority in connection with the issuance of the Authority's Electric System General Revenue Bonds, Series 2019 (the "Series 2019 Bonds"), with such modifications thereto as any Authorized Representative of the Authority, upon the advice of counsel to the Authority, approves, but subject to subsection (a) above. In the case of a placement of Bonds with one or more investors or financial institutions, the Bond Purchase Agreement shall be in such form as any Authorized Representative of the Authority, upon the advice of counsel to the Authority, approves, but subject to subsection (a) above. Any Authorized Representative of the Authority is hereby authorized to execute and deliver such Bond Purchase Agreements, which execution and delivery shall be conclusive evidence of the approval of any such modifications. Any Bond Purchase Agreement or placement agreement may provide for the sale of the Bonds on a forward delivery basis.

(c) The Bonds of each Series may be sold to the Purchasers therefor pursuant to a competitive sale, upon the terms and conditions set forth in a Notice of Sale at an aggregate purchase price (excluding accrued interest) of not less than ninety-five percent (95%) of the aggregate principal amount of such Bonds to be sold.

302. Preliminary and Final Official Statements. The Authority hereby authorizes one or more preliminary and final official statements substantially in the form of the Official Statements, delivered with respect to the Authority's Series 2019 Bonds, with such modifications thereto as any Authorized Representative of the Authority, upon the advice of counsel to the Authority, approves, including, without limitation, modifications to reflect matters reflected in continuing disclosure filings made with the Municipal Securities Rulemaking Board subsequent to the date of such Official Statement. Any Authorized Representative of the Authority is hereby authorized to deliver such preliminary official statements to the Purchasers for delivery to prospective purchasers of the Bonds and to execute copies of such final official statement and deliver the same to the Purchasers or Remarketing Agents, as the case may be, in connection with the original issuance of the Bonds of any Series or the remarketing thereof, which execution and delivery shall be conclusive evidence of the approvals of such preliminary and final official statements. The Authority hereby authorizes the use of such preliminary and final official statements and the information contained therein in connection with the public offering and sale of the Bonds of each Series by the Purchasers.

303. Continuing Disclosure. The Authority hereby approves the Continuing Disclosure Certificate substantially in the form delivered in connection with the Series 2019 Bonds, and authorizes any Authorized Representative to execute and deliver the same, or any similar undertaking, whether in the form of an agreement with the Trustee or any other instrument, to provide secondary market disclosure in order to permit the Purchasers of the Bonds of any Series to comply with

Rule 15c2-12 of the Securities and Exchange Commission, with such modifications as any Authorized Representative, upon the advice of counsel to the Authority, approves, which execution and delivery shall be conclusive evidence of the approval of such modifications. The Authority covenants with the Owners from time to time of the Bonds of each Series for which a Continuing Disclosure Certificate is delivered that it will, and hereby authorizes the appropriate officers and employees of the Authority to take all action necessary or appropriate to, comply with and carry out all of the provisions of such undertaking as amended from time to time. Notwithstanding any other provision of the Resolution, failure of the Authority to perform in accordance with such continuing disclosure undertaking shall not constitute a default or an Event of Default under the Resolution and shall not result in any acceleration of payment of the Bonds of any Series, and the rights and remedies provided by the Resolution upon the occurrence of such a default or an Event of Default shall not apply to any such failure, but such undertaking may be enforced only as provided therein.

304. Remarketing Agreements and Tender Agency Agreements. The Authority hereby authorizes one or more Remarketing Agreements and Tender Agency Agreements with respect to the Bonds of any Series in substantially the form of the remarketing agreements and the tender agency agreements entered into by the Authority in connection with prior series of Bonds, with such modifications and with such Remarketing Agents and such Tender Agents as any Authorized Representative, upon the advice of counsel to the Authority, approves. Any Authorized Representative of the Authority is hereby authorized to execute and deliver such Remarketing Agreements and such Tender Agency Agreements in connection with the original issuance of the Bonds of any Series or remarketing thereof, which execution and delivery shall be conclusive evidence of the approval of any such modifications.

305. Further Authority. All Authorized Representatives of the Authority are and each of them is hereby authorized and directed to execute and deliver any and all agreements, documents and instruments and to do and cause to be done any and all acts necessary or proper for carrying out this Supplemental Resolution and each agreement authorized hereby, the issuance, sale and delivery and remarketing of the Bonds of any Series and for implementing the terms of each such agreement and the transactions contemplated thereby and by this Supplemental Resolution.

306. Certain Findings and Determinations. The Authority hereby finds and determines:

The General Resolution has not been amended, supplemented, or repealed since the adoption thereof except by the resolution of the Authority entitled “First Supplemental Resolution authorizing Electric System General Revenue Bonds, Series 1998A” adopted May 13, 1998, by the resolution of the Authority entitled “Second Supplemental Resolution authorizing Electric System General Revenue Bonds, Series 1998B” adopted October 20, 1998, by the resolution of the Authority entitled “Third Supplemental Resolution authorizing Electric System General Revenue Bonds, Series 2000A” adopted February 29, 2000, by the resolution of the Authority entitled “Fourth Supplemental Resolution authorizing Electric System General Revenue Bonds, Series 2001A” adopted March 1, 2001, by the resolution of the Authority entitled “Fifth Supplemental Resolution authorizing Electric System General Revenue Bonds, Series 2001B through 2001P” adopted May 1, 2001, by the resolution of the Authority entitled “Sixth Supplemental Resolution authorizing

Electric System General Revenue Bonds, Series 2003A” adopted February 27, 2003, as amended March 27, 2003, by the resolution of the Authority entitled “Seventh Supplemental Resolution authorizing Electric System General Revenue Bonds” adopted March 27, 2003, by the resolution of the Authority entitled “Eighth Supplemental Resolution authorizing Electric System General Revenue Bonds” adopted May 26, 2004, by the resolution of the Authority entitled “Ninth Supplemental Resolution authorizing Electric System General Revenue Bonds” adopted March 24, 2005, by the resolution of the Authority entitled “Tenth Supplemental Resolution authorizing Electric System General Revenue Bonds” adopted April 27, 2006, by the resolution of the Authority entitled “Eleventh Supplemental Resolution authorizing Electric System General Revenue Bonds” adopted October 18, 2006, by the resolution of the Authority entitled “Twelfth Supplemental Resolution authorizing Electric System General Revenue Bonds” adopted February 26, 2008, and by the resolution of the Authority entitled “Thirteenth Supplemental Resolution authorizing Additional Interest Rate Modes and Modifications to the Operational Provisions and Characteristics of Existing Interest Rate Modes of Outstanding Electric System General Revenue Bonds” adopted February 26, 2008 and by the resolution of the Authority entitled “Fourteenth Supplemental Resolution authorizing Electric System General Revenue Bonds” adopted October 23, 2008, by the resolution of the Authority entitled “Fifteenth Supplemental Resolution authorizing Electric System General Revenue Bonds” adopted April 23, 2009, by the resolution of the Authority entitled “Sixteenth Supplemental Resolution authorizing Electric System General Revenue Bonds” adopted December 17, 2009, and by the resolution of the Authority entitled “Seventeenth Supplemental Resolution authorizing Electric System General Revenue Bonds” adopted September 27, 2010, by the resolution of the Authority entitled “Eighteenth Supplemental Resolution authorizing Electric System General Revenue Bonds” adopted December 15, 2011, by the resolutions of the Authority entitled “Nineteenth Supplemental Resolution authorizing Electric System General Revenue Bonds,” “Twentieth Supplemental Resolution authorizing Electric System General Revenue Bonds” and “Twenty-First Supplemental Resolution authorizing Electric System General Revenue Bonds,” each adopted December 13, 2012, by the resolutions of the Authority entitled “Twenty-Second Supplemental Resolution authorizing Electric System General Revenue Bonds” and “Twenty-Third Supplemental Resolution authorizing Electric System General Revenue Bonds,” each adopted August 6, 2014, by the resolution of the Authority entitled “Twenty-Fourth Supplemental Resolution authorizing Electric System General Revenue Bonds” adopted December 16, 2015, by the resolution of the Authority entitled “Twenty-Fifth Supplemental Resolution authorizing Electric System General Revenue Bonds” adopted March 21, 2016, and by the resolution of the Authority entitled “Twenty-Sixth Supplemental Resolution authorizing Electric System General Revenue Bonds” adopted December 19, 2016, by the resolution of the Authority entitled “Twenty-Seventh Supplemental Resolution authorizing Electric System General Revenue Bonds” adopted December 19, 2017, and by the resolution of the Authority entitled “Twenty-Eighth Supplemental Resolution authorizing Electric System General Revenue Bonds” adopted December 19, 2018, and the certificates of determination delivered pursuant to all such resolutions. This Supplemental Resolution supplements the General Resolution, constitutes and is a “Supplemental Resolution” within the meaning of such quoted term as defined and used in the General Resolution, and is adopted under and pursuant to the General Resolution.

(b) The Bonds of each Series constitute and are “Bonds” within the meaning of the quoted word as defined and used in the General Resolution.

(c) The Trust Estate is not encumbered by any lien or charge thereon or pledge thereof which is prior to or of equal rank with the lien and charge thereon and pledge thereof created by the General Resolution.

(d) There does not exist an “Event of Default” within the meaning of such quoted term as defined in Section 1001 of the General Resolution, nor does there exist any condition which, after the giving of notice or the passage of time, or both, would constitute such an “Event of Default.”

ARTICLE IV

REDEMPTION AND PURCHASE OF BONDS

401. **Optional and Sinking Fund Redemption.** Bonds of a Series shall be subject to optional and mandatory redemption as and to the extent and at the times and subject to such conditions, if any, as shall be specified in the applicable Certificate of Determination.

402. **Optional and Mandatory Purchase of Bonds.** The Bonds of a Series shall be subject to optional and mandatory tender for purchase to the extent, at the times and subject to such conditions as shall be set forth in the applicable Certificate of Determination.

403. **Purchase Fund.** A Purchase Fund may be established in a Certificate of Determination in connection with the delivery to the Trustee of a Liquidity Facility, which fund, if established, shall be held by the Tender Agent and may have such separate accounts as shall be established in such Certificate of Determination. Such Purchase Fund and accounts therein may be established for the purpose of depositing moneys obtained from (i) the remarketing of Bonds of a Series which is subject to tender for purchase in accordance with the applicable Certificate of Determination, (ii) draws under a Liquidity Facility and (iii) the Authority. Such deposited moneys shall be used solely to pay the Purchase Price of Bonds of such Series or to reimburse a Liquidity Facility Issuer.

404. Remarketing of Bonds of a Series; Notices. The Remarketing Agent for Bonds of a Series shall offer for sale and use its best efforts to find purchasers for all Bonds of such Series required to be tendered for purchase. The applicable Certificate of Determination shall prescribe provisions relating to the notices which shall be furnished by the Remarketing Agent in connection with such remarketing and as to the application of the proceeds of such remarketing.

405. Source of Funds for Purchase of Bonds of a Series. (a) Except as may otherwise be provided in the applicable Certificate of Determination, the Purchase Price of the Bonds of a Series on any Purchase Date shall be payable solely from proceeds of remarketing of such Series or proceeds of a related Liquidity Facility (including moneys that are borrowed by the Authority pursuant to a Liquidity Facility), if any, and shall not be payable by the Authority from any other source.

(b) As may be more particularly set forth in the applicable Certificate of Determination, on or before the close of business on the Purchase Date or the Mandatory Purchase Date with respect to Bonds of a Series, the Tender Agent shall purchase such Bonds from the Owners at the Purchase Price. Except as otherwise provided in a Certificate of Determination, funds for the payment of such Purchase Price shall be derived in the order of priority indicated:

(i) immediately available funds transferred by the Remarketing Agent to the Tender Agent derived from the remarketing of the Bonds; and

(ii) immediately available funds transferred by the Liquidity Facility Issuer (or the Authority to the Tender Agent, if the Liquidity Facility permits the Authority to make draws thereon), including, without limitation, amounts available under the Liquidity Facility.

Delivery of Bonds. Except as otherwise required or permitted by the book-entry only system of the Securities Depository and in the applicable Certificate of Determination, the Bonds of a Series sold by the Remarketing Agent shall be delivered by the Remarketing Agent to the purchasers of those Bonds at the times and dates prescribed by the applicable Certificate of Determination. The Bonds of a Series purchased with moneys provided by the Authority shall be delivered at the direction of the Authority. The Bonds of a Series purchased with moneys drawn under a Liquidity Facility shall be delivered as provided in such Liquidity Facility.

406. Delivery and Payment for Purchased Bonds of a Series; Undelivered Bonds. Each Certificate of Determination shall provide for the payment of the Purchase Price of Purchased Bonds of the related Series and for the sources of such payment and shall also make provision for undelivered Bonds.

407. Credit Facility and Liquidity Facility. (a) At any time and subject to such limitations and other provisions as may be set forth in the applicable Certificate of Determination, the Authority may obtain or provide for the delivery to the Trustee of a Liquidity Facility and/or a Credit Facility with respect to the Bonds of any Series.

(b) The Liquidity Facility or Liquidity Facilities relating to the Bonds of any Series shall provide for draws thereon or borrowings thereunder, in the aggregate, in an amount at least equal to the amount required to pay the Purchase Price for the related Bonds of a Series. Except as may otherwise be provided in the applicable Certificate of Determination, the obligation of the Issuer to reimburse the Liquidity Facility Issuer or to pay the fees, charges and expenses of the Liquidity Facility Issuer under the Liquidity Facility shall constitute a Parity Reimbursement Obligation within the meaning of the Resolution and shall be secured by the pledge of and lien on the Trust Estate created by Section 501 of the Resolution.

ARTICLE V COVENANTS

501. Tax Covenant. (a) Subject to subsection (e) of this Section, the Authority shall not take or omit to take any action which would cause interest on any Bonds authorized by this Supplemental Resolution to be included in the gross income of any Owner thereof for Federal income tax purposes by reason of subsection (b) of Section 103 of the Code. Without limiting the generality of the foregoing, no part of the proceeds of any Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an “arbitrage bond” as defined in section 148 of the Code and to be subject to treatment under subsection (b)(2) of Section 103 of the Code as an obligation not described in subsection (a) of said section. The Authority shall make such payments to the United States as may be necessary to comply with the provisions of Section 148 of the Code.

(b) There is hereby delegated to each Authorized Representative of the Authority the power to execute and deliver for and on behalf of the Authority one or more Arbitrage and Use of Proceeds Certificates with respect to the Bonds of each Series in furtherance of the covenant in subsection (a).

(c) Notwithstanding any other provision of the Resolution to the contrary, upon the Authority’s failure to observe, or refusal to comply with, the covenants in subsection (a) above, the Owners of the Bonds, or the Trustee acting on their behalf, shall be entitled only to the right of specific performance of such covenant, and shall not be entitled to any of the other rights and remedies provided under Article X of the General Resolution.

(d) Notwithstanding Section 1201 of the General Resolution, the Owners of the Bonds of any Series shall be entitled to the benefit of the covenants in subsection (a) above until the retirement of the Bonds of such Series, whether at maturity or earlier redemption or otherwise.

(e) The preceding clauses of this Section 501 shall not apply to any Bonds authorized by this Supplemental Resolution the interest on which is included in gross income for Federal income tax purposes.

502. Trustee and Paying Agent. The Trustee heretofore appointed pursuant to the General Resolution, is also appointed as Paying Agent for the Bonds.

503. Remarketing Agent. The Authority shall appoint and employ the services of a Remarketing Agent prior to any Purchase Date or Mode Change Date while the Bonds of any Series are in the Commercial Paper Mode, Daily Rate Mode, Weekly Rate Mode, Index Mode or Term Rate Mode. As and to the extent so provided in the related reimbursement agreement, no appointment of the Remarketing Agent for the Bonds of a Series shall be effective without the consent of the Credit Facility Issuer or the Liquidity Facility Issuer, as the case may be, for the Bonds of such Series. Such consent shall be deemed to have been given if such Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, unreasonably withholds its consent. The Authority shall have the right to remove the Remarketing Agent as provided in the Remarketing Agreement. To the extent so provided in the related reimbursement agreement, the Authority shall, upon a written direction of the Credit Facility Issuer or the Liquidity Facility Issuer for the Bonds of a Series, remove the Remarketing Agent for the Bonds of such Series if the Remarketing Agent fails to comply with its obligations under the Remarketing Agreement.

504. Tender Agent. The Authority shall appoint and employ the services of a Tender Agent prior to any Purchase Date or Mode Change Date while the Bonds of any Series are in the Daily Rate, Weekly Rate, the Term Rate Mode, the Index Rate Mode or the Commercial Paper Mode. The Authority shall have the right to remove the Tender Agent as provided in the Tender Agency Agreement.

ARTICLE VI MISCELLANEOUS

601. Additional Right to Amend. This Supplemental Resolution may be amended without consent of the Owners of Bonds or of the Trustee and only with the consent of the Credit Facility Issuer and the Liquidity Facility Issuer for the Bonds of a Series affected by such amendment, at any time or from time to time, (i) for the purpose of making changes in the provisions hereof relating to the characteristics and operational provisions of the Modes of any Series of Bonds or (ii) in order to provide for and accommodate Credit Facilities or Liquidity Facilities for Bonds of any Series. Each such amendment shall become effective on any Mandatory Purchase Date applicable to the Bonds of a Series affected by such amendment next following the filing of a copy thereof, certified by an Authorized Officer, with the Trustee, the Tender Agent, the Remarketing Agent, the Credit Facility Issuer and the Liquidity Facility Issuer with respect to the Bonds of such Series.

602. Notices. (a) **Notices to Owners.** All notices required to be given to Owners of Bonds of a Series under this Supplemental Resolution, unless otherwise expressly provided in this Supplemental Resolution, shall be given by first class mail, postage prepaid.

(b) **Notices to Rating Agencies.** The Authority shall give prior written notice to the Rating Agencies of any of the following events:

- (1) Any change of Trustee, Tender Agent or Remarketing Agent;
- (2) Any material changes to the Resolution, the General Resolution or this Supplemental Resolution that affect the Bonds;
- (3) Any changes to the Liquidity Facility, the Credit Facility, or any agreement with the Liquidity Facility Issuer, Credit Facility Issuer, Remarketing Agent or Tender Agent pertaining to the Bonds;
- (4) Any expiration, termination or extension of any Liquidity Facility or Credit Facility or the obtaining of an alternate Liquidity Facility or alternate Credit Facility pertaining to the Bonds;
- (5) Any change in the Mode applicable to the Bonds of any Series from any Mode which is supported by any Liquidity Facility or Credit Facility then in effect to a different Mode which is not supported by such Liquidity Facility or Credit Facility; and
- (6) Any redemption, defeasance, mandatory tender or acceleration of all the Outstanding Bonds.

603. Effective Date. This Supplemental Resolution shall be fully effective in accordance with its terms upon the filing with the Trustee of a copy hereof certified by an Authorized Representative.

Requested Action

The Board of Trustees of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution approving an amended Board Policy on Audit Relationships, as further described below.

Board Policy on Audit Relationships

The Finance and Audit Committee of LIPA’s Board of Trustees, in its Charter, was delegated the responsibility of reviewing LIPA’s policies regarding Audit Relationships.

The Board Policy on Audit Relationships defines the expectations of the Board regarding the existing authority granted to the Finance and Audit Committee for:

- Selecting an independent certified public accounting firm to conduct annual audits of LIPA.
- The annual review of the audit plan as well as the Charter, activities, staffing, budget, and organizational structure of the Internal Audit Department, and confirming the independence of the internal auditors.
- Monitoring, in consultation with the Vice President - Audit, the significant findings of internal audit reports and the status of the implementation of management’s action plans in response to such audit findings.
- Setting forth the procedures for the Board of Trustee’s receipt, review and implementation of any recommendations in a Management and Operations Audit conducted by the New York State Department of Public Service (“DPS”).

Proposed Changes to Board Policy

The proposed changes to the Board Policy include the addition that Internal Audit governs itself by adherence to The Institute of Internal Auditors' Mandatory Guidance and certain other minor amendments to the Policy. The proposed changes to the Policy are more specifically set forth in Exhibit “B”.

Recommendation

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

1528. RESOLUTION APPROVING AMENDMENTS TO THE LONG ISLAND POWER AUTHORITY BOARD POLICY ON AUDIT RELATIONSHIPS

WHEREAS, the Board of Trustees of Long Island Power Authority (“LIPA”) oversees the management of the Authority, the contractual relationship with LIPA’s Service Provider, and fulfillment of LIPA’s mission; and

WHEREAS, as stewards of LIPA, the Trustees are responsible for setting LIPA’s audit relationship policy and overseeing its fulfillment; and

WHEREAS, the Finance & Audit Committee of LIPA’s Board of Trustees, in its Charter, was delegated the responsibility of reviewing LIPA’s policies regarding Audit Relationships;

WHEREAS, in LIPA’s By-Laws, LIPA’s Board of Trustees delegated certain responsibilities to the Chief Executive Officer for managing and directing the staff of LIPA; and

WHEREAS, policies addressing audit relationships have been recommended by the Finance & Audit Committee for adoption by the Board.

NOW, THEREFORE, BE IT IS RESOLVED, that the Trustees hereby approve and adopt the amended Policy on Audit Relationships, in accordance with the accompanying memorandum; and

BE IT FURTHER RESOLVED, that the Policy on Audit Relationships be subject to annual review and evaluation by the Finance & Audit Committee in accordance with the accompanying memorandum.

Acting Chair Cordaro stated that the next item on the agenda was the CEO’s Report to be presented by Thomas Falcone.

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

Acting Chair Cordaro stated that the next item on the agenda was the PSEG Long Island Operating Report to be presented by Daniel Eichhorn.

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

Acting Chair Cordaro stated that the next item on the agenda was the Briefing on the Northport Repowering Study to be presented by Rick Shansky.

Mr. Shansky presented the Briefing on the Northport Repowering Study and took questions from the Trustees.

Acting Chair Cordaro stated that the next item on the agenda was the Briefing on Technology Pilots to be presented by Rick Shansky.

Mr. Shansky presented the Briefing on Technology Pilots and took questions from the Trustees.

Acting Chair Cordaro stated that the next item on the agenda was the Briefing on summer Preparation for Power Supply and Transmission and Distribution to be presented by John O'Connell.

Mr. O'Connell presented the Briefing on summer Preparation for Power Supply and Transmission and Distribution and took questions from the Trustees.

Acting Chair Cordaro stated that the next item on the agenda was the Annual Update on the Emergency Response Plan to be presented by John O'Connell.

Mr. O'Connell presented the Annual Update on the Emergency Response Plan and took questions from the Trustees.

Acting Chair Cordaro stated that the next item on the agenda was the Approval of Tariff Changes to be presented by Justin Bell.

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

Requested Action

The Trustees are requested to approve changes to LIPA's Tariff for Electric Service. The proposed changes will (1) allow community choice aggregation in LIPA's service territory; (2) enable sewer districts participating in the Suffolk County Coastal Resiliency Initiative to negotiate rates for electric service for thousands of sewage pumps intended to prevent pollution of the Great South Bay; (3) reduce incentives paid to new non-renewable fossil-fuel powered fuel cells, which are ineligible to satisfy New York's clean energy goals, and provide greater certainty for distributed energy resources by locking in certain value stack components; (4) make the small generator interconnection process more user-friendly by allowing applicants to make minor modifications to their applications without affecting their queue position; and (5) establish a new solar feed-in-tariff to supply PSEG Long Island Solar Communities, a new utility-administered community solar program primarily serving low and moderate income customers.

Community Choice Aggregation: Background

In a Community Choice Aggregation ("CCA") program, municipalities may aggregate the load of their residents and businesses on an opt-out basis and procure energy on their behalf. On April 21, 2016, the New York Public Service Commission authorized the establishment of municipal CCA programs for the State's investor-owned utilities and set forth the framework for such programs in a "CCA Framework Order". The CCA Framework Order instructed interested municipalities, on their own or through their selected CCA Administrator, to file implementation plans and related documents for Commission approval to initiate a CCA program. The CCA Framework Order also identified milestones at which utilities should provide municipalities with customer-specific data and allowed the utilities to charge fees for the provision of the data.

In August 2019, the Department of Public Service published the "Community Choice Aggregation Guidance Document," providing guidance for all parties' rules and roles in the administration of a CCA. Several municipalities within the LIPA territory have since expressed interest in exploring the creation of a CCA.

Community Choice Aggregation: Proposed Action

LIPA Staff is proposing to modify the Tariff consistent with the CCA Framework Order and CCA Guidance Document so that CCA will be available to municipalities in LIPA's service territory through LIPA's existing Long Island Choice program on the same terms as in the rest of New York.

The proposed Tariff changes reflect the following principles, which are adapted from the statewide CCA Framework and Guidance Document.

Customer Eligibility:

- 1. The CCA Administrator must consult with the Service Provider on whether customers taking service under special rate treatments should be eligible to be added to the CCA on an opt-out basis. No customer should be included on an opt-out basis if that inclusion will interfere with a choice the customer has already made to take service pursuant to a special rate.**
- 2. The CCA Administrator may request a monthly list from the Service Provider of new eligible customers in the municipality. The Service Provider may charge a cost-based fee for this list.**

Low Income Participation

- 1. During creation of the initial aggregated data set, if a CCA indicates that it intends to serve recipients of LIPA's low and moderate income customer discounts, the Service Provider will include data related to customers with utility-initiated blocks on their accounts and will break out the number of customers that fall into this category and the consumption of those customers.**
- 2. Subsequently, when providing customer contact information, the Service Provider will provide a separate list containing contact information for customers with utility initiated blocks on their accounts, so that the CCA can ensure that those customers, if enrolled, are enrolled in a guaranteed savings product.**

Data Security and Privacy:

- 1. The Service Provider, in consultation with Department of Public Service Staff, will develop and post a standard data security agreement on its website.**
- 2. CCA Administrators must file data protection plans consistent with the standard data security agreement.**
- 3. The Service Provider will not provide data for any service class that contains so few customers, or in which one customer makes up such a large portion of the load, that the aggregated information could provide significant information about an individual**

customer's usage. At this time, the Service Provider will follow current policies for ensuring that aggregated data is sufficiently anonymous.

Data Fee:

1. Consistent with the Public Service Commission, LIPA Staff recommends a uniform fee of \$0.80 per customer account for data provided to CCAs. The fee will be allocated 20% for aggregated data and 80% for customer lists.

Rules and Governance:

1. CCAs will be governed in accordance with the Laws of New York State and the guidance of the Department of Public Service.
2. LIPA, the Service Provider, and municipalities participating in the CCA, and CCA Administrators will follow the Community Choice Aggregation Guidance Document provided by the Department of Public Service dated August 2019, and as further amended from time to time.

Suffolk County Coastal Resiliency: Background

Under the current tariff provisions for Service Classification No. 13, negotiated contracts are not available to public entities such as the Suffolk County Department of Public Works that wish to expand their usage, unless covered by an exception authorized in the Tariff.

The Suffolk County Department of Public Works is eligible for grant money and has initiated a project to connect approximately 5,000 homes on the south shore of Long Island to the public sewer system by installing onsite sewer treatment facilities and pumps as a replacement for the existing septic systems that are susceptible to pollution of groundwater and, when flooded, can deposit untreated sewage directly into Long Island's aquifers and open waters. Pollution of coastal wetlands also endangers public welfare by increasing vulnerability to storm surges. The Suffolk County Coastal Resiliency Initiative ("SCCRI") aims to prevent future septic system flooding, sewage backup and groundwater pollution. Each of the onsite sewer pumps will require electric service. Since the grants available to the County cannot be used to support recurring expenses such as LIPA's daily service charges for electric service, the County on behalf of the sewer districts has requested a negotiated rate discount that waives the daily service charge and certain upfront connection charges in exchange for an agreed upfront contribution in aid of construction, so that the service can be affordable to the County.

Without the discount requested by the County, this important and environmentally beneficial project cannot go forward and the beneficial impact on the local groundwater resources, the Great South Bay and its tributaries would be lost for all our customers that rely on these resources.

Suffolk County Coastal Resiliency: Proposed Action

Staff proposes to offer a negotiated contract to the sewer districts participating in the Suffolk County Coastal Resiliency Initiative to provide electric service to establish individual accounts specific to this project and purpose. Service would be provided under Service Classification No. 13 – Negotiated Contracts using the rates, charges and terms and conditions for Service

Classification No. 2 (rate code 280) with the following exceptions:

- Waive the daily service charge.
- Waive any requirements for a Security Bond.
- Waive the service initiation fee (\$220 per account).

The Power Supply Charge and other adjustments to rate and charges will apply. Consistent with the general terms of Service Classification No. 13, the proposed negotiated rate and associated guaranteed.

Also consistent with other provisions of the Tariff for Electric Service, Suffolk County Department of Public Works will be required to provide an up-front, non-refundable, contribution in aid of construction of \$150 for each account that is placed into service, to defray some of the upfront costs associated with connecting the pumping equipment to the electric system, which includes the installation of an AMI meter.

High Capacity Factor Resources: Background

The Value of Distributed Energy Resources

On March 9, 2017, the Commission issued its *Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters* (the “VDER Phase One Order”), which established the first phase of a plan to establish a new system for compensation of distributed energy resources based on the component values those resources provide to the electric grid (the “Value Stack”). The Value Stack consists of multiple compensation components: (1) an Energy Value, which compensates customers for the amount of energy that is injected onto the grid at the NYISO day-ahead hourly wholesale energy price for Long Island; (2) a Capacity Value, which compensates customers based on the Long Island-specific value of capacity for the amount of power a system injects during the highest system peaks; (3) an Environmental Value, which compensates customers who choose to sell the project’s eligible Renewable Energy Credits (“RECs”) to the utility, and (4) a Demand Reduction Value, which compensates customers for injections that reduce the distribution grid’s peak demand, based on the value to the Long Island grid. In addition, projects located in certain designated congestion relief areas are eligible for additional compensation, known as the Locational System Relief Value, based on the value of congestion

relief in that specific part of the Long Island electric grid. On December 19, 2017, LIPA adopted Tariff changes implementing the VDER Phase One Order.

Subsequently, on April 18, 2019, the Public Service Commission (“PSC”) issued an *Order Regarding Value Stack Compensation* (the “Value Stack Compensation Order”), which, among other things, added a Community Credit compensation component to the Value Stack for certain community distributed generation projects.³ LIPA adopted the changes ordered in the Value Stack Compensation Order, including the Community Credit, on July 24, 2019.

The Climate Leadership and Community Protection Act

On July 18, 2019, Governor Cuomo signed the Climate Leadership and Community Protection Act (the “CLCPA”). Among other provisions, the CLCPA added Section 66-p to the Public Service Law (“PSL”), which requires the Commission to establish a program to require that 70% or more of electricity consumed in New York come from renewable energy systems in 2030 and 100% of electricity consumed in New York be zero emissions by 2040. It defines “renewable energy systems” as “systems that generate electricity or thermal energy through use of the following technologies: solar thermal, photovoltaics, on land and offshore wind, hydroelectric, geothermal electric, geothermal ground source heat, tidal energy, wave energy, ocean thermal, *and fuel cells which do not utilize a fossil fuel resource in the process of generating electricity*” (emphasis added).

Whitepaper Regarding High-Capacity-Factor Resources

In an effort to continuously refine and improve VDER, the Department of Public Service (“DPS”) Staff has worked with stakeholders to identify areas for improvement through the VDER proceeding. Informed by the filings, petitions and comments of stakeholders as well as information gathered in stakeholder working groups, the DPS Staff issues whitepapers containing its recommendations.

On May 10, 2019, the Joint Utilities (a stakeholder group representing the New York investor owned utilities) filed a *Petition Seeking Clarification of the Treatment of High-Capacity-Factor Resources Eligible for Community Distributed Generation* (the “Petition”). The Petition expressed concern that the application of the Community Credit to off takers of certain high-capacity-factor resources, particularly fuel cells, could result in excessive cost shifts inconsistent with Commission decisions and guidance. The Petition explained that this issue has become particularly relevant in light of the number of prospective fuel cell community distributed generation projects that had entered the interconnection queue in Con Edison’s territory. Similarly, though not the subject of the Joint Utilities’ Petition, a number of customers applied to PSEG Long Island to become fuel cell community distributed generation hosts.

In response to the petition and the subsequently enacted CLCPA, on August 13, 2019, DPS Staff published the Whitepaper, in which DPS Staff provided its recommendations for

treatment of high capacity-factor resources used in community distributed generation projects and eligible for VDER compensation.

Community Credit Adjustment Factor

The Whitepaper addresses resources with average capacity factors above the average capacity of solar photovoltaics, including wind, small hydro, and fuel cells. The Whitepaper recommended that the Community Credit received by community distributed generation hosts should be adjusted downward based on the average capacity factor of the resource (with higher-capacity-factor resources receiving greater downward adjustments). The adjustments recommended by the Whitepaper are shown in the following table:

| Technology | Average Capacity | Adjustment Factor for Community Credit |
|--------------------|-----------------------------|---|
| Solar PV | 14% | 1.00 |
| Wind | 23% | 0.61 |
| Small Hydro | 50% | 0.28 |
| Fuel Cells | 87% | 0.16 |

The Whitepaper’s reasoning for recommending the adjustment was that the community credit is a transitional mechanism intended to support development of renewable and distributed generation resources and achievement of State clean energy goals while maintaining an annual net revenue impact of less than 2% in order to limit the potential cost shift to nonparticipating ratepayers.

Because the net revenue impacts of the community credit were estimated assuming a solar capacity factor, and the community credit is paid on a volumetric basis (per kilowatt-hour), allowing high capacity-factor resources to receive the full community credit without adjustment would result in a greater than intended annual net revenue impact. LIPA’s tariff currently does not apply a capacity-factor-specific adjustment but does exclude fuel cells from receiving the community credit.

Order Regarding High Capacity-Factor Resources

In the December 12, 2019, Capacity Factor Order, the Commission adopted, in part, the recommendations of the Whitepaper. Specifically, the Commission approved the following changes to the tariffs of the jurisdictional utilities: (a) Fuel Cell community distributed generation projects will receive a Community Credit based on the average fuel cell capacity factor as compared to the average solar capacity factor, unless the resource qualified prior to August 13, 2019 (the date of the Whitepaper); (b) a resource receiving Value Stack Compensation will receive the Environmental Value only if it meets the definition of renewable energy system in PSL 66-p, unless the resource qualified before August 13, 2019;

and (c) a fuel cell that qualified on or before August 13, 2019 should receive an Environmental Credit and Community Credit based on applicable values at the time of qualification.

The Commission did not adopt the Whitepaper's recommendations to apply capacity factor adjustments to wind and small hydro resources, reasoning that those resources (i) are nascent technologies not presenting a risk of significant cost shifts, (ii) have a wide range of capacity factors, and (iii) have significantly lower capacity factors on average than fuel cells. On March 4, 2020, LIPA Staff updated its original tariff proposal to incorporate this aspect of the Capacity Factor Order.

Environmental Value Eligibility

In the Whitepaper, DPS Staff explained that under the CLCPA's definition of renewable energy systems (described above), fuel cells using fossil fuels will be unable to offset the utilities' CLCPA compliance costs. In addition, the Whitepaper notes that fuel cells using natural gas for generation often have greenhouse gas emissions similar to the average greenhouse gas emissions of New York's grid, which means that generation by fuel cells that replaces use of the grid may have minimal or no impact on net greenhouse gas emissions. Accordingly, the Whitepaper recommends that resources that qualify for VDER in the future receive no Environmental Value if they do not meet the definition of renewable energy systems in the CLCPA, as codified in PSL §66-p. The Commission adopted this recommendation in its Capacity Factor Order.

Applicability to Existing Projects

The Whitepaper proposed that the recommended changes to the Community Credit and the Environmental Value Eligibility apply to projects that qualified for VDER after August 13, 2019, the date of the Whitepaper. The Whitepaper's proposed grandfathering is intended to protect developers with projects in advanced stages of development who relied in good faith on existing policies. The Commission adopted this recommendation in its Capacity Factor Order.

High Capacity Factor Resources: Proposed Action

Adoption of Whitepaper Recommendations

LIPA Staff proposes to adopt the Whitepaper's recommendations as modified by the Commission, with the exception that LIPA's grandfathering date should be determined by the date of LIPA's tariff proposal rather than the date of the Whitepaper. LIPA's proposal, issued October 17, 2019, put Long Island project developers on notice that the rule changes described herein were being considered for LIPA's service territory.

Specifically, based on the Whitepaper recommendations, as adopted by the Capacity Factor Order, LIPA is proposing the following: (a) any resource that qualifies after October 17,

2019 should be eligible for the Environmental Value only if it meets the definition of “renewable energy systems” in PSL § 66-p;5 (b) fuel cells that qualify after October 17, 2019, should receive a Community Credit, if otherwise eligible, adjusted based on the ratio of an average solar capacity factor to that resource’s estimated average capacity factor pursuant to the Whitepaper’s recommendations, as modified by the Commission, and may be adjusted by other factors to support principles set forth in Commission orders; and (c) any resource that qualifies on or before October 17, 2019 should receive an Environmental Value and Community Credit, if otherwise eligible, based on the applicable values at time of qualification, with no adjustment.

Allowing Standalone Storage Facilities to be Community Distributed Generation Hosts

Per the Value Stack Eligibility Expansion Order, LIPA proposes to update the tariff to remain consistent with the investor-owned utilities of New York State by expanding the eligibility of CDG Hosts to standalone storage. Community distributed generation projects with standalone storage will not be eligible to receive the Environmental Credit or the Community Credit of the Value Stack.

Other Tariff Modifications for CLCPA Compliance

LIPA Staff proposes additional changes to its Tariff in light of the CLCPA’s exclusion of nonrenewable resources from the definition of renewable energy systems.

LIPA Staff proposes that non-renewable resources for which a complete application is submitted after October 17, 2019 be made ineligible for net energy metering. Instead, all non-renewable resources may apply to receive compensation under VDER (without the Environmental Value) or any other compensation system for which the project is otherwise eligible at the time of application, such as buy-back service, a non-wires alternative solicitation, or other utility procurement. Net energy metering is an incentive intended to encourage deployment of renewable technologies that help meet LIPA’s environmental compliance obligations. Non-renewable resources such as fossil-fuel-powered fuel cells no longer satisfy this requirement, pursuant to the CLCPA.

This proposed change would apply to new non-renewable community distributed generation projects. In the rest of New York State, all new community distributed generation projects are compensated exclusively through VDER so as to reflect the value such systems provide to the electric grid. According to the LIPA Tariff currently in effect, however, the mass market satellite participants in all new community distributed generation projects (including non-renewable fuel cells) applying before January 1, 2020 were eligible to be compensated under Phase One NEM, and only large commercial satellite participants were required to be compensated under VDER.

If the proposed tariff changes are approved, all participants in non-renewable community distributed generation projects that complete an application as per Step 3 of LIPA’s Smart

Grid Small Generator Interconnection Procedures after the date the original proposal was posted on LIPA's website, October 17, 2019, will be compensated under VDER.

Small Generator Interconnection Procedures: Background

On April 19, 2018, the Commission issued an *Order Modifying Standardized Interconnection Requirements* (the "SIR") in Case 18-E-0018 (the "April Order"). LIPA subsequently adopted conforming change to PSEG Long Island's *Smart Grid Small Generator Interconnection Procedures* 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"). 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 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.

On September 5, 2019, members of the Interconnection Policy Working Group ("IPWG") and the Interconnection Technical Working Group ("ITWG") collectively petitioned the Commission to make amendments to the current version of the SIR. On December 13, 2019, the Commission adopted the modifications proposed in the petition.

Small Generator Interconnection Procedures: Proposed Action

LIPA Staff proposes two modifications to the SGIP to apply the December Order, described below.

1. **Application Modification Process:** Under the current SGIP, any change to an application, no matter how minor, would remove that project's application from the queue. The proposed updates would add a new section to the SGIP to provide a formal process for applicants to submit a modification request to PSEG Long Island. Under the proposed changes, PSEG Long Island will determine if the modification is a material modification. If it is material, the initial application would be removed from the queue and a new application would be required. If the modification is non-material, the project will retain its queue position and undergo a study pursuant to the SGIP with some added flexibility for PSEG Long Island to manage any additional work that the change will entail.
2. **Energy Storage Application Requirements:** The proposal will also update the data requirements for energy storage system applications to be consistent with changes adopted by the Commission. Additional questions particular to energy storage

systems will allow PSEG Long Island to more efficiently process energy storage interconnection applications.

Solar Communities Feed-in-Tariff: Background

LIPA has a long history of promoting the expansion of renewable energy resources on Long Island. LIPA began offering net energy metering and other solar incentives nearly two decades ago. Since then, we have supported the development of over 50,000 distributed solar projects totaling 625 megawatts (DC) of capacity, more than any other utility in the State of New York. In addition, the LIPA has over 180 MW (DC) of utility scale solar projects completed or in development.

LIPA is also currently engaged in expanding the availability of renewable solar resources to customers that cannot install solar panels on their property for various reasons, such as not having suitable exposures to capture the solar rays (e.g. orientation and shading situations), living in multifamily buildings or shared living spaces (such as a condominium) where the customer cannot access the roof space, being unable to finance the high upfront investment needed for rooftop solar, or renting a home and therefore being unable to make the long-term commitment that solar installations require. To reach these customers, LIPA offers community solar, where a larger solar facility is built at a host site, and the output of the solar system is distributed to the participants for their benefit.

As described above, LIPA's Tariff includes VDER value stack incentives for community distributed generation projects, including a Community Credit. Following further observation of the community solar market, evaluation of the Community Credit amount, and discussions with local industry stakeholders, LIPA announced plans on February 6, 2020 to increase the Community Credit to 5 cents and to introduce a limited upfront "Community Adder" rebate of \$200-perkilowatt for projects that participate in community solar under the VDER Tariff or the Solar Communities Feed-in-Tariff. The 5-cent Community Credit became effective on March 1, 2020.

As a complement to increased incentives for VDER community solar described above, LIPA Staff is proposing the Solar Communities Feed-in-Tariff ("FIT"), which is designed specifically to create additional community solar development, to enable cost efficiencies by utilizing LIPA's customer acquisition and marketing functions, to lower the cost of project financing by offering a stable price for the duration of the project's contract, and to provide enhanced energy cost savings opportunities to participating low- and moderate-income ("LMI") customers.

Solar Communities Feed-in-Tariff: Proposed Action

LIPA Staff proposes to launch the Solar Communities FIT to further develop community solar primarily dedicated to LMI customers. The Solar Communities FIT has the potential to greatly increase the community solar projects currently in the pipeline and to offer the benefits of these projects specifically to LMI customers. The Solar Communities FIT is

proposed to award up to 25 megawatts of DC capacity, with discretion to extend the FIT by an additional 15 megawatts.

Solar Communities FIT Award Process

Solar Developers will have the opportunity to apply for the Solar Communities FIT during the initial enrollment period of June 1, 2020 to September 30, 2020. There will be a non-refundable application fee which will be the higher of either \$1 per kilowatt (AC) or \$1,000. The application fee will be waived for unsuccessful applications that are re-submitted with only a pricing change in subsequent enrollment phases.

All applications received during the initial enrollment will first be ranked from the lowest to the highest price bid, and from the smallest to the largest project size for bids at the same price. Bids will be evaluated against a downward sloping offer price cap. Accepted projects will be paid their bid price, so long as it doesn't exceed the price cap. More details on the proposed price capping mechanism are available to bidders on PSEG Long Island's website.

After the initial enrollment period, applicants will be notified of their acceptance into the program and selected to advance to the next stage, which includes execution of a Power Purchase Agreement at their proposed offer price, or waitlisted. Subsequent enrollment periods will be held as needed until the target capacity is achieved.

Under the proposed award process, a limitation will be imposed of 10 MW (AC) capacity at a single sub-station. This will ensure that not all available capacity will be proposed in a single location.

Customer Enrollment and Participation

As mentioned above (in footnote 10), the program rules concerning LMI customer eligibility and benefits will be the subject of future Board action. Accordingly, the following information concerning the customer enrollment process is provided for the Board's general information only. Subject to available quantities of contracted solar resources under this program, all LMI customers in Tiers 1-3 of LIPA's LMI discount program will be eligible to participate. Eligible LMI customers will have the opportunity to opt-in to the Solar Communities program and receive a discount on their bill each month.

LMI customer enrollments will be awarded on a first come, first serve basis dependent on the available kWh in the Solar Communities program. Available kWh in the Solar Communities program will be based on the expected output in kWh of projects that reach commercial operation. Available kWh will be updated each quarter as new projects reach commercial operation. Customers who apply when the program does not have available kWh will be assigned to a waiting list and will be contacted to complete the enrollment process when capacity in the program becomes available. When the available capacity in the program exceeds 20 MW (DC), the program may be open to enrollment from other (non-LMI) residential customers to the extent that no LMI participants remain on the wait list.

Available kWh may be reduced if a project is removed from the program, however, no already accepted customers will lose their Solar Community FIT benefits as the result of a particular project's removal. LIPA Staff will propose tariff amendments prior to January 1st, 2021 to implement LMI customer enrollment in the Solar Communities FIT.

Financial Impacts

The Community Choice Aggregation proposal is not expected to financially impact LIPA, since the reductions in revenue from the variable component of the Power Supply Charge will be directly offset by the reduction of variable expenses of procuring power supply. Delivery revenues and revenues received based on fixed Power Supply expenses are collected from all customers that participate in the CCA.

The Suffolk County Coastal Resiliency Initiative proposal will result in foregone revenues totaling \$4.6 million in net present value over the 7-year life of the agreement, resulting from waived service charges. Offsetting the foregone revenue, LIPA will receive an upfront payment of \$750,000.

The High Capacity Factor Resources proposal will not have a material financial impact on LIPA because LIPA's Revenue Decoupling Mechanism will true up any revenues gained or lost as a result of the proposal. New non-renewable distributed energy resources that are (a) compensated through VDER and (b) formerly REC-eligible, if any, no longer be eligible for the Environmental Value (currently \$0.02741 per kilowatt-hour). New renewable fuel cell community distributed generation projects will experience a net positive financial impact of \$0.008 per kilowatt-hour, resulting from their newly proposed eligibility for the Community Credit (currently \$0.05/kWh), adjusted by the high-capacity-factor adjustment of 16%.

The SGIP proposal is not expected to have any financial impact on LIPA.

The Solar Communities proposal is intended to procure the specified resources at the lowest achievable price through a competitive auction process. The payments made to the resource providers will be recovered from all customers through the Power Supply Charge on a monthly basis, as the payments are incurred. This practice is similar to the treatment of the existing feedin tariffs and payments made to other generators under Service Classification No. 11 Buy-Back Service.

LIPA expects to purchase approximately 30 GWh per year from the 20 MW (AC) of solar generation that is being solicited, which displaces generation that would have been purchased from other sources. Because the auction has not yet occurred, the bid price of accepted resources is not yet known. However, by way of example, if the auction produces an average accepted bid price of 13¢ per kWh with an average Load Factor of 17%, the purchase would cost LIPA approximately \$3.9 million per year. Using an average cost of power at 10.2¢ per kWh, based on the 2020 approved budget, this renewable power alternative will increase power supply costs by an estimated \$0.8 million per year.

When fully enrolled, the program will provide an estimated \$0.6 million in discounts to our LMI Customers. The estimated annual administrative cost is \$0.3 million. Accordingly, the financial impact Solar Communities FIT program totals an estimated \$1.7 million per year (\$0.8 + \$0.6 + \$0.3).

Department of Public Service Input

The DPS has provided a letter recommending adopting of these Tariff modifications, which is attached as an exhibit. The DPS also 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.

Public Comment Sessions

LIPA held two virtual public comment sessions on the proposed tariff changes on May 4th and received comments from 11 stakeholders and members of the public. Transcripts of the virtual public comment sessions are attached and the comments are summarized here.

Eight of the commenters at the public comment sessions—including elected officials—addressed the Community Choice Aggregation proposal. All eight were supportive of the proposal. Two commenters recommended that LIPA develop a process to receive additional stakeholder input on Long Island Choice, LIPA’s retail choice program. LIPA Staff recommends that this comment be addressed by inviting interested stakeholders to attend stakeholder input sessions on this topic.

One commenter at the public comment sessions recommended that LIPA offer a single-bill option for retail choice customers and consider purchasing receivables from energy service companies in order to allow ESCO’s to benefit from LIPA’s billing and collections infrastructure. LIPA Staff is currently investigating the cost and time involved in these actions and will inform the Board of its recommended course of action.

Two commenters at the public comment sessions addressed the Solar Communities proposal. Both were supportive of the proposal. One commenter requested that information be provided to bidders regarding (a) progress toward each substation’s 10-megawatt cap and (b) waitlisted bidders’ position on the waiting list. LIPA Staff has referred this comment to PSEG Long Island and requested they accommodate it to the extent feasible and not adverse to the bidding process.

Two commenters spoke in support of the High Capacity Factor Resources proposal. In particular, the commenters supported the proposal to lock in the Community Credit component of the value stack as of the date a project qualifies. In addition, the commenters recommended that LIPA lock in the Environmental Credit, Demand Reduction Value, and Location Specific Relief Value as of the date a project qualifies (instead of the in-service date). LIPA Staff agrees because the proposed approach is more consistent with the

statewide approach and provides certainty to developers earlier in the development process. This comment has been incorporated into the proposal.

Written Public Comments

Written comments were received from fourteen stakeholders addressing the Community Choice Aggregation proposal, including elected officials and advocacy groups representing Long Islanders.

All were supportive of the proposal and indicated that they and their respective constituencies are interested in exploring CCA options for their municipalities.

Written comments were received from one stakeholder, County Executive Steve Bellone, addressing the Suffolk County Coastal Resiliency Initiative proposal. The stakeholder expressed strong support for the proposal.

Written comments were received from six stakeholders addressing the High Capacity Factor Resources proposal. All six commenters opposed the LIPA Staff recommendation that nonrenewable fuel cell CDG projects completing applications for interconnection after the date of the original proposal (October 17, 2019) should receive VDER incentives instead of net energy metering incentives. The commenters noted that the proposed October 17, 2019 grandfathering date is a change from prior grandfathering date of December 31, 2019. The commenters are concerned that project developers who completed applications after October 17, 2019, in reliance on the original grandfathering date, might not have been on notice of the proposed change and could have expended resources continuing to develop projects under the assumption that they would be eligible for net energy metering. In addition, one commenter objected to the proposal to make nonrenewable fuel cells ineligible for the Environmental component of the VDER value stack because fuel cells are efficient and reportedly on average cleaner than today's grid power in terms of emissions.

LIPA Staff responds that setting the grandfathering date as of the date of the original tariff proposal is consistent with the DPS and PSC approach, which set the statewide grandfathering date for similar changes as of the date of the DPS Whitepaper. In addition, LIPA Staff notes that fuel cell developers who intend to rely on LIPA Tariff incentives should monitor LIPA's proposed rulemakings, which put developers on notice of this proposal as of October 17, before they had submitted applications for interconnection. LIPA reserves the right to modify its Tariff incentive programs. Submission of the application occurs relatively early in the interconnection process.

Thus, developers of projects in advanced stages of development as of October 17 would already have submitted applications and would therefore qualify for grandfathering. Finally, LIPA Staff notes that fuel cell developers in LIPA's service territory and throughout the State generally should be on alert for changes in utility compensation for fossil fuel powered fuel cells given the CLCPA's mandate that non-renewable fuel cells are ineligible for renewable energy credits.

Regarding the efficiency and emissions of fossil-fuel powered fuel cells, LIPA Staff notes that an extension record was developed on these issues at the PSC, and we decline to relitigate this settled issue. In addition, because fossil-fuel powered fuel cells are no longer considered renewable energy systems under State law, they do not help Long Island meet its renewable energy requirements and thus should not receive subsidies intended to make progress toward those requirements. LIPA Staff recommends no changes to this aspect of the proposal.

One commenter wrote in support of the proposal to lock in the Community Credit component of the value stack as of the date a project qualifies. In addition, the commenter recommended that LIPA lock in the Environmental Credit, Demand Reduction Value, and Location Specific Relief Value as of the date a project qualifies (instead of the in-service date). As discussed above, LIPA Staff agrees because the proposed approach is more consistent with the statewide approach and provides certainty to developers earlier in the development process. This comment has been incorporated into the proposal.

Recommendation:

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

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

1529. APPROVAL OF MODIFICATIONS TO LIPA’S TARIFF RELATED TO COMMUNITY CHOICE AGGREGATION

WHEREAS, the Board of Trustees of the Long Island Power Authority (“LIPA”) has adopted a Board Policy on Customer Value and Affordability, which sets forth the Board’s commitment to establishing rates that are generally comparable to similarly situated regional utilities and 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 March 4, 2020, public hearings were held on May 4, 2020, by phone and video conference accessible to

participants in Nassau and Suffolk County, and the public comment period has since expired;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, the proposed modifications to LIPA’s Tariff are hereby adopted and approved to be effective June 1, 2020; and be it further

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

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

1530. APPROVAL OF MODIFICATIONS TO LIPA’S TARIFF RELATED TO THE SUFFOLK COUNTY COASTAL RESILIENCY INITIATIVE

WHEREAS, the Board of Trustees of the Long Island Power Authority (“LIPA”) has reviewed the proposal and determined that it is consistent with the mission and values of the Authority as set forth in the Board’s policy statements; 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 March 4, 2020, public hearings were held on May 4, 2020, by phone and video conference accessible to participants in Nassau and Suffolk County, and the public comment period has since expired;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, the proposed modifications to LIPA’s Tariff are hereby adopted and approved to be effective June 1, 2020; and be it further

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

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

1531. APPROVAL OF MODIFICATIONS TO LIPA’S TARIFF RELATED TO HIGH CAPACITY FACTOR RESOURCES

WHEREAS, the Board of Trustees of the Long Island Power Authority (“LIPA”) 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 November 20, 2019, public hearings were held on May 4, 2020, by phone and video conference accessible to participants in Nassau and Suffolk County, and the public comment period has since expired;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, the proposed modifications to LIPA’s Tariff are hereby adopted and approved to be effective June 1, 2020; and be it further

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

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

1532. APPROVAL OF MODIFICATIONS TO LIPA’S SMART GRID SMALL GENERATOR INTERCONNECTION PROCEDURES

WHEREAS, the Board of Trustees of the Long Island Power Authority (“LIPA”) 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 March 4, 2020, public hearings were held on May 4, 2020, by phone and video conference accessible to

participants in Nassau and Suffolk County, and the public comment period has since expired;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, the proposed modifications to the LIPA’s Tariff are hereby adopted and approved to be effective June 1, 2020; and be it further

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

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

1533. APPROVAL OF MODIFICATIONS TO LIPA’S TARIFF RELATED TO THE SOLAR COMMUNITIES FEED-IN-TARIFF

WHEREAS, the Board of Trustees of the Long Island Power Authority (“LIPA”) 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 March 4, 2020, public hearings were held on May 4, 2020, by phone and video conference accessible to participants in Nassau and Suffolk County, and the public comment period has since expired;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, the proposed modifications to the LIPA’s Tariff are hereby adopted and approved to be effective June 1, 2020; and be it further

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

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

Acting Chair Cordaro stated that the next item on the agenda was the Approval of Temporary Tariff Changes for COVID-19 Customer Impact Mitigation to be presented by Justin Bell.

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

Requested Action

The Trustees are requested to approve temporary emergency changes to the Long Island Power Authority's Tariff for Electric Service ("Tariff") allowing PSEG Long Island to ease the terms of deferred payment agreements and extend the eligibility to additional categories of nonresidential customers; ease the terms for security deposits for non-residential customers; and suspend certain requirements for participation in the Distribution Load Relief Program and Commercial System Relief Program.

Background

On January 30, 2020, the World Health Organization designated the novel coronavirus, COVID-19, outbreak as a Public Health Emergency of International Concern. On March 7, 2020, the Governor of the State of New York issued Executive Order 202 declaring a State disaster emergency for the entire State of New York and authorizing all necessary State agencies to take appropriate action to assist local governments and individuals in containing, preparing for, responding to and recovering from this State disaster emergency, to protect state and local property, and to provide such other assistance as is necessary to protect public health, welfare, and safety.

On March 18, 2020, the Governor issued Executive Order 202.6, ordering all businesses in the State to implement telecommuting policies to the extent possible. On March 20, 2020, the Governor issued the "New York on PAUSE" Executive Order, closing all non-essential businesses and banning all non-essential gatherings in the State.

In response to these events, on March 27, 2020, the Trustees approved temporary emergency changes to LIPA's Tariff for Electric Service allowing PSEG Long Island to waive customer late payment and reconnection fees (including backbilled demand and service charges) and to suspend the expiration of low-income customer discounts. Since that action, additional relief from certain provisions of the Tariff have been identified from customer requests,

actions of the Department of Public Service, and Orders from the New York Public Service Commission that suggest additional changes could reasonably be made to the Tariff to provide additional relief to customers during the current emergency.

Proposed Action

LIPA staff proposes emergency temporary modifications to its Tariff for Electric Service impacting deferred payment agreements, security deposits and the dynamic load management programs. Specifically, LIPA staff proposes that the Board allow PSEG Long Island to:

1. Extend eligibility for deferred payment agreements (DPAs) to larger commercial customers that fall into arrears.
2. Extend the length of DPAs for commercial customers to twice the length of the current emergency, up to a maximum of 12 months.
3. Waive late payment fees for the first 6 months for commercial customers entering a DPA
4. Reduce the minimum requirement for a down-payment to equal the current bill plus $\frac{1}{2}$ of average monthly bill.
5. Allow good credit commercial customers who request relief to apply their security deposits against outstanding charges.
6. Introduce an additional enrollment date into the Distribution Load Relief Program (DLRP) and Commercial System Relief Program (CSRP) of June 15th, 2020, for participation beginning July 1.
7. Allow participants in the DLRP and CSRP to modify their kW load relief nominations prior to the July 1 capability period.

The proposed changes to deferred payment agreements are intended to provide temporary relief to larger commercial customers that were impacted by the NY Pause Order but would otherwise have been ineligible for consideration. By extending the length of the deferred payment agreements, it gives commercial customers a longer than normal length of time to work down their arrears as they also cope with resuming their normal business operations, and by waiving the late payment fees for the first six months of their recovery, it gives these businesses an opportunity to satisfy their financial obligations to LIPA over a reasonable period of time.

The proposed changes to the use of security deposits allow customers with good credit to better manage their cash flow during these stressful times, using the money they have on deposit with LIPA currently to meet their current bill obligations instead of falling into arrears or otherwise hurting their financial prospects during the recovery. The amounts used from the security deposits are expected to be refreshed by the customers after these emergency provision expire.

The changes to the demand response programs extend the sign-up periods to June 15th for a July 1st commencement of participation date. Under normal conditions, participants would

need to lock in their levels of participation at the beginning of the NY ISO summer period, but given the uncertainties of the current emergency, no business can be certain about when their loads will be allowed to return to predictable levels. Failure to approve these extensions for enrollment dates would likely cause most participants to withdraw from the demand response programs due to the current uncertainty. The NY Public Service Commission on May 14, 2020 approved similar modifications to the tariffs of the major regulated electric utilities in the State.

The proposed changes, shown in Exhibit B, are pursuant to the emergency rulemaking provisions of the State Administrative Procedures Act (“SAPA”) and, if approved, will be in effect for 90 days from June 1, 2020. LIPA staff further requests that the Trustees grant staff the discretion to extend the 90-day period if needed, in accordance with the SAPA emergency rulemaking provisions.

Financial Impact

The estimated financial impact on LIPA of the proposed changes is expected to increase the amount of arrears under DPA, waive late payment revenues, reduce the amount of customer deposits in our possession, and have a de minimus impact on the demand response program.

The increase in arrears covered by additional deferred payment agreements could amount to between \$8 million and \$10 million under this proposal. The carrying cost on these balances would be less than \$1 million if the additional DPAs extend for a full 12 months. That incremental cost, like all incremental financing costs, would be recovered from customers in 2021 through the Delivery Service Adjustment. Absent these changes, there is a risk that the mounting arrears would eventually be written off, which would produce a much greater negative impact than the \$1 million estimate.

Waivers of the late payment fees on the non-residential DPAs for six months are estimated to reduce revenues by \$0.3 million per month, or less than \$2 million if extended for the full 6 months as proposed.

There are currently about \$17 million in commercial deposits on hand that might be repurposed to meet current bills by non-residential customers. This would not produce a net financial drain on LIPA’s revenues, but would reduce our available cash and correspondingly increase our costs for additional working capital by less than \$1 million. That incremental cost, like all incremental financing costs, would be recovered from customers in 2021 through the Delivery Service Adjustment.

The proposed changes to the demand response programs are mostly administrative and procedural and are intended to facilitate participation in the program after the NY Pause restrictions have been lifted for Long Island. The financial impact from facilitating this participation is estimated to be less than \$2,500 in total.

Recommendation:

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

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

1534. APPROVAL OF TEMPORARY EMERGENCY TARIFF CHANGES FOR COVID-19 CUSTOMER IMPACT MITIGATION

WHEREAS, on January 30, 2020, the World Health Organization designated the novel coronavirus, COVID-19, outbreak as a Public Health Emergency of International Concern; and

WHEREAS, on March 7, 2020, the Governor of the State of New York issued Executive Order 202 declaring a State disaster emergency for the entire State of New York and authorizing all necessary State agencies to take appropriate action to assist local governments and individuals in containing, preparing for, responding to and recovering from this State disaster emergency, to protect state and local property, and to provide such other assistance as is necessary to protect public health, welfare, and safety; and

WHEREAS, on March 18, 2020, the Governor issued Executive Order 202.6, ordering all businesses in the State to implement employee telecommuting to the extent possible; and

WHEREAS, on March 20, 2020, the Governor issued the “New York on PAUSE” Executive Order, closing all non-essential businesses and banning all non-essential gatherings in the State; and

WHEREAS, on March 27, 2020, the Trustees approved certain changes to the LIPA Tariff for Electric Service in response to all of these developments; and

WHEREAS, the Trustees have reviewed the proposal for additional changes to the Tariff and determined that these actions are necessary and prudent to mitigate the impact of COVID-19 on customers, and have further determined that it is necessary for the preservation of the general welfare that this amendment be adopted on an emergency basis as authorized by section 202(6) of the State Administrative Procedure Act, effective immediately upon filing with the Department of State; and

WHEREAS, a notice of emergency adoption will be filed in the State Register upon certification of this Resolution's approval by the Chair of the LIPA's Board of Trustees;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, the proposed modifications to LIPA's Tariff are hereby adopted and approved to be effective June 1, 2020 for a period of 90 days, which may be extended as needed in accordance with SAPA emergency rulemaking procedures; and be it further

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

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

Acting Chair Cordaro stated that the next item on the agenda was the Approval of the Annual Report on the Board Policy on Debt and Access to the Credit Markets to be presented by Kenneth Kane.

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

Requested Action

The Board of Trustees (the "Board") of the Long Island Power Authority is requested to adopt a resolution: (i) finding that LIPA has complied with the Board Policy on Debt and Access to Credit Markets (the "Policy"); and (ii) approving the annual report for the Policy.

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 customers by adopting sound financial plans in each year. Sound financial plans ensure the ready access to borrowing on reasonable terms necessary to fund the infrastructure investments that maintain the reliability and resiliency of the Long Island electric system. Such financial plans contemplate prudent levels of borrowing that will accommodate efficient access to the capital markets and thereby minimize the long-term cost of providing electric service to our customer-owners. The Policy was last amended by the Board by Resolution No. 1498, dated December 18, 2019.

Compliance with the Policy

Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the Policy for the period since the last annual review. The Policy requires that LIPA achieve the lowest long-term cost to our customer-owners by adopting budgets and financial plans that meet the following objective:

“Support credit ratings of at least A2/A”

- **LIPA met this goal in 2019 as all three rating agencies upgraded the Authority to A2, A, A, from Moody’s, S&P Global, and Fitch Ratings.**

“Achieve fixed-obligation coverage ratios of no less than (i) 1.45x on the combination of LIPA issued debt and lease payments; and (ii) 1.25x on the combination of LIPA-issued debt, Utility Debt Securitization Authority-issued debt, and lease payments.”

- **LIPA achieved coverage ratios of 1.49x for LIPA-issued debt and lease payments and 1.30x for LIPA and UDSA-issued debt and lease payments.**

“Generate sufficient cash flow from revenues to maintain the issuance of new debt as a percentage of capital spending at 64 percent or less as measured on a three-year rolling average.”

- **New debt as a percentage of capital spending for the three-year rolling average for the period ended December 31, 2019 was approximately 62% and is projected to remain at or below 64% for the three-year period ending 2020.**

“Maintain (i) cash on hand at each month end of at least \$100 million in the Operating Fund and \$150 million in the Rate Stabilization Fund and (ii) cash on hand and available credit of at least 120 days of operating expenses.”

- **Cash on hand at the end of each month exceeded the target. As of December 31, 2019 cash balances for the Operating Fund and the Rate Stabilization fund were \$169 million and \$157 million, respectively.**
- **Overall cash on hand and available credit exceeded the target at the end of each month and was 262 days of operating expenses as of December 31, 2019.**

“Pre-fund obligations to LIPA’s Service Provider for pension costs each year in a fiscally sound manner, as measured by an actuarial services firm no less than every other year.” As of December 31, 2019:

- **The PSEG Long Island pension plan trust account had assets valued at \$282 million and benefit obligations of \$453 million resulting in an unfunded contractual liability for LIPA of \$171 million. LIPA funded a \$28 million contribution to this plan during 2019.**

- The funding level has been reviewed by an actuarial services firm within the last two years and LIPA made an actuarially sound contribution for 2019 to fully fund the obligations over time.

“Pre-fund obligations to LIPA’s Service Provider for Other Post-Employment Benefits (OPEBs) to a dedicated OPEB Account in a fiscally sound manner, as measured by an actuarial services firm no less than every other year”

- LIPA’s OPEB Account to prefund the OPEB benefits of PSEG Long Island employees had assets valued at \$386 million compared to a benefit obligation of \$626 million resulting in an unfunded contractual liability of \$240 million. LIPA funded \$56 million to this Account in 2019.
- The OPEB Trust for LIPA employees had assets valued at \$23 million and benefit obligations of \$22 million resulting in a net asset of \$1 million. LIPA funded approximately \$0.4 million to this Trust in 2019.
- The funding levels have been reviewed by an actuarial services firm within the last two years and LIPA made actuarially sound contributions in 2019 to fully fund the obligations over time.

“Pre-fund LIPA’s Nuclear Decommissioning Trust Fund in a fiscally sound manner, as measured by an actuarial services firm no less than every other year”

- The NMP2 Nuclear Decommissioning Trust Funds had assets of \$144 million. The Trust is sufficiently funded to meet the decommissioning obligations and requirements as they come due, with modest additional contributions averaging approximately \$1 million per year. LIPA funded \$2 million to this Trust in 2019.
- The funding levels have been reviewed by an actuarial services firm within the last two years and LIPA made an actuarially sound contribution to fully fund the obligation over time.

Enterprise Risk Management Discussion

The Board has adopted a Policy on Enterprise Risk Management (“ERM”). Enterprise Risks are brought to the Board’s attention throughout the year. One such Enterprise Risk is related to liquidity. Specifically, the risk identified is, “Insufficient liquidity to cover obligations greater than 60 days (i.e., loss of revenue stream) results in the inability to make debt service payments, pay UDSA Bondholders, and cover operating expenses.”

Historically, this risk was rated as a medium level risk and was mitigated by LIPA’s ability to access capital markets, borrow from rate stabilization funds, and borrow from a revolving line of credit or in the commercial paper market. The upgrades to LIPA’s credit ratings during 2019 further reduced this risk by providing marginally higher confidence in LIPA’s ability to access capital during challenging market conditions.

Due to the pandemic related to COVID-19, there was a disruption in the commercial paper market.

To mitigate this disruption, LIPA drew on an existing revolving credit line to ensure readily available cash to meet business needs. LIPA's liquidity remains strong, above the 120-day minimum required by the Policy.

Annual Review of the Policy

Staff has reviewed the Policy and suggests no amendments at this time.

Recommendation

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

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

1535. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON 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

WHEREAS, the Policy was last amended by the Board pursuant to Resolution No. 1498, dated December 18, 2019; and

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

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

Acting Chair Cordaro then stated that the final two agenda items, (i) Chief Financial Officer's Report; and (ii) Secretary's Report on Board Policies and Communication; would be available in written submission only, and available at the Long Island Power Authority website for viewing.

Acting Chair Cordaro then announced that the next Board meeting is scheduled for Wednesday, June 24, 2020 at 11:00 a.m. in Uniondale.

Acting Chair Cordaro then asked for a motion to adjourn. The motion was duly made and seconded, and the meeting concluded at approximately 1:06 p.m.
