

LONG ISLAND POWER AUTHORITY

MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING

HELD ON JULY 26, 2017

The Finance and Audit Committee of the Long Island Power Authority (the "Authority") was convened at 8:05 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on July 21, 2017 and electronic notice posted on the Authority's website annually.

The following Trustees of the Authority were present:

**Shelly L. Cohen, Committee Chair
Mark Fischl
Thomas McAteer**

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; Kenneth Kane, Vice President of Financial Oversight; Rick Shansky Vice President of Operations Oversight; Donna Mongiardo, Controller; Corey Horowitz, Director of Power Supply Risk Management; and Kathleen Mitterway, Director of Audit.

Representing PSEG Long Island were David Lyons, Vice President of Business Services and Markus Ramlall, Director of Finance.

Chair Cohen welcomed everyone to the Finance and Audit Committee meeting of the Long Island Power Authority Board of Trustees.

Chair Cohen stated that the first item on the agenda was the adoption of the minutes from the May 24, 2017 Committee meeting.

Upon motion duly made and seconded, the minutes of the May 24, 2017 meeting were approved unanimously.

Trustee Cohen stated that next item on the agenda was the Overview of Financial Results & Hedge Report.

Ms. Mongiardo presented LIPA's February financial results; Mr. Lyons and Mr. Ramlall of PSEG LI reported on the PSEG LI Operating Results; Mr. Horowitz presented the Hedge Report; and Ms. Mongiardo, Mr. Lyons, Mr. Ramlall and Mr. Horowitz then took questions from the Trustees

Chair Cohen stated that next item on the agenda was a discussion of Internal Audit Activities which was presented by Kathleen Mitterway.

Ms. Mitterway gave a presentation regarding the Authority's Internal Audit Activities and then took questions from Trustees.

Chair Cohen stated that next item on the agenda was the discussion of the Plan of Finance for Remainder of 2017 which was presented by Joseph Branca.

Mr. Branca gave a presentation regarding the Plan of Finance for Remainder of 2017 and then took questions from Trustees.

Chair Cohen stated that next item on the agenda was the Consideration of Recommendation to Approve Selection of Letter of Credit Providers and Broker-Dealers which was presented by Joseph Branca.

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

Requested Actions

Recommendation for Board Approval of Selection of Banks pursuant to Request for Proposals.

The Authority has various Letter of Credit ("LOC") facilities supporting outstanding bonds expiring at the end of 2017.

The Authority issued a Request for Proposals for Letter of Credit Facilities, Direct Placement Floating Rate Notes and Revolving Credit Agreements (the “Bank Facilities RFP”) that was sent to 29 institutions in May 2017. Seven proposals were received. A selection committee consisting of three Authority staff, with the assistance of the Authority’s financial advisor, reviewed these proposals and concluded that the Authority should accept the LOC proposals in support of General Revenue Notes of (i) Citibank, N.A., \$100 million, (ii) Royal Bank of Canada (“RBC”), \$200 million, (iii) State Street Bank and Trust, \$100 million, and (iv) Barclays Bank PLC, \$100 million . The committee recommends that the facilities currently provided by TD Bank, N.A. (\$200 million) and U.S. Bank National Association (\$100 million) remain in effect.

The Authority will be entering into new agreements with such banks, which agreements shall be substantially similar to the agreements previously entered into by the Authority in relation to other letters of credit supporting its General Revenue Notes.

Recommendation for Board Adoption of Amended and Restated Nineteenth Supplemental Resolution.

The Twenty-Third Supplemental Bond Resolution adopted by the Authority on August 6, 2014 authorizes the issuance of General Revenue Notes with maturity dates of not more than five years and not less than 271 days after the respective dates of issuance thereof. At the time the Twenty-Third Supplemental Bond Resolution was adopted, the Authority’s General Bond Resolution specified that 271 days was the shortest permitted maturity for senior lien bonds or notes issued thereunder. The Authority has obtained consents from sufficient bondholders to amend the General Bond Resolution, consistent with the terms of the Twenty-Second Supplemental Resolution adopted by the Authority on August 6, 2014, so that senior lien bonds or notes can be issued under the General Bond Resolution with maturities of less than 271 days.

We plan to submit the necessary documentation and notices under the General Bond Resolution to effectuate such amendment. Making this change will facilitate the issuance of General Revenue Notes on more favorable terms.

The Committee is are requested to recommend that the full Board adopt an amended Twenty-Third Supplemental Bond Resolution (the “Amended Twenty-Third Supplemental Resolution”) which, upon the effectiveness of the amendment to the General Bond Resolution, would no longer require that the General Revenue Notes mature not less than 271 days from their date of issuance. The requirement that such Notes mature not later than five years from date of issuance would remain.

The Twenty-Third Supplemental Resolution will also make other miscellaneous changes to the existing Twenty-Third Supplemental Resolution, including reflecting the additional permitted use of General Revenue Note proceeds, adopted by the Board on May 18, 2016.

Issuance of Additional Series of General Revenue Notes.

The Authority has determined that it can issue commercial paper notes on more favorable terms if such notes are issued under the General Bond Resolution, rather than the Subordinated Bond Resolution. Accordingly, the Authority proposes to increase the

principal amount of General Revenue Notes in lieu of issuing subordinated commercial paper notes pursuant to its Fourth Supplemental Subordinated Revenue Bond Resolution. In connection with such increase, the Authority proposes to convert the two existing commercial paper series issued under the subordinate lien into senior lien General Revenue Notes and enter into a Dealer Agreement with Barclays Bank PLC to serve as the dealer on the series of Notes where Barclays Bank PLC also provides the letter of credit. All of the dealers, including Barclays, were selected pursuant to a competitive procurement in 2015.

The issuance of additional series of General Revenues Notes and the amendment of the Twenty-Third Supplemental Resolution as described above will require the execution of new or amended offering memorandums or other disclosure documents, Issuing and Paying Agency Agreements, Dealer Agreements, and other instruments.

Recommendation

Based upon the foregoing, I recommend that the Trustees adopt the attached resolutions.

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

RESOLUTION RECOMMENDING APPROVAL BY THE BOARD OF TRUSTEES OF THE SELECTION OF CERTAIN BANKS AND THE EXECUTION AND DELIVERY OF CERTAIN AGREEMENTS PROVIDING FOR THE ISSUANCE OF LETTERS OF CREDIT TO SECURE ELECTRIC SYSTEM GENERAL REVENUE NOTES, THE AMENDMENT OF THE TWENTY-THIRD SUPPLEMENTAL BOND RESOLUTION RELATING TO THE ISSUANCE OF ELECTRIC SYSTEM GENERAL REVENUE NOTES, AND THE ISSUANCE OF ADDITIONAL SERIES OF GENERAL REVENUE NOTES

WHEREAS, on May 13, 1998 Long Island Power Authority (the “Authority”) adopted its Electric System General Revenue Bond Resolution (the “General Resolution”), which authorizes bonds, notes or other evidences of indebtedness of the Authority as special obligations of the Authority for any lawful purpose of the Authority; and

WHEREAS, pursuant to the Authority’s Request for Proposals for Letter of Credit Facilities, Direct Placement Floating Rate Notes and Revolving Credit Agreements (the “Bank Facilities RFP”), the Authority has received proposals from a number of banks to enter into lines of credit, revolving credit agreements or other credit facilities or to issue letters of credit in support of the Authority’s bonds and notes and, based on such proposals, the staff selection committee has recommended that the Authority accept proposals (i) from Citibank, N.A. to provide a letter of credit to support \$100 million principal amount of General Revenue Notes, (ii) from Royal Bank of Canada to provide a letter of credit to support \$200 million principal amount of General Revenue Notes, (iii) from State Street Bank and Trust Company to provide a letter of credit to support \$100 million principal amount of General Revenue Notes, and (iv) from Barclays Bank PLC to provide a Letter of Credit to support \$100 million principal amount of General Revenue Notes (such proposals being referred to hereinafter as the “Selected Proposals” and the banks making such proposals are referred to hereinafter as the “Selected Banks”); and

WHEREAS, on August 6, 2014, the Authority adopted its Twenty-Third Supplemental Electric System General Revenue Bond Resolution (the “Twenty-Third Supplemental Resolution”) which authorizes the issuance of Electric System General Revenue Notes (“Revenue Notes) with maturity dates not more than five years and not less than 271 days after the respective dates of issuance thereof; and

WHEREAS, the Authority has obtained consents from sufficient bondholders to amend the General Bond Resolution, consistent with the terms of the Twenty-Second Supplemental Resolution adopted by the Authority on August 6, 2014, so that once such amendment is effectuated, senior lien bonds or notes can be issued under the General Bond Resolution with maturities of less than 271 days; and

WHEREAS, the Authority wishes to amend the Twenty-Third Supplemental Bond Resolution (as so amended, the “Amended Twenty-Third Supplemental Bond Resolution”) to permit Revenue Notes to mature less than 271 days from their date of issuance and to make certain other amendments thereto; and

WHEREAS, on August 6, 2014, the Authority adopted its Fourth Supplemental Subordinated Revenue Bond Resolution (the “Fourth Supplemental Subordinated Resolution”) which authorizes the issuance of Commercial Paper Notes (“Subordinated Notes”) as subordinated indebtedness under the Authority’s Electric System General Subordinated Revenue Bond Resolution; and

WHEREAS, the Authority anticipates that, following the issuance of Revenue Notes secured by the additional Letters of Credit described above, the Authority will no longer issue Subordinated Notes pursuant to the Fourth Supplemental Subordinated Resolution; and

WHEREAS, in connection with the issuance of Revenue Notes secured by the additional Letters of Credit described above, the Authority will require the services of one or more additional Broker-Dealers; and

WHEREAS, the Authority has determined to enter into Dealer Agreement with Barclays Bank PLC in order to provide Broker-Dealer services in connection with the issuance of Revenue Notes;

NOW, THEREFORE, BE IT RESOLVED THAT THE FINANCE AND AUDIT COMMITTEE RECOMMENDS THAT THE BOARD APPROVE RESOLUTIONS IN SUBSTANTIALLY THE FOLLOWING FORMS:

- 1. The Trustees hereby approve the Selected Banks and the Chief Executive Officer, Chief Financial Officer, Managing Director of Finance, General Counsel and Secretary and Controller (the “Authorized Officers”) are, and each of them hereby is, authorized to enter into reimbursement or other agreements with the Selected Banks in connection with the Revenue Notes, which agreements shall be substantially similar to such agreements previously entered into by the Authority in relation to other letters of credit supporting Revenue Notes, with such changes and additions to and omissions from such prior agreements as such authorized executing officer deems**

in his discretion to be necessary or appropriate, such execution to be conclusive evidence of such approval.

2. The Amended Twenty-Third Supplemental Bond Resolution, in the form presented to this meeting and made a part of this resolution as though set forth in full herein, is hereby approved and adopted. The Authorized Officers are each hereby authorized to deliver such Amended Twenty-Third Supplemental Bond Resolution to The Bank of New York Mellon, as the Trustee for the Bonds, with such amendments, supplements, changes, insertions and omissions thereto as may be approved by the Authorized Officers, which amendments, supplements, insertions and omissions shall be deemed to be part of such resolution as approved and adopted hereby
3. Each Authorized Officer is hereby authorized and directed to enter into a Dealer Agreement with Barclays Bank PLC, such Dealer Agreement to be substantially in the form of the agreements previously entered into in connection with the Revenue Notes.
4. Each Authorized Officer is hereby authorized and directed to execute and deliver any and all documents, including but not limited to the execution and delivery of one or more offering memorandums or other disclosure documents, Issuing and Paying Agency Agreements, Dealer Agreements, and other instruments and to do and cause to be done any and all acts necessary or proper in order to issue series of Revenue Notes from time-to-time pursuant to the terms of the Twenty-Third Supplemental General Resolution, as amended, and this resolution.
5. This resolution shall take effect immediately.

Chair Cohen stated that the last item on the agenda was the Consideration of Recommendation to Approve Financing Order No. 5 for Issuance of UDSA Debt which was presented by Joseph Branca.

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

Requested Action

The Finance and Audit Committee of the Board of Trustees is requested to recommend that the Board approve a resolution adopting Restructuring Cost Financing Order No. 5, as described below, in accordance with Section 3 of Part B of Chapter 173, Laws of New York, 2013, as amended (the "LIPA Reform Act"), designating certain senior officers to be Authority Designees under such Restructuring Cost Financing Order.

Background

The LIPA Reform Act, Part B, as amended, authorizes:

- the adoption of restructuring cost financing orders by the Long Island Power Authority (the “Authority”) which includes the right to impose a transition charge on customer bills (each a “Charge” and collectively the “Charges”),
- the sale of the restructuring property created by such orders to a special purpose entity (the Utility Debt Securitization Authority (“UDSA” or the “Securitization Authority”) which purchases such restructuring property through the issuance of restructuring bonds secured by a pledge of such restructuring property, and
- the use of the sale proceeds received by the Authority from the Securitization Authority to refinance a portion of the Authority’s outstanding debt at a lower interest rate than the Authority could otherwise obtain. The total delivery charge (including Charges) paid by each customer is intended to be reduced on a net present value basis as a result of the securitization financings.

On June 21, 2013, the New York State Assembly and Senate adopted the LIPA Reform Act and on July 29, 2013, the Governor signed it into law. On March 30, 2015, the New York State Assembly and Senate adopted Chapter 58, the laws of New York, 2015 (“Chapter 58”), which amended the LIPA Reform Act, and on April 13, 2015 the Governor signed it into law. The LIPA Reform Act, as amended, authorizes UDSA to issue restructuring bonds in an aggregate principal amount not to exceed \$4,500,000,000.

The Authority has adopted four restructuring cost financing orders to date (the “Existing Orders”), pursuant to which the Securitization Authority has issued \$4,130,529,000 aggregate principal amount of restructuring bonds (the “Existing Restructuring Bonds”). The Securitization Authority used the proceeds of each series of the Existing Restructuring Bonds to purchase the restructuring property created by each of the Existing Orders, including related transition charges. The restructuring property created by each Existing Order was pledged by the Securitization Authority to the payment of the related series of the Existing Restructuring Bonds. The Authority used the net proceeds from the sale of such restructuring property to retire debt and other obligations of the Authority.

UDSA is authorized under the LIPA Reform Act, as amended, to issue an additional \$369,471,000 in securitized or restructuring bonds, which amount represents the difference between the \$4.5 billion UDSA is authorized to issue pursuant to the LIPA Reform Act and the amount of restructuring bonds issued by UDSA to date. Any additional UDSA offering must be approved by the Authority’s Trustees, following public hearings, and then such issuance must receive approval (or deemed approval) by the Public Authorities Control Board (“PACB”). The Authority now proposes to adopt Restructuring Cost Financing Order No. 5, which is discussed in detail below (the “New Financing Order”), to authorize the remainder of the restructuring bonds authorized by the amendments to the LIPA Reform Act.

In accordance with Part B of the LIPA Reform Act, public hearings were held by the Authority on July 20, 2017 to provide an opportunity for public comment. No members of the public made any comments, nor were any written comments received by the Authority. Following the public hearings the New Financing Order was finalized. A copy of the New

Financing Order as finalized is attached hereto as Exhibit B. After adoption by the Authority it will be submitted to PACB. The LIPA Reform Act provides that if PACB does not act to approve or disapprove a financing order within 30 days of its submission, it is deemed approved.

The LIPA Reform Act requires that a financing order include, among other things, a finding by the Authority that the proposed issuance of securitized bonds to refinance the selected Target Debt “is expected to result in savings to LIPA’s customers on a net present value basis”.

The Servicer (currently LIPA) is currently required to file a notice with the Securitization Authority at least annually to adjust the Current Charge to correct for any over-collection or undercollection of such Current Charge. This procedure will also apply to the new Charge for the restructuring bonds issued under the New Financing Order. The Charge relating to the new issue of restructuring bonds will need to be adjusted periodically because it is calculated based on kilowatt hour usage and expected ongoing financing costs associated with such restructuring bonds. The adjusted Charges relating to any restructuring bonds will automatically go into effect not later than 60 days after such notice.

While restructuring bonds remain outstanding, the related Charge, as adjusted from time to time, is irrevocable and non-bypassable by customers. The State of New York has pledged in Part B of the LIPA Reform Act not to take or permit any action that reduces, alters or impairs Charges until the related restructuring bonds and ongoing financing costs have been paid. If a customer pays only part of its utility bill, the payment would be allocated pro rata between the Charges and other charges on the utility bill unless the customer specifies that a greater portion of such payment is to be allocated to Charges.

Discussion

It is now proposed that the Authority adopt the New Financing Order which would permit UDSA to issue restructuring bonds (the “New Bonds”) in an amount not to exceed \$369,471,000 (described in the New Financing Order as the “Order Cap”), the difference between the statutory limit of \$4.5 billion and the amount of restructuring bonds issued to date. The New Financing Order is substantively the same as previously approved financing orders. The portion of the proceeds of the New Bonds paid to the Authority as described below would be used by the Authority to refinance a portion of the Authority debt described in the New Financing Order as the “Target Debt.”

The Authority has previously selected a pool of qualified underwriting firms pursuant to a request for proposals, which firms are listed in Exhibit F hereto. Underwriters will be appointed from this pool to structure a designated securitization financing, including the bonds to be retired with the proceeds of the New Bonds, the terms of the related financing documents, and materials to be provided to the rating agencies, investors and other market participants in connection with such bond issuance.

Certain key provisions of the New Financing Order are briefly summarized, as follows:

Purpose of New Financing Order

- **The adoption of the New Financing Order will permit the Securitization Authority to issue the New Bonds in a principal amount not to exceed the Order Cap for the purpose of refinancing all or a portion of the Target Debt.**
- **The New Financing Order creates a separate Restructuring Property as defined therein, which is the right to bill and collect from customers the nonbypassable Charge necessary to pay the New Bonds and other Ongoing Financing Costs (as defined in the New Financing Order) including the costs required to service the New Bonds, collect the Charge, administer the Securitization Authority, and pay other expenses associated with the New Bonds.**
- **The New Financing Order authorizes the sale of the Restructuring Property created thereby to the Securitization Authority pursuant to a sale agreement (a “Sale Agreement”) in exchange for the net proceeds from the sale of the New Bonds less the costs required to issue the New Bonds (collectively, as defined in the New Financing Order, the “Upfront Financing Costs”). A draft form of Sale Agreement is attached hereto as Exhibit C.**
- **In addition to a Sale Agreement, various other agreements relating to the Restructuring Property and the Charge will be entered into by the Authority or LIPA pursuant to the New Financing Order, including a Servicing Agreement and an Administration Agreement, all as described in the New Financing Order. A draft of Servicing Agreement and Administration Agreement are attached hereto as Exhibits D and F, respectively.**
- **The New Financing Order approves the costs of purchasing, redeeming, repaying or defeasing a portion of the Target Debt as described in the New Financing Order (“Debt Retirement Costs”) and Upfront Financing Costs in an amount not to exceed the Order Cap.**
- **The New Financing Order authorizes one or more officers of the Authority (each an “Authorized Designee”) to review and approve the pricing and terms of the New Bonds and various related documents, authorizes the Securitization Authority to execute and deliver a bond purchase agreement, which may be joined by the Authority if an Authorized Designee so determines, and provides for the delivery to the Authority and the Securitization Authority of an Issuance Advice Letter (described below) by LIPA, to be filed not later than the third business day after the pricing of the related Bonds.**
- **Pursuant to the New Financing Order, the Authority approves the issuance and sale of New Bonds in an aggregate principal amount not to exceed the Order Cap, in one or more series or tranches, to be sold at one or more times pursuant to one or more bond purchase agreements.**

- **The New Financing Order will constitute a final rate order of the Authority after approval by the Trustees and the approval (or deemed approval) by the PACB, subject only to a 30-day expedited appeal process.**

Savings

- **The New Financing Order includes a finding that the securitization financing is expected to result in savings to consumers of electric transmission and distribution services in the service area on a net present value basis and provides a methodology for calculating those savings. The New Financing Order provides for such savings on a net present value basis to be calculated as the difference between (i) the present value of the Expected LIPA Debt Service and (ii) the present value of the Securitization Debt Service, each as defined in and calculated pursuant to the New Financing Order. “Expected LIPA Debt Service” is defined in the New Financing Order and includes, among other things, expected debt service on outstanding fixed rate bonds, as well as expected debt service on fixed rate bonds, which the Authority plans to issue absent securitization to refund (i) any portion of the Authority’s variable rate demand bonds, (ii) any debt under the Authority’s revolving line of credit agreement when the New Bonds are issued and (iii) any of the Authority’s commercial paper balances outstanding when such New Bonds are issued. “Securitization Debt Service” is defined in the New Financing Order and means the principal of and interest on the New Bonds issued by the Securitization Authority pursuant to the New Financing Order, calculated in accordance with the New Financing Order.**

Issuance Advice Letter

- **An Issuance Advice Letter will be filed with the Authority and the Securitization Authority after the pricing of the New Bonds, will establish the initial Charge under such financing order and will include details and estimates of the related Debt Retirement Costs and the specific Target Debt to be purchased, redeemed, repaid, or defeased, and the Upfront Financing Costs, and estimates of the Ongoing Financing Costs. The Issuance Advice Letter will also set forth a calculation of the expected savings to consumers on a net present value basis.**
- **Under the LIPA Reform Act, after the filing of an Issuance Advice Letter, the Authority is required to confirm in a notice to the Securitization Authority that the pricing of the New Bonds complies with the New Financing Order. An Authority Designee will confirm that the pricing of such New Bonds and the other matters described in the Issuance Advice Letter comply with the New Financing Order and approve the Debt Retirement Costs, the expected Upfront Financing Costs, the expected Ongoing Financing Costs relating to such bonds and the forms of the agreements attached to such Issuance Advice Letter.**

True-up Adjustment Mechanism

- **In order to provide for timely payment of principal and interest on the New Bonds and payment of other Ongoing Financing Costs, the New Financing Order**

establishes a true-up adjustment mechanism to adjust the level of the Charge established thereunder to correct for any over-collection or undercollection.

- As described more particularly in the New Financing Order, adjustments will include: (1) mandatory annual true-up or true-down, (2) mandatory semiannual true-up if the Servicer forecasts a shortfall, and (3) optional interim true-up implemented at any time for any reason by the Servicer.

State Pledge

- As provided in Part B of the LIPA Reform Act, the State of New York has pledged and agreed that the State will not in any way take or permit any action that limits, alters or impairs the value of Restructuring Property created by the Existing Financing Orders or the New Financing Order or, except as required by the adjustment mechanism described in the related Financing Order, reduce, alter or impair the Charge established by such Financing Order that is imposed, collected and remitted for the benefit of the owners of the restructuring bonds secured by restructuring property, any assignee, and all financing entities, until any principal, interest and redemption premium in respect of such bonds, all ongoing financing costs and all amounts to be paid to an assignee or financing party under an ancillary agreement are paid or performed in full.

Not Debt of State or Authority

- As provided in Part B of the LIPA Reform Act, the New Bonds shall not constitute a debt, general obligation or a pledge of the faith and credit or taxing power of the State of New York or of any county, municipality or any other political subdivision, agency or instrumentality of the State of New York.
- The New Financing Order provides that the New Bonds shall be without recourse to the credit or any assets of the Authority.

As set forth in the New Financing Order, Authority Staff and its advisors have determined that (i) the structure of the New Bonds is consistent with the LIPA Reform Act, (ii) the New Bonds are restructuring bonds under the LIPA Reform Act, (iii) the Restructuring Costs are approved restructuring costs under the LIPA Reform Act, (iv) the Restructuring Property created by the New Financing Order is restructuring property under the LIPA Reform Act, (v) the Charges are transition charges under the LIPA Reform Act, and (vi) the New Financing Order meets the requirements of a restructuring cost financing order under the LIPA Reform Act.

The New Financing Order is expected to be submitted to the PACB for its approval or disapproval, shortly following the adoption of the New Financing Order by the Trustees, in the expectation that such restructuring cost financing order would be approved, deemed approved, or disapproved by September, 2017. The New Financing Order is being submitted to the Trustees for their approval at this time to demonstrate to the PACB that the Trustees approve the New Financing Order and to expedite the time in which the New Financing

Order becomes a final reconstruction cost financing order of the Authority, the appeal period runs and the New Bonds may be issued.

Recommendation

Based on the foregoing, I recommend that the Committee adopt a resolution in the form of the resolution attached hereto as Exhibit A.

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

RECOMMENDATION FOR APPROVAL OF RESTRUCTURING COST FINANCING ORDER NO. 5

WHEREAS, Part B of Chapter 173, of the Laws of New York, 2013, as amended (the “LIPA Reform Act”) provided for the creation of the Utility Debt Securitization Authority (the “Securitization Authority”), which is a special purpose entity authorized to issue restructuring or securitized bonds (the “Restructuring Bonds”) for the purpose of acquiring Restructuring Property (as described below) from the Long Island Power Authority (the “Authority”), the proceeds of which are to be used by the Authority to refinance a portion of certain debt issued by or for the benefit of the Authority; and

WHEREAS, the Restructuring Bonds are to be secured by new charges on customer bills; and

WHEREAS, the New York State Assembly and Senate adopted Chapter 58, the laws of New York, 2015, which amended the LIPA Reform Act to permit, among other things, the adoption by the Authority Trustees of additional restructuring resolutions and the issuance by the Securitization Authority of additional restructuring bonds in an aggregate principal amount not to exceed \$4,500,000,000 less any previously issued Restructuring Bonds (the “Statutory Cap”); and

WHEREAS, the Authority has adopted four restructuring cost financing orders to date (the “Existing Orders”), pursuant to which the Authority created four sets of restructuring property (the “Restructuring Properties” and each “Restructuring Property”) and the Securitization Authority issued \$4,130,529,000 aggregate principal amount of Restructuring Bonds (the “Existing Restructuring Bonds”); and

WHEREAS, the Securitization Authority used the proceeds of each series of the Existing Restructuring Bonds to purchase the Restructuring Properties, including related transition charges, and pledged each Restructuring Property to the payment of the related series of the Existing Restructuring Bonds, while the Authority used the net proceeds from the sale of such Restructuring Properties to retire debt and other obligations of the Authority; and

WHEREAS, the Securitization Authority is authorized under Part B of the LIPA Reform Act to issue an additional \$369,471,000 in securitized or restructuring bonds, which amount represents the Statutory Cap; and

WHEREAS, the LIPA Reform Act authorizes the Authority to adopt restructuring cost financing orders relating to additional Restructuring Bonds; and

WHEREAS, the Authority has prepared a proposed restructuring cost financing order and has conducted two public hearing relating thereto pursuant to the LIPA Reform Act; and

WHEREAS, following such hearings, the Authority finalized such restructuring cost financing order in the forms presented at this meeting (such finalized restructuring cost financing order being referred to herein as the “New Financing Order”); and

WHEREAS, the New Financing Order will be submitted to the Public Authorities Control Board (“PACB”) in accordance with Part B of the LIPA Reform Act; and

WHEREAS, the New Financing Order would, among other things, approve the imposition and collection of Charges (as defined in the New Financing Order), the payment of Restructuring Costs (as defined in the New Financing Order), which would consist of the costs of purchasing, redeeming, repaying or defeasing a portion of the Target Debt (as defined in the New Financing Order), and Upfront Financing Costs (as defined in such Financing Order) and the financing of Restructuring Costs through the sale of Restructuring Property (as defined in the New Financing Order) to the Securitization Authority and the issuance of additional Restructuring Bonds (the “New Bonds”) by the Securitization Authority in a principal amount not greater than the Statutory Cap; and

WHEREAS, the proposed New Financing Order would authorize the sale of the Restructuring Property created pursuant to the New Financing Order to the Securitization Authority by the Authority pursuant to a sale agreement (the “Sale Agreement”) in exchange for the net proceeds from the sale of the New Bonds authorized by the New Financing Order, less the Upfront Financing Costs financed with the proceeds of such New Bonds, which Sale Agreement will be in substantially the form of the draft Sale Agreement presented to this meeting, with such amendments, supplements, changes and insertions thereto and omissions therefrom as are approved by an Authorized Designee (as defined in the New Financing Order); and

WHEREAS, in addition to a Sale Agreement, various other agreements relating to the Restructuring Property and the Charges would be entered into by the Authority or its subsidiary, Long Island Lighting Company d/b/a LIPA (“LIPA”), pursuant to the New Financing Order, including a Servicing Agreement and an Administration Agreement, each as described and defined in the New Financing Order, which Servicing Agreement and Administration Agreement will be in substantially the form of the drafts presented to this meeting with such amendments, supplements, changes and insertions thereto and omissions therefrom as are approved by an Authorized Designee; and

WHEREAS, the proceeds of the issuance of the New Bonds authorized by the New Financing Order would be applied to the payment of Upfront Financing Costs (as defined by such New Financing Order) and to the purchase of the Restructuring Property (as defined by such New Financing Order), and the proceeds of the sale of such Restructuring Property would be applied by the Authority to the payment of Debt Retirement Costs (as defined by such New Financing Order) to purchase, redeem or defease a portion of the Target Debt; and

WHEREAS, the proposed New Financing Order approve the payment of Debt Retirement Costs and Upfront Financing Costs up to \$440 million; and

WHEREAS, it is desirable to authorize the Authority to fund a Reserve Subaccount (as defined by the New Financing Order) in an amount of 0.5% of the initial aggregate principal amount of the New Bonds, or in such other amount as may be provided in the related Issuance Advice Letter, by means of a cash contribution of the Authority, a portion of the proceeds of the New Bonds and/or as an Upfront Financing Cost to be recovered after the issuance of the New Bonds; and

WHEREAS, the proposed New Financing Order includes a finding that the securitization financing to be implemented thereunder is expected to result in savings to consumers on a net present value basis and provides a methodology for calculating those savings and provides for the filing of an Issuance Advice Letter with the Authority and the Securitization Authority after the pricing of the New Bonds issued pursuant to such New Financing Order which will, among other things, set forth a calculation of the expected savings to consumers on a net present value basis; and

WHEREAS, the transactions contemplated by the New Financing Order and these resolutions have been determined to be in the best interests of the Authority and its creditors, and represent a practicable course of action that will not impair the rights and interests of the Authority's creditors; and

WHEREAS, the New Financing Order includes a mechanism to require periodic adjustments to Charges established thereunder to ensure the collection of Charges sufficient to provide for the timely payment of scheduled debt service on the New Bonds issued pursuant to such New Financing Order and all other related Ongoing Financing Costs; and

WHEREAS, by adoption of the New Financing Order, the Authority will approve the issuance and sale of New Bonds in an aggregate principal amount not to exceed the Statutory Cap, in one or more series or tranches, to be sold at one or more times pursuant to one or more bond purchase agreements; and

WHEREAS, the Authority may either join such bond purchase agreements as a party or deliver a letter of representation in connection therewith; and

WHEREAS, the New Financing Order provides that the New Bonds shall be without recourse to the credit or any assets of the Authority or its subsidiary Long Island Lighting Company; and WHEREAS, as provided in the LIPA Reform Act, the New Bonds shall not constitute a debt, general obligation or a pledge of the faith and credit or taxing power of the State of New York or of any county, municipality or any other political subdivision, agency or instrumentality of the State of New York; and

WHEREAS, the New Financing Order sets forth various findings, determinations, approvals and authorizations relating to the related New Bonds, the New Financing Order, the related Charges, the related Restructuring Property, the related Restructuring Costs and other related matters:

NOW THEREFORE BE IT RESOLVED THAT THE FINANCE AND AUDIT COMMITTEE RECOMMENDS THAT THE BOARD APPROVE RESOLUTIONS IN SUBSTANTIALLY THE FOLLOWING FORMS:

- 1. The New Financing Order, in the forms attached hereto, are hereby approved and adopted by the Authority in accordance with Part B of the LIPA Reform Act.**
- 2. The findings and determinations by the Authority in the New Financing Order are hereby ratified and adopted.**
- 3. Each of the Chief Executive officer, the Chief Financial officer, the Secretary, the Vice President of Financial Oversight, and the Controller of the Authority is hereby designated and appointed as an Authority Designee as defined in the New Financing Order and each is hereby authorized to take any and all actions authorized by the New Financing Order to be taken by an Authority Designee, including without limitation, the actions described above.**
- 4. The Authority Designees are, and each of them is, hereby further authorized to approve any official statement or other disclosure document prepared in connection with the sale of any New Bonds, in the name of and on behalf of the Authority and to execute and deliver any letter of representation of the Authority required to be delivered in connection with any bond purchase agreement entered into by the Securitization Authority in connection with sale of New Bonds, or, to the extent determined by such Authority Designee to be necessary or desirable, to execute and deliver, in the name of and on behalf of the Authority, a bond purchase agreement naming the Authority as an additional party.**
- 5. The Authority Designees are, and each of them is, hereby further authorized to determine the funding of a Reserve Subaccount (as defined by the New Financing Order) in an amount of 0.5% of the initial aggregate principal amount of the New Bonds, or in such other amount as may be provided in the Issuance Advice Letter, by means of a cash contribution of the Authority, a portion of the proceeds of the New Bonds and/or as an Upfront Financing Cost to be recovered after the issuance of the New Bonds.**
- 6. The actions of the officers of the Authority heretofore taken in connection with the New Financing Order, and the transactions contemplated thereby, are hereby ratified and approved, and the officers of the Authority are hereby authorized to execute and deliver, in the name of and on behalf of the Authority, all such agreements, instruments and other documents, and to take any and all such further action to effect the transactions contemplated by the New Financing Order or these resolutions, as any Authority Designee determines to be necessary or desirable.**

Chair Cohen then entertained a motion to adjourn, which was duly made and seconded, after which the meeting concluded at approximately 8:40 a.m.