

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 290th MEETING

HELD ON JUNE 24, 2020

The Long Island Power Authority (“LIPA”) was convened for the two-hundred-and-ninetieth time at 11:26 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on June 19, 2020, and electronic notice posted on the LIPA’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 June 24, 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 LIPA Trustees 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 LIPA, in person, were Thomas Falcone, Chief Executive Officer; Bobbi O’Connor, Chief Administrative Officer & Board Secretary; Rick Shansky, Senior Vice President of Operations Oversight; and Justin Bell, Vice President of Public Policy and Regulatory Affairs. Participating via video conferencing were Anna Chacko, General

Counsel; Mujib Lodhi, Chief Information Officer and Interim Chief Financial Officer; 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; Rick Walden, Vice President of Customer Service; Peggy Keane, Vice President of Construction and Operations; Markus Ramlall, Director of Finance; and Richard Tinelli, Manager of Regulatory Requirements.

Acting Chair Cordaro welcomed everyone to the 290th 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:

1536. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MAY 20, 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 May 20, 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 requested to adopt a resolution: (i) approving the annual report on the Board Policy on Economic Development (the “Policy”); (ii) finding that LIPA have complied with the Policy; and (iii) approving certain amendments to the Policy, which resolution is attached hereto as Exhibit “A”.

Background

By Resolution No. 1356, dated March 29, 2017, the Board adopted the Policy with the purpose of promoting the economic growth and vitality of its service territory and the efficient use of utility plant and equipment, consistent with the mission of LIPA to its customer-owners and consistent with LIPA's enabling statutes and applicable law. The Board last reviewed and approved updates to the Policy by Resolution #1470, dated March 20, 2019.

Compliance with the Policy

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

The Policy requires that LIPA promote the economic growth and vitality of its service territory and the efficient use of utility plant and equipment by:

“Attracting commercial customers to its service territory and helping such customers grow their businesses through electric rates that are discounted below LIPA's average cost of service, without which rates such businesses would not locate in the service territory.”

- 60 large business accounts receive discounted power through our Business Development Rate, and legacy NY State programs, such as the Excelsior Jobs program. These businesses have received approximately \$2.32 million in discounts during 2019 and provide over 1,200 jobs.

“Offering economic development rates and programs consistent with those offered by other utilities in the state or best practices within the electric utility industry, in compliance with applicable law.”

- 262 large business accounts received power through the Recharge New York program, with commodity delivered by LIPA and its agent, PSEG Long Island. Collectively, since inception, the Recharge New York program has developed over 2,600 jobs.
- 36 small business customers opened new accounts through the Vacant Space program, which encourages new businesses to occupy spaces that have been vacant for at least one year. Total incentives awarded during 2019 were \$31,000.
- A total of \$274,000 in incentives were awarded to support 14 community projects through the Main Street Revitalization program. These projects leveraged over \$1.5 million in private investment, while creating over 300 jobs.

Additionally, LIPA and its service provider are considering additional programs that may be necessary to support economic growth on Long Island in the wake of the COVID-19 pandemic.

Annual Review of the Policy

Staff proposes the following revisions to the Policy:

- **Renaming the Policy from the Board Policy on Economic Development to the Board Policy on Economic Development and Community Engagement;**
- **Expanding the scope of the Policy consistent with its new name; and**
- **Certain other non-material amendments to the elements of the Policy for better explanation and clarification of the purpose and intent of the Policy.**

The proposed changes are more specifically shown on in Exhibit “B”.

Recommendation

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

1537. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON ECONOMIC DEVELOPMENT

WHEREAS, the Board Policy on Economic Development (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1356, dated March 29, 2017; and

WHEREAS, the Policy was last reviewed and amended by the Board pursuant to Resolution No. 1470, dated March 20, 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; and

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

Requested Action

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

Background - Board Policy on Staffing and Employment

By Resolution No. 1338, dated January 25, 2017, the Board adopted the Policy with the purpose of fostering a work environment that attracts and retains the experienced professionals of diverse talents and backgrounds and promotes an ethical and productive organization. The Board last reviewed and amended the Policy on July 24, 2019.

Compliance with the Policy

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

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

- The Board completed the CEO’s annual performance evaluation at its March 2020 Board meeting. The CEO’s performance evaluation was prepared by the Chair of the Governance, Planning and Personnel Committee with the assistance of a third-party human resources consultant and 360-degree anonymous feedback from all Trustees as well as LIPA’s Executive Committee.
- The Board reviewed the salary of LIPA’s CEO of \$300,000. A survey of 24 public power utilities of similar size to LIPA found an average salary for the position of \$481,000, with a range of \$240,000 to \$1.1 million. LIPA was the third largest utility, ranked by customers, to participate in the survey. LIPA’s CEO salary was ranked 22 out of the 24 utilities.
- No Board-appointed Officers were hired in 2019.

The Policy authorizes and directs the Chief Executive Officer to:

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

- The CEO has managed LIPA’s staffing levels at the minimum level necessary to execute its goals and mission.
- LIPA staff consists of 57 full-time employees and 5 part-time employees.

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

- The Employee Handbook includes all components required by the Policy, comports with all applicable law, and was updated to incorporate changes in human resources best practice. The Handbook is revised and updated as necessary on an on-going basis.
- All employees certified their compliance with the Code of Ethics and Conduct.

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

- The Director of Human Resources and Administration completed an annual salary benchmarking analysis for all staff positions using industry specific and national salary data. That benchmarking analysis is consistent with the criteria provided in the Board’s Policy and was used to establish a salary range for each position.
- LIPA has an active performance appraisal and enhancement system which includes monthly “check-ins” with supervisors, and an annual performance evaluation. As required by the Policy, individual employee performance and contribution is considered in setting salaries and merit increases.

The Policy directs the CEO to “refrain from establishing or implying employment obligations to individuals of longer than one year or offering compensation that exceeds the range set for the position by a benchmarking survey, without Board approval.” and “unless authorized in writing by the CEO, employment at the Authority shall be on an at will basis.”

- All LIPA employees are at-will employees.
- No employment offer exceeded the salary range set for the position.

The Policy directs the CEO to “Establish policies and programs that support and encourage the personal and professional development of employees, including: programs for continuing

education, tuition reimbursement, and professional development; core skills continuing education; performance appraisal and enhancement; management and leadership training; and utility and public power industry learning.

- LIPA provides in-house training and development program for employees that includes certain leadership and management training seminars and programs including a Project Leadership certificate program (6 courses), and topics including LIPA Rates Series (Rates and Rate Cases), Giving Feedback and Providing Coaching, Writing Effective Evaluations, Cyber Security, Creating Positive Work Environments, Effective Communication, Dealing with Difficult Issues, Sexual Harassment including Managing Unconscious Bias, and on-going IT training, among others.
- LIPA further encourages professional development through: (i) industry webinars, conferences, and training; (ii) reimbursement of professional certifications and memberships; (iii) educational assistance programs; and (iv) a personal development program that incorporates 360-degree feedback, among other initiatives.

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

- The CEO has identified the names and order of appointment of three direct reports to serve as Acting Chief Executive Officer in the event of his absence, disability, incapacity or resignation, until such time as the Board appoints an interim or permanent successor, as provided for in the LIPA By-Laws.
- LIPA’s Senior Vice Presidents and Chief Officers have designated emergency successors to serve in an Acting capacity, as required by internal LIPA policy.
- The Board is briefed in Executive Session, at least annually, on the succession plan by the CEO.

Proposed Changes to the Board Policy

The Board Policy has been revised to require LIPA to conduct an Annual Employee Engagement Survey and design programs and initiatives to maintain an employee engagement score among the top 10 percent of benchmarked companies. Additionally, there are certain minor suggested edits to the Policy. All proposed changes are more fully set forth in Exhibit “B”.

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. While there are several risks

related to Staffing and Employment, the two most significant risks relate to succession planning; and attracting and retaining qualified individuals. The specific risks identified are:

- “Succession planning challenges due to the limited ability to develop internal candidates or identify and attract external candidates for succession results in inadequate expertise to fulfill LIPA's mission and goals;” and
- “Difficulty attracting and retaining individuals with the necessary knowledge, skillsets and experience results in challenges to fulfilling LIPA's mission and goals”.

Both risks are rated as medium level risks. LIPA mitigates the risk associated with succession planning by having emergency plans in place for the CEO and certain executive management positions, and a process in place to identify gaps. Additionally, LIPA has a process in place that provides for the identification, retention and transfer of information necessary for the continuity of services and retention of institutional knowledge.

LIPA mitigates the attraction and retention risk through review of best practices related to compensation and benefits. Additionally, LIPA selectively utilizes executive search firms to identify candidates with the necessary knowledge and experience to fill key positions. LIPA’s participation and leadership in industry associations also improves its reputation and attractiveness to potential employees.

Based on the mitigations actions that are currently in place, we believe both risks are being adequately managed.

Recommendation

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

1538. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON STAFFING AND EMPLOYMENT

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

WHEREAS, the Policy was last reviewed and amended by the Board on July 24, 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 the Authority has complied with the Policy for the period since the last annual review and approves the annual report to the Board; and

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

Requested Action

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

Background

By Resolution No. 1353, dated May 29, 2017, the Board adopted the Policy to properly manage the interest rate risks associated with its assets and debt portfolio. The objective of the interest rate exchange agreement program is to provide LIPA with the ability to diversify its debt portfolio, mitigate potential risks, and/or lower the cost of borrowings.

Recommended Changes to the Policy

LIPA Staff proposes minor amendments to the Policy, including clarifying the name of the Power Supply Risk Management Committee (“PRMC”). All proposed amendments are more particularly shown on Exhibit “B”.

Recommendation

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

1539. RESOLUTION APPROVING AMENDMENTS TO THE BOARD POLICY ON INTEREST RATE EXCHANGE AGREEMENTS

WHEREAS, the Board Policy on the Interest Rate Exchange Agreements (the “Policy”) was originally approved by the Board of Trustees Resolution No. 1353, dated May 29, 2017; and

WHEREAS, the Board has reviewed the Policy and approves the amendments to the Policy as recommended by Staff in the accompanying memorandum.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby approves the amendments to the Policy.

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution amending the Board Policy on the Evaluation of Public Policy. Requirements for Transmission Planning (the “Policy”), which resolution is attached hereto as Exhibit “A”.

Background

By Resolution No. 1414, dated May 23, 2018, the Board adopted the Policy which sets forth the procedures for LIPA to evaluate whether public policy requirements drive the need for physical modifications to the Long Island Transmission District (“Long Island PPTNs”). On August 1, 2018, the New York Independent System Operator (“NYISO”) commenced its most recent biennial solicitation of proposed transmission needs that are driven by public policy requirements.

In October 2018, the NYISO referred to LIPA a series of stakeholder proposals for public policy transmission needs on Long Island and simultaneously referred the entire set of stakeholder proposals to the New York Public Service Commission (“NYPSC”) for its consideration of statewide transmission needs. Thereafter, the NYPSC sought and received public comments on the proposed PPTNs (*see*, NYPSC Case 18-E-0623).

In furtherance of state clean energy goals and in addition to LIPA’s procurement of the first offshore wind farm in the State, in 2018 the New York State Energy and Research Development Authority (“NYSERDA”) issued its first solicitation for offshore wind opportunities to bring clean, locally-produced renewable energy to Long Island and New York City.

In July 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 NYPSC. Among other things, the CLCPA includes a requirement for 9,000 MW of offshore wind capacity by 2035. New York State also adopted the Accelerated Renewable Energy Growth and Community Benefit Act (the “Siting Act”) in April 2020, 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 interconnection of offshore wind will require new transmission infrastructure on Long Island, New York City, and elsewhere in New York State.

The amendments to this Policy will be applicable to LIPA’s evaluation of the stakeholder proposals received from NYISO thus far, as well as new proposals to be solicited by NYISO in August 2020.

Recommended Changes to the Policy

The Siting Act requires the NYPSC to identify transmission upgrades needed to meet the CLCPA goals. To more closely coordinate with the New York State Department of Public Service (“DPS”) so it can most effectively advise the NYPSC on Long Island transmission needs, LIPA staff proposes changes to the Policy more specifically shown on Exhibit “B”.

Specifically, the changes include: (i) the execution of actions referenced in Section 31.4.2 of the NYISO OATT, none of which involve ratemaking or financial decisions that would require Board action, by LIPA’s Chief Executive Officer (“CEO”) or his or her designee; (ii) the elimination of a SAPA Notice by LIPA since it is duplicative of the NYPSC process; (iii) seeking Board approval of budget or budget amendments necessitated by construction of a LIPA PPTN; and (iv) the CEO’s annual reporting to the Board on LIPA’s assessment of Long Island PPTNs.

Recommendation

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

1540. RESOLUTION APPROVING AMENDMENTS TO THE BOARD POLICY ON THE EVALUATION OF PUBLIC POLICY REQUIREMENTS FOR TRANSMISSION PLANNING

WHEREAS, the Board Policy on the Evaluation of Public Policy Requirements for Transmission Planning (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1414, dated May 23, 2018; and

WHEREAS, the Board has reviewed the Policy and approves the amendments to the Policy as recommended by Staff in the accompanying memorandum.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby approves the amendments to the Policy.

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 Approval of the Annual Report and Amendments to the Board Policy on Customer Value and Affordability to be presented by Justin Bell.

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

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Customer Value and Affordability (the “Policy”) for the period since the last annual review; and (ii) finding that LIPA has complied with the Policy, which resolution is attached hereto as Exhibit “A”.

Background

By Resolution No. 1318, dated September 21, 2016, the Board adopted the Policy. The purpose of the Policy is to set reasonable objectives for LIPA’s electric rates and rate design and to review LIPA’s electric rates relative to other similar regional utilities each year. The Board conducts an annual review of the Policy and considers as part of its review whether LIPA has remained in compliance with the Policy and whether any updates or revisions should be made to the Policy.

The Policy was last reviewed and updated by the Board on July 24, 2019.

Compliance with the Policy

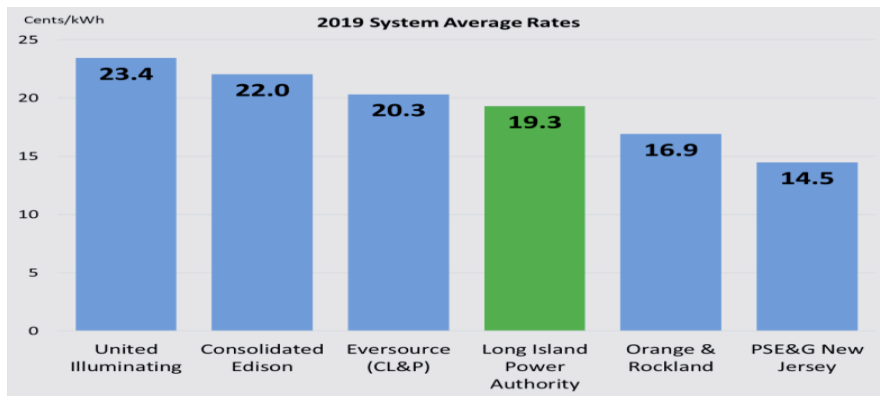
Staff has determined, for the reasons set forth below, that LIPA has remained in compliance with the objectives of the Policy for the period since the last annual review.

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

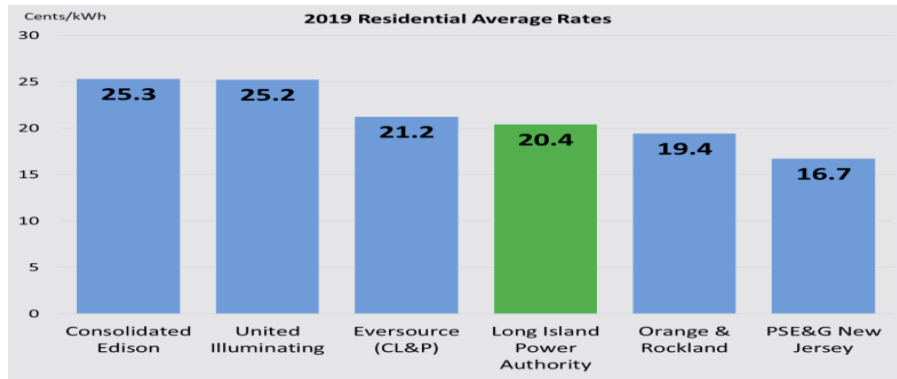
- In December 2019, the Board of Trustees adopted the 2020 Budget and Rate Update, which implemented an annual budget and rate update at the lowest level consistent with sound fiscal and operating practices, as those practices are defined by Board Policy, and within the statutory threshold provided in the Public Authorities Law.

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

- LIPA’s system average electric rate was 19.3 cents in 2019.
- Compared to the other five major regional utilities that surround LIPA’s service territory, listed in the Policy, LIPA’s system average rate is roughly average for the region.
- LIPA’s system average rate is 18% below the highest priced regional utility.
- The system average electric rates of the regional utilities ranged from 14.5 cents (PSE&G) to 23.4 cents (United Illuminating), as shown in the following figure:



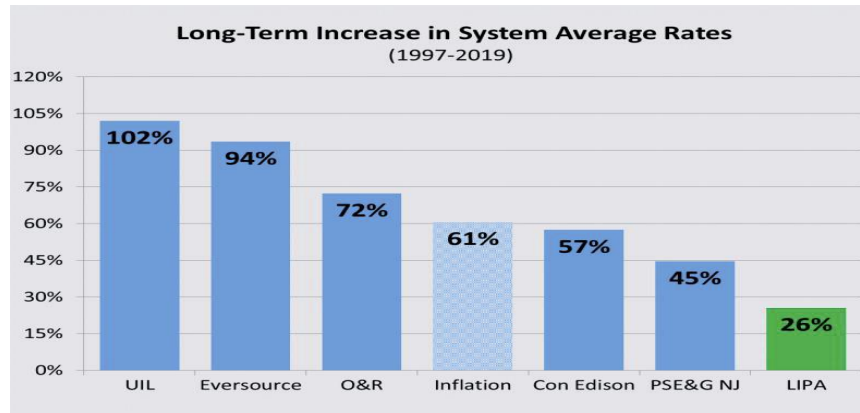
- Although the policy is focused on system average rates, it is worth noting that LIPA’s residential average rate in 2019 of 20.4 cents was also competitive with the rates of our regional peer utilities, as shown in the following figure:



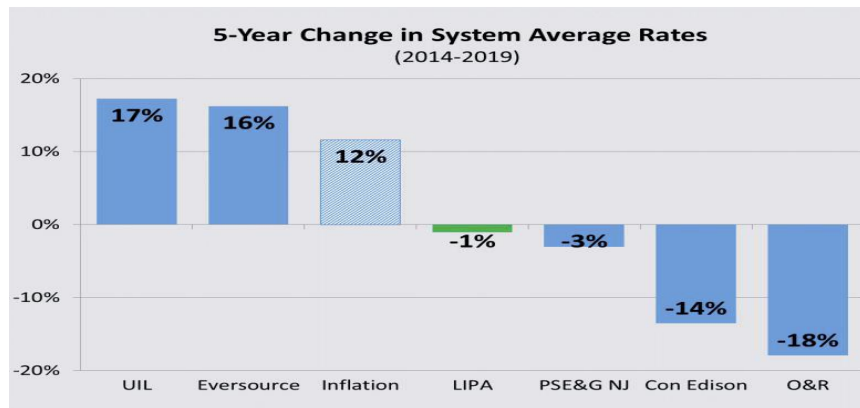
- **The New York City metro area has above average labor, land, tax, and commodity costs and highly seasonal weather patterns (i.e. electricity is used for cooling in the summer while other fuels are used for heating in the winter). This causes the New York metro area to have per kilowatt hour electric rates that are above the national average. For example, the national system average retail electric rate in 2018, according to the U.S. Energy Information Agency, was 10.5 cents per kilowatt-hour. State-by-state averages include 18.4 cents for Connecticut, 18.5 cents for Massachusetts, 14.8 cents for New York, 15.1 cents for Vermont, 13.2 cents for New Jersey, and 10.1 cents for Pennsylvania.**
- **Even within New York, there is a significant difference in prevailing power prices between upstate and downstate. The upstate grid is primarily fueled by lower-cost hydro and nuclear power while downstate is primarily fossil-fuel fired generation. The Board’s policy recognizes these significant regional differences by benchmarking to five utilities that surround the LIPA service territory rather than utilities in other regions of the country or state.**

Changes in Electric Rates to Support Investments in Customer Value: The Policy states “Changes in the Authority’s electric rates and bills should be similar to other regional utilities on a system average basis. Over time, we expect an appropriate balance between cost and service to result in increases to electric rates similar to the rate of inflation. In any given year, changes in electric rates may not reflect broader economic price indices due to external factors such as changes in commodity prices, law or regulation.”

- **LIPA’s system average rates have been competitive on a long-term basis, having risen more slowly than any of the other regional utilities during LIPA’s stewardship of the Long Island grid (see chart below).**
- **LIPA’s rates increased 26% since LIPA took over the Long Island grid in 1998, compared to a range of 45% to 102% for the other utilities, as shown in the following figure. The consumer price index, a standard measure of inflation, increased 61%.**



- Over the past 5 years, LIPA’s system average electric rates have decreased 1% while other regional utilities have ranged from an 18% decrease to a 17% increase, as shown in the following figure.



Prudent Rate Design: The Policy states “Electric rates should: be simple and easy to understand; equitably allocate costs across and within customer classes by taking into consideration the cost to provide service; be affordable to people with low incomes and severe medical conditions; and encourage the most efficient use of utility plant by reflecting the cost of energy at the time it is used, reducing on-peak use, and supporting energy efficiency and conservation.”

During 2019, LIPA made the following changes to its rates and tariffs in furtherance of this Policy:

- LIPA introduced new incentives for behind-the-meter batteries to participate in our dynamic load management tariffs, helping the utility manage load and reduce peaks. LIPA also expanded eligibility for participation in the dynamic load management tariffs to customers with eligible generating equipment, such as rooftop solar.
- LIPA completed the phase-in of increased discounts for low-and-moderate income customers.

- LIPA made simplifying changes and other improvements to the Value of Distributed Energy Resources tariff, including by expanding eligibility to new technologies including hybrid solar and energy storage projects.
- LIPA completed an update to the Authority’s rate modernization roadmap, which is a multi-year plan to modernize electric rates for customers.
- LIPA increased funding for heat pump incentives to support beneficial electrification of heating and greenhouse gas reductions.

Consistent with New York Policy: The Policy states: “the Authority’s electric rate design and tariffs should be as consistent as possible with statewide principles. When statewide proceedings produce policies of general applicability, the Authority will adopt conforming changes to its Electric Tariff, unless there are compelling considerations that are unique to the Authority and its public power business model. Prior to adopting such changes, the Authority will hold public comment sessions and evaluate such unique considerations.”

During 2019, LIPA made changes to the following sections of its rates and tariffs in support of greater consistency with New York policy:

- Standard rates for wireless and wireline pole attachments.
- Conforming changes to the Value of Distributed Energy Resources tariff.
- Conforming changes to the Smart Grid Small Generator Interconnection Procedures.

Annual Review of the Policy

The Policy was last amended by the Board pursuant to Resolution No. 1488, dated July 24, 2019, at which time the Policy was significantly updated. Staff has completed its annual review of the Policy and has no suggested amendments at this 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. LIPA’s ERM program has identified two such risks related to the adequacy of rates and their related rate designs (tariffs). The two specific risks are: “Insufficient rates may lead to inadequate system investments which compromises LIPA’s ability to achieve strategic objectives” and “Existing rate design may not reflect changing customer usage patterns/expectations or provide accurate pricing signals (i.e. time of use rates, demand charges) resulting in customer cross-subsidies and economic inefficiencies.”

These risks are both rated as medium level risks. LIPA mitigates the risk of insufficient rates through an extensive analysis of its cost structure each year and by maintaining numerous specific performance metrics to monitor electric system performance relative to budgets on

an ongoing basis. LIPA also utilizes a decoupling mechanism, which helps to stabilize revenues with changing weather patterns, and a delivery service adjustment to recover or refund to customers variances in unpredictable costs, such as storm costs.

Regarding the risk related to rate design, LIPA implements tariffs that reflect, to the best of our ability, customer end usage patterns. Outreach is conducted with LIPA customers to better understand their needs and concerns. Additionally, LIPA monitors industry best practices and utilizes appropriate technological advancements to ensure the reasonableness of our rate designs.

Based on the mitigations actions that are currently in place, staff believe both of these risks are being adequately managed.

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.

1541. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON CUSTOMER VALUE AND AFFORDABILITY

WHEREAS, the Customer Value and Affordability Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1318, dated September 21, 2016; and

WHEREAS, the Policy was last amended by the Board pursuant to Resolution No. 1488, dated July 24, 2019; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with.

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

Acting Chair Cordaro stated that the next item on the agenda was the Approval of a Board Policy on Diversity and Inclusion to be presented by Bobbi O'Connor.

After requesting a motion on the matter, which was seconded, Ms. O'Connor 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 (“LIPA”) is requested to adopt a resolution, attached hereto as Exhibit “A”, approving the proposed Board Policy on Diversity and Inclusion (the “Policy”), which Policy is attached hereto as Exhibit “B”.

Discussion

LIPA has a demonstrated commitment to a diverse and inclusive workforce and leadership team, which are the hallmarks of successful, healthy companies and societies. Respect for diverse views and people is a value embraced by our workforce that is encouraged and exhibited in our interactions. LIPA and its service providers have also long-promoted the participation of minority, women-owned, and service-disabled veteran-owned businesses in our procurements, expanding economic opportunities among the companies that support our operations.

Recent events have reminded us that inequality and injustice remain in our society and that all organizations have a responsibility to affect positive change.

This Policy centralizes LIPA’s existing policies on hiring and developing a diverse and inclusive workforce, encouraging diversity in our procurements, and ensuring our service providers do the same. Consolidating these policies will shine greater light on and strengthen LIPA’s ongoing efforts, initiatives, and commitment to diversity and inclusion.

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.

1542. RESOLUTION APPROVING THE ADOPTION OF THE BOARD POLICY ON DIVERSITY AND INCLUSION

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the proposed Board Policy on Diversity and Inclusion, in the form attached hereto, is hereby approved.

Acting Chair Cordaro stated that the next item on the agenda was the Discussion of Temporary COVID-related Tariff and Rate Issues to be presented by Justin Bell.

Mr. Bell presented the Discussion of Temporary COVID-related Tariff and Rate Issues and took questions from the Trustees.

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 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, July 22, 2020 at 11:00 a.m. in Uniondale.

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

1543. EXECUTIVE SESSION – PURSUANT TO SECTION 105 OF THE PUBLIC OFFICERS LAW

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

At approximately 12:19 p.m. the Open Session of the Board of Trustees was adjourned on a motion to enter into Executive Session.
