

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 267TH MEETING

HELD ON MARCH 29, 2017

The Long Island Power Authority (the “Authority”) was convened for the two-hundred-and-sixty-seventh time at 11:30 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on March 23, 2017, and electronic notice posted on the Authority’s website.

The following Trustees of the Authority were present:

**Ralph V. Suozzi, Chair
Elkan Abramowitz
Sheldon L. Cohen
Matthew Cordaro
Mark Fischl
Jeffrey Greenfield
Suzette Smookler**

Representing the Authority were Thomas Falcone, Chief Executive Officer; Joseph Branca, Chief Financial Officer; Jon Mostel, General Counsel and Secretary to the Board of Trustees; Kenneth Kane, Vice President of Financial Oversight; and Rick Shansky, Vice President of Operations Oversight.

Representing PSEG Long Island were David Daly, President and COO; John O’Connell, Vice President of Transmission & Distribution; David Lyons, Vice President of Business Operations; Daniel Eichhorn, Vice President of Customer Service; Vaughn McKoy, Vice President of Legal; and Paul Napoli, Vice President of Power Markets.

Chair Suozzi welcomed everyone to the 267th meeting of the Long Island Power Authority Board of Trustees and led the Pledge of Allegiance.

Chair Suozzi then stated that the chair of each board committee would provide a brief summary of its most recent committee meeting to the full board. Trustee Cohen reported on the Finance and Audit Committee meeting and Trustee Fischl reported on the REV Committee Meeting and the Governance Committee Meeting, Trustee Abramowitz reported on the Oversight Committee meeting and Trustee Greenfield¹ reported on the Personnel and Compensation Committee Meeting.

Chair Suozzi stated that the next item on the agenda is the consideration of Consent Agenda Items.

After questions and a discussion by the Trustees and the opportunity for the public to be heard, upon motion duly made and seconded, the following resolutions were passed by the Trustees based on the memos summarized below.

1342. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JANUARY 25, 2017 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on January 25, 2017 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 Trustees are being requested to adopt a resolution authorizing revisions to the Long Island Power Authority (the “Authority”) Oversight Committee Charter (the “Charter”) in the form attached hereto.

Background

The Charter, which was most recently revised by the Board of Trustees on February 26, 2014, establishes the purpose, membership, meeting requirements and responsibilities of the Oversight Committee (the “Committee”) and serves as the governing document for the Committee. Consistent with the Charter, the Committee has undertaken a thorough review of the Charter’s adequacy and recommends some changes that clarify the Committee’s

¹ Trustee Greenfield was acting Chair of the Personnel & Compensation Committee, in Trustee McAteer’s absence.

responsibilities, changes the name of the Committee from “Contract Oversight Committee” to “Oversight Committee” and adopts a common format for all the Board Committee charters.

I note that the Committee has adopted a resolution recommending approval of the proposed revisions by the Trustees.

Recommendation

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

1343. APPROVAL OF REVISED LONG ISLAND POWER AUTHORITY OVERSIGHT COMMITTEE CHARTER

WHEREAS, the Trustees adopted on February 26, 2014, a Contract Oversight Committee Charter (“Charter”) which establishes, among other things, the purpose, powers, composition and key responsibilities of the Oversight Committee (the “Committee”); and

WHEREAS, the Committee has reviewed the proposed revised Charter and believes it is reasonable and appropriate to revise it for the reasons set forth in the accompanying memorandum:

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby adopt the Long Island Power Authority’s “Oversight Committee Charter (March 29, 2017)” in the form presented at this meeting; and be it further.

RESOLVED, that this resolution take effect immediately.

Requested Action

The Board of Trustees of the Long Island Power Authority (the “Authority”) is requested to adopt a resolution approving (i) revisions to the Board Policies on Prompt Payment, Property Disposition, Real Property Acquisition, Procurement Lobby and Procurement Contracts, (ii) Revisions to the Trustee Code of Ethics and Conduct and (iii) the Authority’s Annual Investment Report for 2016, each as further described below.

Prompt Payment Policy

Section 2880 of the Public Authorities Law (“PAL”) requires that the Authority adopt a policy for making payment promptly on amounts properly due by the Authority under its contracts. This policy generally applies to payments due by the Authority to a person or business in the private sector under a contract it has entered into with the Authority. Except as otherwise provided by law or regulation or under certain circumstances specified in the policy, the payment due date of an amount properly due by the Authority under a contract is thirty calendar days, excluding public holidays, after receipt of an invoice for such amount due; except that if such thirtieth calendar day falls on a Saturday or Sunday, the payment

due date shall be the following business day. The prompt payment policy was last reviewed and approved by the Board on May 18, 2016. The proposed Board Policy on Prompt Payments is intended to replace the prior policy and clarifies that the policy applies to the Authority, as well as Long Island Lighting Company and the Utility Debt Securitization Authority (“UDSA”) to the extent the Authority acts as servicer and administrator to the UDSA.

Board Policy on Property Disposition

Section 2896 of the PAL requires the Authority to adopt, and periodically review and approve comprehensive guidelines regarding the use, awarding, monitoring and reporting of contracts for the disposal of Authority property. Such guidelines were last reviewed and approved by the Trustees on May 18, 2016. Based on Staff’s review, the proposed Board Policy on Property Dispositions is intended to replace the prior guidelines and incorporates the following material modifications:

- (i) clarifies that the policy applies to the Authority, as well as Long Island Lighting Company and the UDSA to the extent the Authority acts as servicer and administrator to the UDSA;
- (ii) specifies that none of electricity or natural gas or any attributes derived therefrom, shall be considered Property for purposes of, and as defined in, the policy; and
- (iii) increases the threshold for Property Disposition Contracts requiring Board approval from \$250,000 to amounts greater than \$1,000,000.

The Authority is required to annually file with the State and make available on its website a report on all property dispositions, including the value received and method of procurement, which is provided to the Board of Trustees.

Board Policy on Real Property Acquisition

Section 2824 of the PAL requires the Authority to establish policies and procedures regarding, among other things, the Authority’s acquisition of real property. Such policies were last reviewed and approved by the Trustees on April 28, 2011. Based on Staff’s review, the proposed Board Policy on Real Property Acquisitions is intended to replace the prior policies and incorporates the following material modifications:

- (i) clarifies that the policy applies to the Authority, as well as Long Island Lighting Company and the UDSA to the extent the Authority acts as servicer and administrator to the UDSA;
- (ii) limits the policy to the acquisition of real property (and not personal property) consistent with the requirements of Section 2824 of the PAL; and
- (iii) increases the threshold for Property Acquisition Contracts requiring Board approval from \$250,000 to amounts greater than \$1,000,000.

The Authority is required to annually file with the State and make available on its website a report on all property real acquisitions, including the value and method of procurement, which is provided to the Board of Trustees.

Board Policy on Procurement Lobbying

The Authority has adopted a policy implementing the requirements of the procurement lobbying law found in State Finance Law and the lobbying contacts provisions found in Section 2987 of the PAL. That policy was last reviewed and approved by the Trustees on March 24, 2011. Based on Staff's review, the proposed Board Policy on Procurement Lobbying is intended to replace the prior policy and the only material modification is to clarify that the policy applies to the Authority, as well as Long Island Lighting Company and the UDSA to the extent the Authority acts as servicer and administrator to the UDSA.

Board Policy on Procurement Contracts

Section 2879 of the PAL requires the Authority to periodically review and approve procurement guidelines, which set forth LIPA's operative policy and instructions regarding the use, awarding, monitoring and reporting of procurement contracts. Those guidelines were last reviewed and approved by the Trustees on May 18, 2016. Based on Staff's review, the proposed Board Policy on Procurement Contracts is intended to replace the prior procurement guidelines and incorporates the following material modifications:

- (i) clarifies that the policy applies to the Utility Debt Securitization Authority to the extent the Authority acts as servicer and administrator to the UDSA;**
- (ii) specifies that certain construction contracts may be subject to the provisions of State Finance Law commonly referred to as the Wick's Law;**
- (iii) for awards based on Best Value, removes the requirement to include in the procurement process an evaluation methodology that demonstrates how Best Value will be achieved;**
- (iv) increases the threshold for awards, without competition, of certain contracts for Goods and construction from \$20,000 and \$35,000 respectively, to less than \$50,000; and**
- (v) increases the threshold for Procurement Contracts for Goods, Services or Technology requiring Board approval from \$250,000 to amounts greater than \$1,000,000, provided that such Procurement Contract does not exceed one year in length.**

The Authority's Procurement Contracts with a value of over \$50,000 are subject to the review and approval of the Office of the Attorney General (as to form) and the Office of the State Comptroller.

Code of Ethics and Conduct

The Authority has previously adopted policies regarding the ethical conduct of its Trustees and former Trustees, including their responsibilities under the Public Officers Law and certain Executive Orders. Those policies are embodied in the “Trustee Code of Ethics and Conduct of the Long Island Power Authority” (the “Code”). The Code was last reviewed and approved by the Board on June 26, 2015. Based on Staff’s review, the following material modifications to the Code are recommended:

- (i) adding a statement that Trustees must report to the Authority’s General Counsel any communication directed to the Trustee in cases where a reasonable person would infer that the communication was intended to influence the consideration or outcome of an active procurement being conducted by the Authority or its service provider; and
- (ii) revising the definition of “conflict of interest” to more closely track the Authority Budget Office’s model conflict of interest policy.

Annual Investment Report for 2016

Section 2925 of the Public Authorities Law requires that the Authority annually review and approve an investment report. The Authority’s investments are managed by an investment manager and the investments are primarily short term, highly liquid investments. All investments of Authority funds are governed by the Authority’s Board Policy on Investments described above. The Authority’s investments for 2016 performed consistent with Staff’s expectations given the nature of the investments.

Recommendation

Based upon the foregoing, I recommend the approval of the above requested action by adoption of resolutions in the forms attached hereto as Exhibits A through G.

1344. APPROVAL OF BOARD POLICY ON PROMPT PAYMENT

RESOLVED, that the LIPA Board of Trustees hereby approves and adopts the Board Policy on Prompt Payment in the form presented at this meeting to be effective immediately.

1345. APPROVAL OF BOARD POLICY ON PROPERTY DISPOSITION

RESOLVED, that the LIPA Board of Trustees hereby approves and adopts the Board Policy on Property Disposition Guidelines, in the form presented at this meeting to be effective immediately.

1346. APPROVAL OF BOARD POLICY ON REAL PROPERTY ACQUISITION

RESOLVED, that the LIPA Board of Trustees hereby approves and adopts the Board Policy on Real Property Acquisition, in the form presented at this meeting to be effective immediately.

1347. APPROVAL OF THE BOARD POLICY ON PROCUREMENT LOBBYING

RESOLVED, that the LIPA Board of Trustees hereby approves and adopts the Board Policy on Procurement Lobbying, in the form presented at this meeting to be effective immediately.

1348. APPROVAL OF THE BOARD POLICY ON PROCUREMENT CONTRACTS

RESOLVED, that the LIPA Board of Trustees hereby approves and adopts the Board Policy on Procurement Contracts, in the form presented at this meeting to be effective immediately.

1349. APPROVAL OF THE TRUSTEE CODE OF ETHICS AND CONDUCT

RESOLVED, that the LIPA Board of Trustees hereby approves and adopts the Trustee Code of Ethics and Conduct, in the form presented at this meeting to be effective immediately.

1350. APPROVAL OF THE ANNUAL INVESTMENT REPORT

RESOLVED, that the LIPA Board of Trustees hereby approves and adopts the Annual Investment Report for the period ended December 31, 2016 in the form presented at this meeting to be effective immediately.

Requested Action

The Board of Trustees of the Long Island Power Authority (the “Authority”) is requested to adopt a resolution approving a Board Policy on Enterprise Risk Management as further described below.

Background

The Board approved a Governing Policy for Enterprise Risk Management (“Previous Policy”) on August 7th, 2015 which set forth the development of a comprehensive Enterprise Risk Management (“ERM”) Program designed to provide a repeatable, reliable mechanism by which Authority’s staff and the Authority’s major service provider PSEG Long Island’s can collectively identify, evaluate, and mitigate risks to the Authority. The ability of the Authority and PSEG Long Island to effectively manage risks is integral to achieving the Authority’s mission, goals, and objectives and is in the best interest of the Authority’s customer-owners.

The recommended policy for Enterprise Risk Management (the “Proposed Policy”) continues the practice by the Authority and PSEG Long Island to identify, assess, manage, and mitigate its financial, operational, supply, physical security, cyber security, legal, legislative, regulatory, reputational and other risks and is consistent with, and required by, best utility practices.

Several of the key provisions of the Proposed Policy include the following:

- (i) Continuously monitor the risks facing the Authority, and provide regular updates on the status of risks and corresponding mitigation activities to the senior management of the Authority and its Service Provider as well as to**

- report at least annually to the Finance and Audit Committee of the Board of Trustees on such risks and mitigation activities;
- (ii) Annually reviewing the Authority's insurance and other forms of coverage against insurable risks, including the availability and economics of such coverage;
 - (iii) Maintaining business continuity plans for the operations of the Authority and periodically reviewing such plans of the Service Provider; and
 - (iv) Requiring the Authority's Audit staff to annually undertake a review of the effectiveness and maturity of the ERM program.

The Proposed Policy has no material difference from the Previous Policy but has been updated as to form for greater consistency with the other policies adopted by the Authority's Board.

The Finance and Audit Committee has reviewed and recommended the Proposed Policy for adoption by the Board.

Recommendation

Based upon the foregoing, I recommend the adoption of the resolution in the form attached hereto as Exhibits A.

1351. APPROVAL OF BOARD POLICY ON ENTERPRISE RISK MANAGEMENT

RESOLVED, that the LIPA Board of Trustees hereby approves and adopts the Board Policy on Enterprise Risk Management, in the form attached as Attachment A-1 to this resolution, to be effective immediately.

Requested Action

The Board of Trustees of the Long Island Power Authority (the "Authority") is requested to adopt a resolution approving a Board Policy on Power Supply Hedging as further described below.

Background

The Board last reviewed the Governing Policy for the Power Supply Hedging Program ("Previous Policy") on August 6th, 2014. Recently, a thorough review of the Previous Policy was completed by the Authority's staff.

The overall objectives of the hedging program identified in the proposed Board Policy for Power Supply Hedging (the "Proposed Policy") continue to solidify alignment with the Authority's mission and the interest of its customer-owners for more stable and predictable power supply prices on a month-to-month basis. The only substantive proposed change from the Previous Policy to the Proposed Policy is the change in the maximum net hedge position from 85% to 90% in the Proposed Policy. Additionally, the format of the policy has been updated to conform to other recent policies adopted by the Board.

The Power Supply Hedging Program’s focus will continue to be:

- (i) Mitigation of the volatility of the Authority’s month-to-month Power Supply Charge**
- (ii) Use of derivatives and physical fuel and purchased power contracts similar to what New York State regulated utilities use to restrain price volatility**
- (iii) Achievement of appropriate risk mitigation and a prohibition of financial speculation; and**
- (iv) Transparency regarding the Authority’s commodity risk management activities and the results of such activities**

In addition, the Executive Risk Management Committee will establish, maintain and monitor the implementation of the Proposed Policy.

The Finance and Audit Committee has reviewed and recommended the Proposed Policy for adoption by the Board.

Recommendation

Based upon the foregoing, I recommend the adoption of the resolution in the form attached hereto as Exhibits A.

1352. APPROVAL OF BOARD POLICY ON POWER SUPPLY HEDGING

RESOLVED, that the LIPA Board of Trustees hereby approves and adopts the Board Policy on Power Supply Hedging, in the form attached hereto as Attachment A-1, to be effective immediately.

Requested Action

The Board of Trustees of the Long Island Power Authority (the “Authority”) is requested to adopt a resolution approving a Board Policy for Interest Rate Exchange Agreements as further described below.

Background

The Trustees last adopted Guidelines for the Use of Interest Exchange Agreements (“Swap Guidelines”) on May 18th, 2016.

The proposed Board Policy for Interest Rate Exchange Agreements (the “Proposed Policy”) recognizes the importance to the Authority to properly manage the risks associated with its debt portfolio. The objective of the interest rate exchange agreement program is to provide the Authority the ability to diversify its debt portfolio, mitigate potential risks and/or lower the cost of borrowings.

The Proposed Policy has been updated as to form to be similar to the other policies approved by the Board but has no material changes relative to the Board-adopted Swap Guidelines currently in effect.

The Finance and Audit Committee has reviewed and recommended the Proposed Policy for adoption by the Board.

Recommendation

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

1353. APPROVAL OF BOARD POLICY ON INTEREST RATE EXCHANGE AGREEMENTS

RESOLVED, that the LIPA Board of Trustees hereby approves and adopts the Board Policy on Interest Rate Exchange Agreements, in the form attached as Attachment A-1 to this resolution, to be effective immediately.

Requested Action

The Board of Trustees of the Long Island Power Authority (the “Authority”) is requested to adopt a resolution approving revisions to the Board Policy regarding Debt and Access to the Credit Markets (the “Debt and Credit Markets Policy”) for the Long Island Power Authority and its subsidiary, LIPA (collectively the “Authority”), which is attached hereto as Exhibit A.

Background

The Board adopted the Debt and Credit Markets Policy on December 15, 2015. The policy adopted by the Board reflected the methodology used by the major public power utilities in the United States by developing financial targets for use in budgeting and rate setting, and to provide a measure of annual financial performance. These financial targets were modeled after the public power credit rating criteria of the three major credit rating agencies, and include targets for the most commonly followed financial performance indicators, including credit ratings, debt/fixed obligation coverage, capitalization, and liquidity targets. The adoption of the new policy in 2015 marked the end of LIPA’s historic fiscal practice of budgeting revenues and expenses to achieve net income of \$75 million per year. This historic net income target approach produced results that did not correlate well to the financial metrics followed by the vast majority of public power credit analysts.

The targets were devised in consultation with Public Financial Management (“PFM”), the Authority’s financial advisor, who presented a study of the Authority’s financial policies to the Finance and Audit Committee in 2014 and filed such a study as part of the Authority’s Three-Year Rate Plan in 2015. That study noted that the Authority had the lowest credit ratings and most leveraged balance sheet of any of its peer utilities by a significant degree, and recommended that the Authority adopt financial targets that focused on the lowest electric rates consistent with sound long-term financial operations. Accordingly, the

financial policies recommended by PFM were set to be sufficient, in PFM's opinion, for LIPA to obtain mid-single-A bond ratings within five years, which would place the Authority's credit ratings at the low end of the range of the credit ratings of its peer utilities. In the Three-Year Rate Plan filing on January 30, 2015, the Authority proposed and subsequently adopted the Public Power Model and set fixed obligation coverage targets (debt service plus amortization of capital leases) that increased from 1.20x coverage in 2016 to 1.45x coverage by 2019. The long-term coverage target of 1.45x, combined with certain cost recovery mechanisms, target a reduction in the percentage of capital investments funded by debt to 64% or less over the planning period. In addition, the Authority would maintain a fixed obligation coverage ratio of at least 1.25x on all its debt (including the Utility Debt Securitization Authority).

Fiscal Year 2016 was the first full year in which the Authority budgeted using the revenue requirements set by the Public Power Model. The rating agencies and credit markets reacted favorably to the new approach. In August 2016, LIPA received its first credit ratings upgrade in 11 years from Moody's Investor Service with an upgrade to A3. The Moody's report cited the Three-Year Rate Plan and the adoption of the new financial model. The Authority has met or exceeded its targeted metrics in 2016 and has budgeted to meet targets in 2017 and continue to move towards the stated objectives in the policy in 2018.

Staff now proposes to modify the Board Policy to include funding the Authority's Other Post-Employment Benefits ("OPEBs") and Nuclear Decommissioning Trust Fund ("NDTF") obligations in a fiscally sound manner by funding on a recommended schedule as calculated no less than every third year by an actuarial services firm. The Three-Year Rate Plan included funding for such obligations, and the Board previously adopted a pre-funding policy for OPEBs in 2014 at the time it created an OPEB Account. However, staff believes a statement of principle included in the board policies that these accounts should continue to be funded in an actuarially sound manner beyond the Three-Year Rate Plan is an important statement to the rating agencies and credit markets.

The Board Policy also includes other non-material clarifications such as the balance of funds to be held in individual accounts and a more explicit statement of the target fixed obligation coverage ratios in each year, in accordance with those adopted in the Three-Year Rate Plan. Finally, staff has added an appendix to the Board Policy that further describes the calculation of each of the financial metrics contained within the Policy.

Recommendation

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

1354. APPROVAL OF BOARD POLICY REGARDING DEBT AND ACCESS TO CREDIT MARKETS

WHEREAS, the Board of Trustees recognize that adopting financial planning policies that ensure ready access to the financial markets and support the earning of a strong bond rating is in the long-term interest of its customers; and

WHEREAS, the F&A Committee has considered and is in agreement with the Board Policy Regarding Debt and Access to Credit Markets as set forth in the accompanying memorandum:

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the proposed Policy Regarding Debt and Access to Credit Markets, in the form presented at this meeting, is hereby approved.

Requested Action

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

Board Policy on Audit Relationships

The Finance & Audit Committee of the Authority’s Board of Trustees, in its charter, was delegated the responsibility of reviewing the Authority’s policies regarding Audit Relationships.

This proposed Board Policy on Audit Relationships defines the expectations of the Board regarding the existing authority granted to the Finance & Audit Committee for:

- (i) Selecting an independent certified public accounting firm to conduct annual audits of the Authority.**
- (ii) 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.**
- (iii) Monitoring, in consultation with the Director of 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.**

Recommendation

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

1355. APPROVAL OF LONG ISLAND POWER AUTHORITY BOARD POLICY ON AUDIT RELATIONSHIPS

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

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

WHEREAS, the Finance & Audit Committee of the Authority's Board of Trustees, in its charter, was delegated the responsibility of reviewing the Authority's policies regarding Audit Relationships;

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

WHEREAS, policies addressing audit relationships have been recommended by the Finance & Audit Committee for adoption by the Board, in accordance with this process;

NOW, THEREFORE, BE IT IS RESOLVED, that the Trustees hereby approve and adopt Policies on Audit Relationships the form attached to this resolution; and

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

Requested Action

The Long Island Power Authority's Board of Trustees (the "Board") is requested to approve a resolution adopting the proposed Board Policy on Economic Development (the "Economic Development Policy") for the Long Island Power Authority and its subsidiary, LIPA (collectively the "Authority"), which is attached hereto as Exhibit A.

Background

The Board, from time to time, receives recommendations from the Finance and Audit ("F&A")

Committee regarding proposed policy statements for adoption by the full Board. The F&A Committee has recommended that the Board provide policy guidance regarding the development of rates and programs that align with State policy to promote the economic growth and vitality of the Authority's service territory through adoption of an Economic Development Policy, consistent with the expectations of the Authority's enabling statute.

The recommended Economic Development Policy continues the practices of the Authority since its inception. Efforts have always been made to attract new businesses, retain existing businesses, and promote economic growth in its service territory through a variety of programs and targeted rates. The Authority has cooperated with and participated in Statewide programs to promote economic development, and promoted its own programs through the Tariff and other activities that have been directly funded through approved budgets.

Presently the Authority's service provider, PSEG Long Island, maintains a team of economic development specialists that develops and markets new economic development programs, manages existing programs, identifies and enrolls eligible customers, and monitors customers' energy usage and compliance with program requirements. This team also coordinates energy efficiency and renewable initiatives to help customers with their energy costs and needs.

In order to provide policy guidance regarding the Authority's economic development goals and the proper use of the Authority's rates and programs to promote economic development, the Board, upon due consideration and with the recommendation of the F&A Committee, is requested to approve the Economic Development Policy attached hereto as Exhibit B.

Metrics for Economic Development Policy

Annually, the Authority staff will present an evaluation of the Economic Development Policy to the Board of Trustees which will review (1) customer and other stakeholder participation in the Authority's Economic Development rates and programs, (2) associated costs and benefits including the number of jobs and businesses supported by the economic development activities of LIPA and its Service Provider, and specifying, to the extent reasonably knowable, the portion of such jobs and new businesses that were newly attracted to the service territory based on the availability of LIPA's economic development rates and program and (3) consistency and coordination with State and regional efforts and industry best practices.

As part of its review of any annual evaluation, the Board will consider, with the advice of Authority staff and the Service Provider where appropriate, whether any updates or revisions should be made to the respective policy statement.

Recommendation

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

1356. APPROVAL OF STATEMENT OF POLICY ON ECONOMIC DEVELOPMENT

WHEREAS, the Board of Trustees recognizes that establishing and maintaining electric rates and programs that promote economic growth within the service territory is a core objective of the Authority and is consistent with State policy; and

WHEREAS, the Finance and Audit Committee of the Board, which in its Charter was delegated the responsibility of overseeing the strategic planning process of the Authority including the development of governance policies, has recommended that the Board approve the Policy on Economic Development described in and attached to the accompanying memorandum:

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the proposed Policy on Economic Development, in the form attached to the accompanying memorandum, is hereby approved; and

BE IT FURTHER RESOLVED, that Policy on Economic Development shall be subject to annual review and evaluation, including with respect to the metrics set forth in the accompanying memorandum.

Requested Action

The Long Island Power Authority Board of Trustees (the “Board”) is requested to approve a resolution adopting proposed amendments to the Statement of Policy on Regionally Competitive Rates (the “Competitive Rates Policy”) for the Long Island Power Authority and its subsidiary, LIPA (collectively the “Authority”), which is attached hereto as Exhibit A.

Background

From time to time, the Board receives recommendations from the Finance and Audit (“F&A”) Committee regarding adoption of policy statements. In December of 2015, the F&A Committee recommended adoption of the Competitive Rates Policy, which was subsequently adopted by the full Board in September of 2016. The purpose of the Competitive Rates Policy has been to set reasonable objectives for the Authority’s electric rates and to evaluate its electric rates and their rate of change over time relative to other similar utilities. The Board conducts an annual review of the policy and, with the advice of Authority staff and the Service Provider where appropriate, considers as part of its annual review whether any updates or revisions should be made to the policy statement.

The Competitive Rates Policy, as originally adopted, identifies four similarly situated regional utilities in the downstate New York and Connecticut region that surround the Authority’s service territory and resemble the costs and power/gas supply options of the Authority: Consolidated Edison, Orange & Rockland, United Illuminating, and Eversource (formerly Connecticut Light and Power).

The Policy also lists several rate design objectives for the Authority to pursue. Specifically, rates should, consistent with prudent utility practice: be simple and easy to understand; equitably allocate costs across and within customer classes, taking into consideration the cost to provide service; and where possible, be consistent with statewide policies. In addition, in order to promote the goals of Reforming the Energy Vision, rates should be designed to encourage the most efficient use of utility plant.

Proposed Amendments

The Authority staff now proposes that the Board amend the Competitive Rates Policy to add PSE&G to the list of utilities to which the Authority’s rates will be compared and to add an additional rate design objective. It has always been a part of the mission of the Authority to keep rates affordable for all of its customers. This includes customers with low incomes and customers with severe medical conditions. The Authority also seeks to set

policy that, whenever feasible, is consistent with policy espoused by the New York Public Service Commission (the "PSC"), which has recently issued a series of orders directing the regulated utilities to strengthen their existing protections for low income customers. In addition, staff proposes that the Board clarify what is meant by the objective of encouraging the most efficient use of utility plant and what is meant by a similarly situated utility.

The proposed revised policy is attached hereto as Exhibit B. No other amendments are proposed at this time.

Recommendation

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

1357. APPROVAL OF AMENDMENTS TO POLICY ON REGIONALLY COMPETITIVE RATES

WHEREAS, the Policy on Regionally Competitive Rates was recommended by the Finance and Audit Committee of the Board of Trustees in December 2015 and adopted by the full Board in September 2016; and

WHEREAS, the Board has conducted an annual review and has considered and is in agreement with the proposed amendments to the Policy on Regionally Competitive Rates described in and attached to the accompanying memorandum:

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the proposed amendments to the Policy on Regionally Competitive Rates, as described in the accompanying memorandum and as reflected in the attachment hereto, are hereby adopted.

The Chair stated that the next item on the agenda is the presentation of the CEO's

Report by Thomas Falcone.

Mr. Falcone presented LIPA's CEO Report and then took questions from the Trustees.

The Chair stated that the next item on the agenda is the presentation of the CFO's

Report, which would be presented by Joseph Branca.

Mr. Branca presented the CFO Report and took questions from the Trustees.

Chair Suozzi stated the next item on the agenda is the PSEG Long Island Operating Report to be presented by Dave Daly and his team.

Mr. Daly represented the PSEG Long Island Operating Report and took questions from the Trustees.

The Chair stated that the next item on the agenda is consideration of approval of the 2016 Financial Report, presented by Joseph Branca.

Mr. Branca presented the consideration of approval of the 2016 Financial Report.

Requested Action

The Trustees are being requested to approve the proposed financial report section of the 2016 annual report of the Long Island Power Authority (the “Authority”), prepared in accordance with Section 2800(1) of the Public Authorities Law (“PAL”), in the form attached hereto as Exhibit B.

Background

Section 2800(1) of the PAL requires the Authority to submit an annual report to the Governor, the Chairman and ranking minority member of the Senate Finance committee, the Chairman and ranking minority member of the Assembly Ways and Means committee, the State Comptroller, and the Authorities Budget Office, within ninety days after the end of the Authority’s fiscal year. The annual report includes, among other things, the Authority’s financial report for the fiscal year just ended. Under Section 2800(1)(a)(2) of PAL, the financial report shall include the following: audited financials; grant and subsidy programs; operating and financial risks; current bond ratings; and long-term liabilities (the “Financial Report”).

Section 2800(3) of PAL requires the Financial Report to be approved by the Trustees. Accordingly, the proposed Financial Report has been thoroughly reviewed by the Finance and Audit Committee of the Board, which has approved a resolution recommending the Trustees’ approval of the Financial Report at this time.

Recommendation

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

After questions and a discussion by the Trustees and the opportunity for the public to be heard, upon motion duly made and seconded, the following resolution was passed by the Trustees.

1358. APPROVAL OF 2016 FINANCIAL REPORT OF THE LONG ISLAND POWER AUTHORITY

WHEREAS, Section 2800(1) of the Public Authorities Law (“PAL”) requires public authorities such as the Long Island Power Authority (the “Authority”) to prepare an annual report; and

WHEREAS, the Authority’s annual report includes, among other things, a financial report, as defined under Section 2800(1)(a)(2) of PAL (the “Financial Report”); and

WHEREAS, the Authority has prepared its Financial Report, which, pursuant to Section 2800(3) of PAL, is subject to the approval of the Trustees; and

WHEREAS, the Finance and Audit Committee has thoroughly reviewed the Authority’s Financial Report and approved a resolution recommending its approval by the Trustees at this time:

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby approve the 2016 Financial Report of the Long Island Power Authority, in the form presented at this meeting.

The Chair stated that next item on the agenda is a discussion of Status of Implementation of Board Policy on Regionally Competitive Rates, which would be presented by Justin Bell.

Mr. Bell discussed the Status of Implementation of Board Policy on Regionally Competitive Rates. and then took questions from the Trustees.

The Chair stated that next item on the agenda is a discussion of Board Policy on Debt and Access to Credit Markets, which would be presented by Joseph Branca.

Mr. Branca discussed Board Policy on Debt and Access to Credit Markets and then took questions from the Trustees.

The Chair then allowed public comment to be heard, after which he announced that the next Board meeting is scheduled for May 24, 2017 at 11:00 a.m. in Uniondale.

*The Chair then asked for a motion to adjourn, upon motion duly made and seconded,
the meeting adjourned at approximately 1:10 p.m.*
