

**LONG ISLAND POWER AUTHORITY**

**MINUTES OF THE OVERSIGHT and CLEAN ENERGY COMMITTEE MEETING**

**HELD ON SEPTEMBER 23, 2020**

The Oversight and Clean Energy Committee of the Long Island Power Authority (“LIPA”) was convened at 10:26 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on September 18, 2020; and electronic notice posted on 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 September 23, 2020 Oversight and Clean Energy meeting. Members of the public are encouraged to observe the live stream of the 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:**

**Mark Fischl, Committee Chair (via video conferencing)**  
**Sheldon Cohen (via video conferencing)**  
**Matthew Cordaro, Committee Member (in person)**  
**Peter Gollon, Committee Member (via video conferencing)**  
**Elkan Abramowitz (via video conferencing)**  
**Laureen Harris (via video conferencing)**  
**Ali Mohammed, Committee Member (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; Michael Deering, Vice President of External Affairs; and Jennifer Hayen, Director of Communications.**

**Participating via video conferencing were Anna Chacko, General Counsel; Tamela Monroe, Chief Financial Officer; Mujib Lodhi, Chief Information Officer; Kathleen Mitterway, Vice President of Audit; James Miskiewicz, Deputy General Counsel; Jason**

**Horowitz, Assistant General Counsel and Assistant Secretary to the Board; and Tom Simpson, Director of Power Supply Planning Oversight.**

**Representing PSEG Long Island via video conference were John O'Connell, Vice President of Transmission and Yuri Fishman, Director, Power Resources and Contract Management and Acting Vice-President, Power Markets**

*Chair Fischl welcomed everyone to the Oversight and Clean Energy Committee meeting of the Long Island Power Authority Board of Trustees and stated that the first item on the agenda was the adoption of the minutes from the July 22, 2020 meeting.*

*Upon motion duly made and seconded, the minutes of the July 22, 2020 meeting were approved unanimously.*

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*Chair Fischl stated that the next item on the agenda was a Discussion of Emergency Response Oversight Process to be presented by Rick Shansky.*

*Mr. Shansky presented the Discussion of Emergency Response Oversight Process and took questions from the Trustees.*

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*Chair Fischl stated that the next item on the agenda was a Briefing on the Implementation of Management Audit Recommendation to be presented by Kathleen Mitterway and James Miskiewicz.*

*Ms. Mitterway and Mr. Miskiewicz presented the Briefing on the Implementation of Management Audit Recommendation and took questions from the Trustees.*

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*Chair Fischl stated that the next item on the agenda is the Recommendation to Approve an Extension of the Power Purchase Agreement for FitzPatrick, be presented by Rick Shansky.*

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

### **Requested Action**

The Oversight and Clean Energy (the “Committee”) of the Board of Trustees of the Long Island Power Authority (the “Board”) is requested to approve a resolution recommending the authorization of the Chief Executive Officer or his designee to execute an amendment to the Power Purchase Agreement (“PPA”) between the Long Island Lighting Company d/b/a LIPA, a wholly owned subsidiary of the Long Island Power Authority (collectively “LIPA”) and Exelon Generation Company, LLC (“ExGen”) for the continued purchase of nuclear energy from the FitzPatrick Nuclear Power Plant (the “FitzPatrick Plant”), which resolution is attached hereto as Exhibit “A”.

### **Background**

LIPA has purchased power from the FitzPatrick Plant under a legacy contract dating back to 1975 (“Contract UD-3S”). The FitzPatrick Plant supplies approximately five percent of Long Island’s energy requirements. In March 2017, ExGen purchased the FitzPatrick Plant and took assignment of Contract UD-3S from Entergy. The energy price under the Agreement is fixed and serves as a financial hedge against volatile fossil fuel and electricity costs. Additionally, the energy provided under the Agreement is associated with legacy transmission service agreements with Niagara Mohawk and Con Edison that have been used since 1975 to deliver the energy from the FitzPatrick Plant to Long Island.

In recognition of these transmission service agreements, the New York Independent System Operator (“NYISO”) awarded LIPA “grandfathered” transmission congestion contracts (“TCCs”) which are valuable financial instruments that provide the financial equivalent of delivering the FitzPatrick energy to Long Island by compensating LIPA for the “congestion” (essentially, the difference in electricity price) between the plant’s location in Scriba, New York and Long Island.

To maintain the full benefits of the grandfathered transmission agreements, the NYISO requires that LIPA have a corresponding purchase agreement in place for power produced by the FitzPatrick Plant. The PPA, which was last extended in 2017, is scheduled to expire on December 31, 2020.

### **Discussion**

In recognition of the impending expiration of the PPA, and potential loss of the associated TCCs, PSEG Long Island and ExGen have negotiated an amendment providing for another three-year extension, which will begin on January 1, 2021 and provide for the purchase by LIPA of annual energy volumes generally equivalent to those set forth in the current Agreement, i.e. 160 MW of baseload energy in the summer and 124 MW in the winter, amounting to approximately 1.2 million MWh/yr. The energy will be scheduled by ExGen on a day-ahead basis in accordance with NYISO rules.

The energy price will be fixed for the three-year term at a rate which reflects a reduction from the current price and is consistent with the market prices that are anticipated to prevail at the point of sale during the next three years. PSEG Long Island advises that this pricing, when combined with the net benefits of the TCCs (i.e., the amount by which the TCC revenues related to the contract are expected to exceed the charges under the transmission service agreements), will provide economic benefits to LIPA's customers compared to the alternative of not extending the contract and securing the energy elsewhere. The estimated total contract value of the three-year extension is approximately \$90 million, not including transmission charges and TCC revenues.

It should be noted that the other terms and conditions of the Agreement will remain substantially the same.

### **Recommendation**

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

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

### **RESOLUTION RECOMMENDING APPROVAL OF THE AUTHORIZATION TO EXECUTE AMENDMENT TO THE POWER PURCHASE AGREEMENT WITH EXELON GENERATION COMPANY, LLC**

WHEREAS, LIPA and its predecessor LILCO have been purchasing power from the Fitzpatrick nuclear plant since 1975 and the current power purchase agreement between LILCO and the current plant owner Exelon Generation is set to expire on December 31, 2020 ("FitzPatrick PPA"); and

WHEREAS, PSEG Long Island has negotiated an extension of the FitzPatrick PPA under favorable terms and conditions which enable the Authority to continue to purchase carbon-free energy to supply approximately 5% of its annual energy requirements ("FitzPatrick PPA Amendment No. 6");

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Oversight and Clean Energy Committee hereby recommends that the Board authorize the Chief Executive Officer or his designee to execute the FitzPatrick PPA Amendment No. 6 and such other documents as may be necessary or appropriate to effectuate it.

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*Chair Fischl stated that the next item on the agenda is the Recommendation to Approve an Extension of the Sound Cable Project Facilities and Marketing Agreement with New York Power Authority, be presented by Rick Shansky.*

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

### **Requested Action**

The Oversight and Clean Energy Committee (the “Committee”) of the Board of Trustees of the Long Island Power Authority (the “Board”) is requested to approve a resolution recommending the authorization of the Chief Executive Officer or his designee to execute an agreement for a two year extension of the existing Sound Cable Project Facilities and Marketing Agreement (“F&M Agreement”) between the Long Island Lighting Company d/b/a LIPA, a wholly owned subsidiary of the Long Island Power Authority (collectively “LIPA”) and the Power Authority of the State of New York (“NYPA”), which resolution is attached hereto as Exhibit “A”.

### **Background**

LIPA purchases transmission service over the Sound Cable Project (“Project”) under the F&M Agreement, a legacy contract with NYPA that dates from 1987. The Project consists of certain 345kV transmission facilities between Con Edison’s Sprain Brook substation located in Yonkers, NY and LIPA’s East Garden City Substation. Under the existing arrangement, LIPA pays NYPA’s costs of debt service, maintenance and repair, and assumes certain operating risks. LIPA is also entitled to the revenue from transmission congestion contracts (“TCCs”) associated with the cable, which are valuable financial instruments issued by the New York Independent System Operator (“NYISO”) that provide the financial equivalent of delivering energy purchased in the NYISO market from the Sprain Brook point of injection to Long Island. LIPA is compensated for the “congestion” (essentially, the difference in electricity price) between the two locations.

The F&M Agreement is set to expire upon retirement of the Project debt on November 30, 2020.

NYPA has been engaged in studying the potential for life extension and modernization (“LEM”) of the Project, which has been in service since 1991. Because the LEM may entail a significant investment by NYPA, the size of which is not known at this time, the net economic benefits to LIPA’s customers of a long-term extension of the F&M Agreement cannot yet be determined. In the event that the F&M Agreement expires, the costs and benefits of the Project would be passed through NYPA’s transmission tariff at the NYISO.

### **Discussion**

In recognition of the impending expiration of the F&M Agreement, the parties have agreed to extend the F&M Agreement for an additional 24 months, from December 1, 2020 to

November 30, 2022 in order to allow time for the LEM study to be completed, after which the parties may consider a longer term extension. No significant capital expenditures are expected during the two year extension. LIPA will continue to pay for facility O&M, approximately six million dollars a year, and receive TCC revenues, which are expected to yield significant net benefits to LIPA during the term of the extension.

It should be noted that there are no significant changes to the other terms and conditions of the F&M Agreement, and a related O&M Agreement that dates from 1991 remains unchanged and in effect until the expiration of the F&M Agreement.

### **Recommendation**

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

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

### **RESOLUTION RECOMMENDING APPROVAL OF AN EXTENSION OF THE SOUND CABLE PROJECT FACILITIES AND MARKETING AGREEMENT WITH NEW YORK POWER AUTHORITY**

WHEREAS, LIPA and its predecessor LILCO have paid for transmission service on the Sound Cable Project since 1991 and the current Facilities and Marketing Agreement (“F&M Agreement”) between LILCO and the New York Power Authority is set to expire on November 30, 2020; and

WHEREAS, PSEG Long Island has negotiated a two-year extension of the F&M Agreement (“Extension Agreement”) under favorable terms and conditions which enable LIPA to continue to benefit from the TCC revenues generated by the cable;

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Oversight and Clean Energy Committee hereby recommends that the Board authorize the Chief Executive Officer or his designee to execute the Extension Agreement and such other documents as may be necessary or appropriate to effectuate it.

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*Chair Fischl stated that the last item on the agenda is the Recommendation to Approve the Operating Agreement with New York State Office of Parks, Recreation and Historic Preservation for the Jones beach Energy and Nature Center, be presented by Michael Deering.*

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

## **Requested Action**

The Oversight and Clean Energy Committee (the “Committee”) of the Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to approve and adopt a resolution recommending that the Board authorize the Chief Executive Officer or his designee to execute a Cooperative Programming and License Agreement (the “Operating Agreement”) between LIPA and New York State Office of Parks, Recreation and Historic Preservation (“Parks”) to fund the operation and programming of an energy and nature education center at Jones Beach State Park (the “Center”) that has been jointly developed by LIPA and Parks.

## **Background**

On February 13, 2018, Parks, LIPA and PSEG Long Island entered into a Letter of Intent (“LOI”), under which the parties agreed to jointly develop the Center and to enter into Memorandum of Agreements and an Operating Agreement to fund its design, construction, and operation. LIPA and Parks entered into Memorandum of Agreements on May 8, 2018 and February 14, 2019, to fund the design and construction phases of this project, which are now largely complete.

The Center is an innovative public-private partnership that aims to further understanding of the interplay between human action, energy use, and environmental conservation. The Center will be used for educational, training, promotional and recreational activities and will be open to the public year-round. The Center, a net-zero energy building, will set an example of sustainable and resilient design, and through a variety of hands-on exhibits and programs, visitors to the Center will gain an understanding of Long Island's various ecosystems and learn how to use energy wisely and create a more resilient and sustainable future. The Center will be an interactive facility for visitors of all ages to become smart energy consumers and stewards of the environment.

The Board received an overview presentation of the Center at the December 18, 2019, Board Meeting and has approved funding for the Center as part of the annual budget process.

## **Discussion**

Execution of the Operating Agreement was agreed to under the LOI and is necessary for the parties to complete the project and fund the Center’s programming and other operating expenses. Under the Operating Agreement, LIPA and Parks share the costs of operating the Center, but LIPA’s contribution is subject to an annual cap with any cost overages the responsibility of Parks. The energy portion of the Center, which will have programming and educational materials administered by LIPA’s Service Provider, is approximately half of the square footage of the Center. The Operating Agreement has a term of 25 years and its total cost to LIPA is approximately \$6.4 million.

## **Recommendation**

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

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

**RESOLUTION RECOMMENDING APPROVAL OF THE OPERATING AGREEMENT WITH NEW YORK STATE OFFICE OF PARKS, RECREATION AND HISTORIC PRESERVATION FOR THE JONES BEACH ENERGY CENTER**

**WHEREAS, LIPA, jointly with Parks, has developed an energy and nature education center (the “Center”) at Jones Beach State Park; and**

**WHEREAS, the Center’s construction is nearly complete and is scheduled to open to the public in the coming weeks; and**

**WHEREAS, it is in the best interest of LIPA to execute a Cooperative Programming and License Agreement at the favorable terms outlined in the accompanying memo.**

**NOW, THEREFORE, BE IT RESOLVED, that the Oversight and Clean Energy Committee hereby recommends that the Board authorize the Chief Executive Officer or his designee(s) to execute the Cooperative Programming and License Agreement with New York State Office of Parks, Recreation and Historic Preservation and any other related agreements and arrangements, consistent with the terms of the accompanying memorandum, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Chief Executive Officer or his designee.**

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*Chair Fischl then entertained a motion to adjourn, which was duly made and seconded, after which the meeting concluded at approximately 11:05 a.m.*

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