

**LONG ISLAND POWER AUTHORITY**  
**MINUTES OF THE OVERSIGHT COMMITTEE MEETING**

**HELD ON SEPTEMBER 27, 2017**

The Oversight Committee of the Long Island Power Authority (the “Authority”) was convened at 10:14 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on September 22, 2017; and electronic notice posted on the Authority’s website.

The following Trustees of the Authority were present:

**Elkan Abramowitz, Chair**  
**Matthew Cordaro**  
**Sheldon Cohen**  
**Thomas McAteer**  
**Peter Gollon**  
**Jeffrey Greenfield**

Representing the Authority were Thomas Falcone, Chief Executive Officer; Joseph Branca, Chief Financial Officer; Jon Mostel; General Counsel & Secretary to the Board of Trustees; Bobbi O’Connor, Vice President of Policy, Strategy and Administration & Assistant Secretary to the Board of Trustees; Rick Shansky, Vice President of Operations Oversight; Michael Deering, Director of Customer Service Oversight and Stakeholder Relations; and Marilyn Gilbert, Director of Operatons Services Oversight.

Representing PSEG Long Island were Paul Napoli, Vice President of Power Markets; John O’Connell, Vice President of Transmission & Distribution; Dennis Ciemniecki, Interim Director of Business Performance and Improvement; Gregory Player, Director of Transmission and Distribution Services; and Lauren Lozada, Manager of Performance Analysis and Reporting.

*Committee Chair Abramowitz welcomed everyone to the Oversight 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 26, 2017 Committee meeting.*

*Upon motion duly made and seconded, the minutes of the July 26, 2017 meeting were approved unanimously.*

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*Chair Abramowitz then stated that the next item on the agenda was a recommendation to approve the extension of a Power Purchase Agreement for the Fitzpatrick Nuclear Facility, which was presented by Rick Shansky.*

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

### **Requested Action**

The Oversight Committee (the “Committee”) of the Board of Trustees is requested to recommend that the Board approve and adopt a resolution authorizing the Chief Executive Officer or his designee to execute an amendment to the energy purchase agreement between the Long Island Lighting Company d/b/a LIPA (“LIPA”) and Exelon Generation Company, LLC (“ExGen”) for the continued sale of nuclear energy from the FitzPatrick Nuclear Power Plant (the “FitzPatrick Plant”) to LIPA, as set forth herein.

### **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. Since its acquisition of the FitzPatrick Plant from Entergy in March 2017, ExGen has been providing power to LIPA pursuant to Contract UD-3S<sup>1</sup> (the “Agreement”). 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 LILCO’s 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 energy purchase agreement in place. The Agreement, which was last extended in 2014, is scheduled to expire on December 31, 2017.

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<sup>1</sup> Effective March 31, 2017, ExGen assumed all of Entergy Nuclear Power Marketing, LLC’s rights and obligations under the Fourth Amended and Restated Contract UD-3s, pursuant to an Agreement and Consent to Assignment, Assumption and Novation, dated as of February 1, 2017 among LIPA, Entergy Nuclear Power Marketing, LLC and ExGen.

## Discussion

In recognition of the impending expiration of the Agreement, LIPA and ExGen have negotiated an amendment providing for another three-year extension, which would begin on January 1, 2018 and provide for the purchase by LIPA of annual energy volumes generally equivalent to those set forth in the current Agreement. The energy would be scheduled to LIPA by Entergy on a day-ahead basis in accordance with NYISO rules.

The energy price would be fixed for the three-year term at a rate significantly lower than the current price, which reflects the market prices which are anticipated to prevail 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), would provide economic benefits to LIPA's customers compared to the alternative of not extending the contract and securing the energy elsewhere. Additionally, the fixed price non-fossil based energy provides a hedge against energy price volatility as well as providing a carbon free energy source to LIPA. The estimated total contract value of the 3-year extension is approximately \$102 million.

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 duly made and seconded, and the Trustees unanimously adopted the following resolution:*

### **RESOLUTION TO RECOMMEND FOR APPROVAL THE FITZPATRICK CONTRACT EXTENSION**

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WHEREAS, the Authority 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, 2017 ("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. 5");

**NOW, THEREFORE, BE IT RESOLVED, that the Oversight Committee of the Board of Directors recommends that the Board authorize the Chief Executive Officer or his designee to execute the FitzPatrick PPA Amendment No. 5 and such other documents as may be necessary or appropriate to effectuate it, consistent with the accompanying memorandum.**

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*Chair Abramowitz then stated that the next item on the agenda was a discussion of Tier 2 Performance Metrics, which was presented by Dennis Ciemniecki and Lauren Lozada of PSEG-LI.*

*Mr. Ciemniecki and Ms. Lozada discussed the Tier 2 Performance Metrics and then took questions from the Trustees.*

*Chair Abramowitz then stated that the next item on the agenda was a recommendation to approve the Board Policy on Safety, which was presented by Rick Shansky.*

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

### **Requested Action**

The Oversight Committee (the “Committee”) of the Board of Trustees is requested to recommend by adopting the resolution (attached as Exhibit A) that the Board approve the proposed Board Policy on Safety (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 efforts to monitor, maintain, and improve the safety of the dedicated workforce that serves the Authority and the public and for Staff’s oversight of such efforts. Other public power utilities, such as Sacramento Municipal Utility District and Omaha Public Power District, have established similar frameworks to guide their operations.

### **Discussion**

The recommended Policy seeks to ensure that a safe working environment is maintained by: (1) assuring that the Authority’s service provider and contractors: comply with all applicable health and safety laws and regulations, maintain appropriate safety procedures and programs, report incidents promptly and take corrective actions, provide training and resources to safely perform duties; (2) benchmarking the service provider’s safety performance to the top 25% of peer utilities, as measured by OSHA metrics; (3) assessing and improving operational factors that contribute to injuries.

The foregoing objectives are consistent with the goals set forth in the Amended & Restated Operations Services Agreement (“OSA”) and provide further context to the administration of performance metrics established pursuant to the OSA and the 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.

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

### **RECOMMENDATION TO APPROVE BOARD POLICY ON SAFETY**

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**WHEREAS**, the Oversight Committee recognizes that safety is an essential aspect of utility operations; and

**WHEREAS**, the Oversight Committee recognizes that safe operations require appropriate policies, procedures and practices, as well as benchmarking to the performance of peer utilities; and

**WHEREAS**, the Oversight Committee has considered and agrees with the Policy on Safety described in and attached to the accompanying memorandum:

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Oversight Committee recommends that the Board of Trustees approve the proposed Policy on Safety, in the form attached to the accompanying memorandum.

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*Chair Abramowitz then stated that the last item on the agenda was a discussion of the implementation of the Board Policy on Safety, which was presented by Greg Player of PSEG-LI.*

*Mr. Player discussed the implementation of the Board Policy on Safety and then took questions from the Trustees.*

*At approximately 11:15 a.m., Chair Abramowitz stated that the Committee would adjourn to executive session to discuss critical energy infrastructure. The Chair noted that no*

*votes would be taken in executive session and that the committee would not be returning to public session. The Chair entertained a motion to adjourn, which was duly made and seconded.*