

FOR CONSIDERATION

July 26, 2017

TO: The Trustees

FROM: Thomas Falcone

REQUEST: Recommendation to Approve Board Policy on Resource Planning, Energy Efficiency and Renewable Energy

Requested Action

The Board of Trustees (the “Board”) is requested to approve a resolution (attached as Exhibit A) adopting the proposed Board Policy on Resource Planning, Energy Efficiency and Renewable Energy (the “Policy”, attached as Exhibit B) for the Long Island Power Authority and its subsidiary, LIPA (collectively the “Authority”).

Background

Staff requests the Board to provide policy guidance regarding the composition of the Authority’s power supply portfolio and to establish the objectives to be met by PSEG Long Island in its resource planning, power supply procurement, and energy efficiency programs. Other public power utilities, such as the Sacramento Municipal Utility District, Omaha Public Power District, and Jacksonville Electric Authority have established similar policy frameworks.

Discussion

The recommended Policy seeks to ensure that resource planning, power supply procurement, and energy efficiency programs are conducted in a manner that supports the Authority’s mission and meets the State’s clean energy goals. Such objectives are to be used in the administration of performance metrics for the Amended and Restated Operations Services Agreement and the creation of Budgets and Rate Plans submitted to the Board.

Moreover, the Policy establishes regular performance reporting by Staff to enable the Board to assess progress against the goals of the Policy.

Recommendation

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

Attachments

Exhibit A Resolution

Exhibit B Policy on Resource Planning, Energy Efficiency and Renewable Energy

**APPROVAL OF BOARD POLICY ON RESOURCE PLANNING, ENERGY EFFICIENCY
AND RENEWABLE ENERGY**

WHEREAS, the Board of Trustees (“Board”), recognizes that the Authority’s power supply portfolio complements the transmission and distribution system in providing reliable and affordable electric service and it represents the largest element of the Authority’s cost of service; and

WHEREAS, the Board recognizes that resource planning must balance the sometimes competing objectives of clean, reliable and affordable electric service; and

WHEREAS, the Board has considered and agrees with the Policy on Resource Planning, Energy Efficiency and Renewable Energy described in and attached to the accompanying memorandum:

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the proposed Policy on Resource Planning, Energy Efficiency and Renewable Energy, in the form attached to the accompanying memorandum, is hereby approved.

Exhibit B

Board Policy: **Resource Planning, Energy Efficiency and Renewable Energy**
Policy Type: **Operating Policies**
Monitored by: **Oversight Committee**
Board Resolution: **[Resolution #, approved date of resolution]**

Board Policy on Resource Planning, Energy Efficiency and Renewable Energy

It is the policy of the Long Island Power Authority to supply the energy needs of the Authority's customers in a clean, reliable and affordable manner by:

- Planning for and maintaining a power supply portfolio that meets applicable New York State Independent System Operator and New York State Reliability Council requirements, environmental standards, and the State's Clean Energy Standard;
- Managing the power supply portfolio to minimize cost and maximize performance, including power plant availability and thermal efficiency, within contractual constraints;
- Minimizing cost by competitively procuring generation and distributed energy resources through wholesale market purchases, bilateral contracts, and if appropriate, after balancing cost and risk, ownership or pre-payments for energy¹, utilizing to the extent feasible and cost-effective, Authority-owned land and rights to acquire legacy generating sites;
- Procuring cost-effective renewable resources, renewable energy certificates, and behind-the-meter resources such as energy efficiency and demand response, including acting in coordination with other State energy authorities, if advantageous to our customers. In selecting among reasonably comparable alternatives, the Authority will opt for lower carbon-emitting resources;
- Minimizing cost by representing the interests of Long Island electric customers in the New York and regional wholesale markets and their respective stakeholder processes, as well as direct engagement with appropriate Federal and State regulatory authorities;
- Integrating cost-effective distributed energy production and storage technologies into the power supply portfolio and enabling the economic and secure dispatch of resources deployed within the distribution system and within customer premises;
- Updating the Integrated Resource Plan to reassess system needs, when such updates are necessary, but no less often than every five years.

The Chief Executive Officer will report at least annually to the Board of Trustees on:

- Compliance with applicable regulatory and environmental standards and the State's Clean Energy Standard;
- Performance of individual generation resources against industry benchmarks and contractual standards;
- Activities undertaken to procure generation, renewable and distributed energy resources in a cost-effective manner;
- Activities undertaken to represent the interests of Long Island electric customers at the State, regional and Federal levels; and

¹ LIPA owns an 18% share of Nine Mile Point Unit 2 and has certain options to buy generation assets, typically at the expiration of a power purchase agreement, or to prepay for energy in exchange for a discount. LIPA will not take construction or development-related risks on new generation projects.

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- Resource adequacy of the power supply portfolio relative to the expectations of the most recent Integrated Resource Plan.