

**LONG ISLAND POWER AUTHORITY**

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

**HELD ON AUGUST 11, 2021**

**The Oversight and Clean Energy Committee of the Long Island Power Authority (“LIPA”) was convened at 10:11 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to**

**The following LIPA Trustees were present:**

**Mark Fischl, Committee Chair<sup>1</sup>  
Peter Gollon, Committee Member  
Ali Mohammed, Committee Member  
Elkan Abramowitz  
Drew Biondo  
Rev. Alfred Cockfield  
Sheldon Cohen  
Lauren Harris**

**Representing LIPA, in person, were Thomas Falcone, Chief Executive Officer; Bobbi O’Connor, Chief Administrative Officer & Board Secretary; Rick Shansky, Senior Vice President of Power Supply and Wholesale Markets; and Jen Hayen, Director of Communications. Participating via video conferencing were Anna Chacko, General Counsel; Mujib Lodhi, Chief Information Officer and Senior Vice President of Customer Experience; Tamela Monroe, Chief Financial Officer; Billy Raley, Senior Vice President of T&D Oversight; Justin Bell, Vice President of Public Policy and Regulatory Affairs; Tom Locascio, Director of External Affairs; Jason Horowitz, Assistant General Counsel and Assistant Secretary to the Board; and Osman Ahmad, IT-Consultant.**

**Representing PSEG Long Island, via video conferencing, were Daniel Eichhorn, President and Chief Operating Officer; and Mike Voltz, Director of Energy Efficiency and Renewables.**

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<sup>1</sup> Trustee Cohen took over the Chair duties after the second agenda item.

Representing Gabel Associates was Mark Warner.

*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 June 23, 2021 meeting.*

*Upon motion duly made and seconded, the minutes of the June 23, 2021 meeting were approved unanimously.*

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*Chair Fischl stated that the next item on the agenda was the PSEG Long Island Presentation and Operating Report to be presented by Daniel Eichhorn.*

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

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*Acting Chair Cohen stated that the next item on the agenda was the Review of Utility 2.0 2021 Filing to be presented by Mike Voltz and Mark Warner.*

*Mr. Voltz and Mr. Warner presented the Review of Utility 2.0 2021 Filing and took questions from the Trustees.*

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*Acting Chair Cohen stated that the next item on the agenda is the Consideration of Recommendation to Approve the Annual Report on the Board Policy on Public Policy Transmission Planning 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 (“the Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution recommending approval of the annual report on the Board Policy on Public Policy Transmission Planning (“the Policy”), which resolution is attached as Exhibit “A.”

## **Background**

By Resolution No. 1540, dated June 24, 2020, the Board approved amendments to the Policy that, among other things, directed the CEO to report annually on LIPA's evaluation of public policy transmission needs. LIPA Staff has reviewed the Policy and does not recommend any changes at this time. Since the June 2020 report, LIPA has participated in the 2020-2021 biennial planning cycle for the determination of public policy transmission needs.

## **LIPA's 2020-2021 Evaluation**

In August 2020, the New York Independent System Operator ("NYISO") issued its biennial solicitation for proposed transmission needs that might be driven by Public Policy Requirements.

In response to that solicitation, PSEG Long Island submitted its recommended Public Policy Transmission Needs ("PPTN"), which include a need for one or more ties from Long Island to Westchester/New York City and backbone upgrades from East Garden City to Ruland Road as a result of the Off-Shore Wind Standard ("OSW") articulated in the Climate Leadership and Community Protection Act ("CLCPA"). A total of 12 PPTN proposals involving the Long Island transmission system were referred to LIPA in October 2020.

LIPA evaluated the 12 proposals and concluded "that the following transmission needs constitute a Public Policy Transmission Need in the Long Island Transmission District that is driven by Public Policy Requirements:

- Adding at least one bulk transmission intertie cable to increase the export capability of the LIPA-Con Edison interface, that connects NYISO's Zone K to Zones I and J.
- Upgrading associated local transmission facilities to accompany the expansion of the proposed OSW export capability. Such upgrades would include increasing capacity on portions of the existing 138 kV transmission "backbone" between the Ruland Road and East Garden City substations and converting that path to 345 kV."

In March 2021, the Public Service Commission ("PSC") designated one or more Long Island ties to New York City as a PPTN pursuant to the CLCPA, but declined to classify the backbone upgrade from East Garden City to Ruland Road as a PPTN, preferring to allow the NYISO evaluation process to determine such local upgrades ("the March Order").

In the March Order, the PSC directed the NYISO to allocate the costs of Long Island ties 75% to congestion beneficiaries and to share 25% of costs statewide. In April 2021, LIPA submitted a petition for rehearing, arguing for 100% statewide load ratio cost allocation, noting that congestion beneficiaries are highly speculative, while the principal benefit of the new tie(s) would reduce OSW interconnection costs. Such benefits will flow to the purchasers of Offshore Wind Renewable Energy Certificates, which are to be allocated statewide on a load ratio cost allocation.

The PSC has not yet issued a decision on LIPA's petition.

In May 2021, NYISO began the process of identifying the constraints on the Long Island and New York City systems that proposed projects would need to be addressed to meet the identified PPTN.

As part of that process, utilities and merchant transmission developers are entitled to qualify as “developers” if they wish to be eligible to construct the PPTN project or associated local upgrades.

LIPA is in the process of qualifying to be a developer, should a local upgrade be identified that involves an existing LIPA transmission facility. The NYISO tariff gives LIPA the right of first refusal to construct such upgrades.

### **Recommendation**

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

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

### **RESOLUTION RECOMMENDING APPROVAL OF THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON PUBLIC POLICY TRANSMISSION PLANNING**

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

WHEREAS, the Policy was last amended by Resolution No. 1540, dated June 24, 2020; and

WHEREAS, the Oversight and Clean Energy Committee (the “Committee”) of the Board of Trustees (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 Committee hereby recommends that the Board find that LIPA has complied with the Policy for the period since the last annual review and recommends approval of the annual report to the Board.

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*Acting Chair Cohen stated that the last item on the agenda is the Consideration of Recommendation to Authorize the Execution a Power Purchase Agreement with NYPA for the*

*Flynn Power Plant and to Approve of Regulatory Accounting Treatment 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 (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution recommending authorization of the Chief Executive Officer or his designee to execute a Power Purchase Agreement (“PPA”) with the New York Power Authority (“NYPA”) for the purchase of generating capacity from NYPA’s Richard M. Flynn Power Plant (“Plant”); to adopt a resolution recommending designating the lump sum payment required at the commencement of the PPA term as a regulatory asset to be recovered through the Power Supply Charge over the PPA term, which is 62 months commencing on November 1, 2021; and to take such other actions as may be reasonably necessary to implement the foregoing arrangements.

### **Background**

The Richard M. Flynn Power Plant is a nominal 150-megawatt gas- and oil-fired combined cycle generating unit located in Holtsville, New York, that went into service in 1994. A legacy PPA between LILCO and NYPA expired in 2014. Since the expiration of that contract, NYPA has been selling the Plant’s output on a merchant basis in the wholesale market.

On April 9, 2021, the Plant experienced a generator failure that requires major repairs to restore the Plant to operation. NYPA indicated that wholesale market revenues alone would not support the cost of the necessary repairs and that the Plant would be mothballed. LIPA, in consultation with PSEG Long Island, determined that the Plant’s capacity would be beneficial to assure system reliability for the next several years in light of the recent outage experience among LIPA’s interties with neighboring utilities.

### **Discussion**

PSEG Long Island negotiated terms of a new contract, in which LIPA would reimburse NYPA for its actual repair costs (“Lump Sum Payment”) and purchase the Plant’s capacity for a 62-month term commencing on or around November 1, 2021, and ending on December 31, 2026, at a total cost of approximately \$67 million.

Under the proposed PPA, LIPA will purchase all the capacity provided by the Plant at a fixed price, subject to an availability guaranty. NYPA will retain the Plant’s energy and ancillary services and bear the cost and risk of making such sales in the wholesale markets. LIPA would have the right to terminate the PPA prior to 2026 in the event of another significant Plant failure.

Should NYPA continue to operate the Plant beyond the termination of the PPA, it will reimburse LIPA for a portion of the repair cost. The proposed capacity price is consistent with those obtained in other recent PPA extensions.

LIPA Staff recommends that the Board approve a regulatory asset associated with the Lump Sum Payment under the PPA that would be amortized and recovered through the Power Supply Charge over the PPA term, which is a period of 62 months. Such recovery is consistent with the current treatment of fixed power supply expenses authorized under the Tariff for Electric Service, and Governmental Accounting Standards Board Pronouncement No. 62 (“GASB 62”).

### **Recommendation**

For the foregoing reasons, I recommend that Committee recommend to the Board the authorization of the Chief Executive Officer or his designee to take all actions, including, without limitation, execution of the PPA, establishment of a regulatory asset to be recovered under the Power Supply Charge over a period of 62 months, and all other related arrangements and agreements, as may be necessary or convenient.

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

### **RECOMMENDATION TO AUTHORIZE THE EXECUTION OF A POWER PURCHASE AGREEMENT WITH THE NEW YORK POWER AUTHORITY FOR THE PURCHASE OF GENERATING CAPACITY AND RECOMMENDATION TO APPROVE OF REGULATORY ACCOUNTING TREATMENT**

**WHEREAS, the Long Island Power Authority (“LIPA”) had a prior contract with the New York Power Authority (“NYPA”) to purchase the output of the Richard M. Flynn Power Plant (“Plant”), which took effect when the unit was put into service in 1994 and expired in 2014; and**

**WHEREAS, the Plant provides needed generating capability that contributes to system reliability; and**

**WHEREAS, PSEG Long Island and NYPA have negotiated a Power Purchase Agreement (“PPA”) under which NYPA will sell the generating capacity produced by the Plant to LIPA for a term of sixty-two months; and**

**WHEREAS, the PPA includes a lump sum payment from LIPA to NYPA that should be recovered from LIPA’s customers under the Power Supply Charge over the term of the PPA.**

**NOW, THEREFORE, BE IT RESOLVED, that the Oversight and Clean Energy Committee hereby recommends to the Board that the Chief Executive Officer and/or his designee be authorized to execute and effect a PPA and other related agreements and arrangements, if any, consistent with the terms of the accompanying memorandum; to seek cost recovery for the upfront payment required under the PPA consistent with the approach outlined in 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 and/or his designee, to implement LIPA's purchase of generating capacity from NYPA.

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*Acting Chair Cohen then entertained a motion to adjourn, which was duly made and seconded, after which the meeting concluded at approximately 11:16 a.m.*

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