

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 261ST MEETING

HELD ON JANUARY 20, 2016

The Long Island Power Authority (the “Authority”) was convened for the two-hundred-and-sixty-first time at 11:12 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on January 15, 2016; and electronic notice posted on the Authority’s website.

The following Trustees of the Authority were present:

**Ralph V. Suozzi, Chair
Sheldon L. Cohen
Matthew Cordaro
Mark Fischl
Jeffrey Greenfield
Thomas J. McAteer
Suzette Smookler**

Representing the Authority were Thomas Falcone, Chief Financial Officer; Jon Mostel, General Counsel and Secretary to the Board of Trustees; and Rick Shansky, Managing Director of Contract Oversight.

Representing PSEG Long Island were David Daly, President; John O’Connell, Vice President of Transmission & Distribution; David Lyons, Director of Corporate Integration; Daniel Eichhorn, Vice President of Customer Service; and Paul Napoli, Vice President of Power Markets.

Chair Suozzi welcomed everyone to the 261st meeting of the Long Island Power Authority Board of Trustees and led the Pledge of Allegiance.

Chair Suozzi called for a motion to accept the minutes of the December 16, 2015 meeting of the Board of Trustees, which was seconded. He asked if there were any changes or

deletions. Upon hearing none, the following resolution was then unanimously adopted by the Trustees:

**APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE
DECEMBER 16, 2015 MEETING OF THE BOARD OF TRUSTEES OF THE
LONG ISLAND POWER AUTHORITY**

RESOLVED, that the Minutes of the meeting of the Authority held on December 16, 2015 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.

Chair Suozzi then remarked on the Authority's and PSEG Long Island's 2015 accomplishments. He also discussed the procedure for public comments, including a reminder of the procurement lobbying laws applicable to public comments regarding Authority procurements.

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, Trustee Cordaro, Acting Chair, reported on the Contract Oversight Committee and Trustee Fischl reported on the REV Committee and the Governance Committee.

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

Mr. Daly started the presentation and Mr. Lyons reported on PSEG LI's operating results through December 2015. Mr. Daly then continued the presentation and reported on PSEG LI's scorecard results. Mr. Daly and Mr. Lyons took questions from the Trustees.

The Chair stated that the next item on the agenda is the presentation of the Authority's Financial Report by CFO Tom Falcone.

Mr. Falcone then presented the Financial Report, which included the financial results through December 2015. Mr. Falcone also discussed the changes in the financial report resulting from the recently concluded rate case.

Mr. Falcone concluded his report and took questions from the Trustees.

The Chair stated that the next item on the agenda is the consideration of Authorization to Engage Insurance Broker and Advisory Services.

After requesting a motion on the matter, which was seconded, the Chair indicated that the matter would be presented by Mr. Horowitz.

Mr. Horowitz presented the following action item:

Requested Action

The Trustees are being requested to approve (i) a resolution authorizing the Chief Financial Officer (“CFO”), or his designee, to engage Arthur J. Gallagher Risk Management Services, Inc. (“Arthur J. Gallagher”) to provide insurance risk management advisory services to the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA (collectively, “LIPA” or the “Authority”) and to the Utility Debt Securitization Authority (the “UDSA”) and (ii) a resolution authorizing the CFO, or his designee, to engage Arthur J. Gallagher to provide insurance brokering services to LIPA and the UDSA, each for a term not to exceed 5 years.

Background

LIPA and the UDSA have on-going need for insurance risk management advisory services and for insurance brokering services related to a variety of aspects of their respective businesses which, for the UDSA, largely relates to the placement of director and officer liability insurance (“D&O Insurance”). For LIPA, the variety of services is more expansive and goes beyond guidance for the placement of various insurance policies including D&O Insurance; employee practices liability insurance, cyber insurance, and other policies necessary to mitigate potential loss exposure beyond the tolerance threshold of LIPA. The insurance advisor also provides an in-depth review of the insurance program (property and liability policies) maintained by PSEG Long Island (“PSEG-LI”) on LIPA’s behalf, as required under the Amended and Restated Operations Services Agreement. The insurance advisor’s review process includes an assessment of each line of coverage, the terms and conditions, and the premium cost for the particular coverage. In addition, going forward LIPA will be requiring the advisor to play a key role in guiding LIPA with respect to cyber insurance needs, and other emerging coverages as they relate to the power system and critical data.

The insurance broker will provide full policy administration from negotiating with insurers and underwriters to binding of policies and endorsements. In addition the insurance broker will be involved in renewal of existing policies and in the claims management process when an event occurs. Both the insurance advisor and the insurance broker will analyze existing insurance policies at LIPA and UDSA and those placed by PSEG-LI on LIPA's behalf to ensure proper alignment with LIPA's goals and objectives and appropriateness to mitigate emerging risks facing electric utilities.

Discussion

On August 18, 2015, LIPA issued a Request for Proposals ("RFP") seeking qualified firms to provide insurance risk management advisory services and insurance brokering services to LIPA and the UDSA. On October 8, 2015, LIPA announced the cancelation of the insurance brokering services portion of the RFP due to significant differences in proposal costs resulting in LIPA staff determining that the cost table included in the insurance broker solicitation should be clarified and re-issued.

LIPA issued a re-bid for the insurance brokering services on November 4, 2015. The initial RFP and the re-bid for brokering services were each distributed to sixty-five firms including forty-two M/WBE firms, advertised in the NYS Contract Reporter, and posted on LIPA's website.

On or before September 18, 2015, six firms responded to the RFP for insurance risk management advisory services. On or before November 30, 2015, four firms responded to the re-bid for insurance brokering services. A selection committee comprised of LIPA staff ("Selection Committee") carefully examined each of the proposals for compliance with the terms of the RFP and the re-bid, including the cost and non-cost evaluation criteria such as experience and qualifications to perform the requested services in each scope of service, set forth therein. With respect to the insurance risk management advisory services proposals, the Selection Committee, LIPA procurement, and legal staff concluded that four proposals were responsive to the RFP. With respect to the proposals for insurance brokering services, the Selection Committee, LIPA procurement, and legal staff concluded that two proposals were responsive to the re-bid.

The Selection Committee then scored the proposals assessing the technical capabilities, experience with similar entities to LIPA and staffing of the firm on a quantitative basis to determine the best value for LIPA. No interviews were conducted for the insurance broker services. However, because the technical review and resulting quantitative scoring was relatively close for the insurance risk management advisory services proposals, the Selection Committee conducted two interviews to further assist with the evaluation process.

Results for the Insurance Risk Management Advisory Services

Based upon the written submissions and an assessment of LIPA and the UDSA's needs, Arthur J. Gallagher was judged to be best suited and the best value to provide LIPA and the UDSA with insurance risk management advisory services for the term of this engagement. Some of the strengths of Arthur J. Gallagher include its extensive portfolio of experience advising some of the largest public utilities in the country. In addition, Arthur J. Gallagher's proposed service team assigned to LIPA is comprised of a combination of individuals that have energy industry experience as risk managers at entities such as

Constellation Energy Group, Chesapeake Energy, and Dominion Resources, while other team members have extensive advisory experience in the insurance sector.

Arthur J. Gallagher has provided insurance advisory and brokering services to LIPA in the past and possesses an in-depth knowledge and understanding of the company and its outsourced business model. Arthur J. Gallagher's concentrated power and utilities practice is able to provide a meaningful independent review of the insurance program maintained by PSEG-LI on LIPA's behalf.

Results for the Insurance Brokering Services

Based upon the written submissions and an assessment of LIPA and the UDSA's needs, Arthur J. Gallagher was judged to be best suited and the best value to provide LIPA and the UDSA with insurance brokering services for the term of this engagement. Some of the strengths of Arthur J. Gallagher include their depth of staff of 150 brokers and client support services located in White Plains, New York. In addition, as noted above, Arthur J. Gallagher has provided brokering service placing management liability insurance coverage for LIPA in the past and, since 2013, for the UDSA, providing them with a depth of knowledge of both entities and their respective coverage needs. Arthur J. Gallagher has over 80 years of experience in the insurance brokerage industry.

Estimated contract value

LIPA staff estimates the contract value at approximately \$825,000 over five years for Advisory Services and \$900,000 over five years for insurance brokerage fees or approximately \$345,000 per year in total.

Recommendation

Based upon the foregoing, Mr. Horowitz recommended approval of the above-requested action by adoption of the two resolutions in the forms below.

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 adopted by the Trustees. Trustee Greenfield voted no on both items.

**ENGAGEMENT OF FIRM TO PROVIDE INSURANCE RISK
MANAGEMENT ADVISORY SERVICES**

RESOLVED, that consistent with the attached memorandum, the Chief Financial Officer or his designee be, and hereby is, authorized to engage Arthur J. Gallagher Risk Management Services, Inc. to provide insurance risk management advisory services to the Long Island Power Authority and its wholly owned subsidiary Long Island Lighting Company d/b/a LIPA and d/b/a Power Supply Long Island (together "LIPA") and the Utility Debt Securitization Authority on an as-needed basis, based on terms and conditions substantially consistent with LIPA's standard form of consulting agreement with such modifications as the individual executing same shall consider reasonable as demonstrated by such individual's execution of same.

ENGAGEMENT OF FIRM TO PROVIDE INSURANCE BROKERING SERVICES

RESOLVED, that consistent with the attached memorandum, the Chief Financial Officer or his designee be, and hereby is, authorized to engage Arthur J. Gallagher Risk Management Services, Inc. to provide insurance brokering services to the Long Island Power Authority and its wholly owned subsidiary Long Island Lighting Company d/b/a LIPA and d/b/a Power Supply Long Island (together “LIPA”) and the Utility Debt Securitization Authority on an as-needed basis, based on terms and conditions substantially consistent with LIPA’s standard form of consulting agreement with such modifications as the individual executing same shall consider reasonable as demonstrated by such individual’s execution of same.

The Chair stated that the next item on the agenda is the consideration of Authorization to Extend Contract with Ernst & Young for Disaster Recovery Management Services.

After requesting a motion on the matter, which was seconded, the Chair indicated that the matter would be presented by Mr. Kane.

Mr. Kane presented the following action item:

Requested Action

The Trustees are being requested to approve a five-year extension of a contract between the Long Island Power Authority (the “Authority”) and Ernst & Young LLP (“EY”) to continue to provide disaster management response and recovery services on substantially identical terms and conditions as the Contract (as defined below).

Discussion

In February 2013, the Authority issued a request for proposals seeking disaster management response and recovery services (the “Services”) pursuant to the Disaster Recovery Purchasing Program of the U.S. General Services Administration (the “Federal GSA Contract”). EY was selected in that procurement and the Authority and EY entered into a contract to provide the Services on March 26, 2013 (the “Original Contract”). The Original Contract was subsequently amended on July 2, 2013 and December 16, 2013 (the Original Contract, as so amended, is referred to herein as the “Contract”). The Contract expires by its terms on March 31, 2016.

Under the Contract, EY has provided significant value to the Authority by assisting the Authority in obtaining a \$1.4 billion capped grant after Hurricane Sandy under FEMA’s new 428 public assistance program, plus an additional \$70 million of funding above and

beyond the capped grant program related to costs incurred in the days immediately following the storm for “emergency protective measures” (Category B), a community development block grant (“CDBG”) from HUD to recover certain costs not funded by FEMA as a result of Sandy, Hurricane Irene and Snowstorm NEMO. The HUD CDBG grant, which resulted in the recovery of \$80 million in 2014, and \$10.3 million in 2015, and is expected to provide an additional \$16 million this year.

In addition to the storms noted above, EY will continue providing expert assistance in assisting LIPA through the close out process with New York State Department of Homeland Security ((DHSES), who manages the claims locally for FEMA) for storms dating back to 2010. It is also important to note that EY has provided expert knowledge and assistance in managing the insurance claim related to the sub stations that flooded during Hurricane Sandy.

In the course of performing the Services since 2013, the EY team has developed extensive knowledge and specific familiarity with the Authority’s current and prior service provider’s storm cost invoicing/reporting capabilities, helped to draft Project Worksheets to ensure all costs were properly identified thus maximizing the likelihood that they will be recoverable from FEMA, successfully filed for an extension of time to apply for the Category B additional funding (\$70 million) noted above, has worked with PSEG LI to establish a strong control environment to protect against fraud, waste and abuse in its mitigation efforts under the capped grant, developed relationships with key personnel within the PSEG LI’s staff who support the grant functions, and assisted in the timely completion of the A-133 audits as required by Federal statute. Additionally, EY has a deep understanding of the terms and conditions of the Authority’s grants. Therefore, Staff believes it is efficient, cost effective and in the best interests of the Authority and its customers to continue to obtain the Services from EY for a period of five years without conducting a new competitive procurement. Moreover, the Authority’s procurement guidelines as adopted by the Board in August of 2015 allow the Authority to procure services without a competitive procurement based on the terms and conditions and pricing contained in contracts awarded by, among other entities, the Office of General Services or the Federal government, like the Federal GSA Contract.

EY and the Authority have agreed to extend the Contract on substantially identical terms and conditions as the Contract and at billing rates below those contained in the Federal GSA Contract. Based on the estimate of the volume of Services required over the next five years, the estimated value of extension of the Contract is approximately \$11 million, the majority of which we expect to be reimbursed by FEMA, insurance or HUD CDBG funding significantly reducing the impact on LIPA and its customers. Since engaging EY, LIPA has been invoiced by EY for fees totaling approximately \$15 million of which at least 90% is expected to be reimbursed.

Recommendation

Based upon the foregoing, Mr. Kane recommended approval of the above-requested action by adoption of the resolution in the form below.

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 unanimously adopted by the Trustees:

APPROVAL OF EXTENSION OF LIPA'S CONTRACT WITH ERNST & YOUNG LLP TO PROVIDE DISASTER MANAGEMENT RESPONSE AND RECOVERY SERVICES

WHEREAS, the Long Island Power Authority (the "Authority") currently has a contract (the "Contract") with Ernst & Young LLP ("EY") to provide disaster management response and recovery services (the "Services"); and

WHEREAS, the Contract, as amended, expires by its terms on March 31, 2016; and

WHEREAS, the Authority expects to have a continuing need for the Services for at least the next five years; and

WHEREAS, given EY's extensive knowledge and specific familiarity with the Authority's storm costs and the terms and conditions of the Authority's grants, it is efficient, cost effective and in the best interests of the Authority and its customers to continue to obtain the Services from EY;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees hereby approves the extension of the Contract for a period of five years from the effective date of execution thereof, on substantially the same terms and conditions as the Contract with such changes as the Authority's Chief Financial Officer or his designee may deem necessary or appropriate.

The Chair then asked for a motion to adjourn to Executive Session to discuss pending litigation matters and announced that no votes would be taken and the Trustees would be returning to public session. The motion was duly made and seconded and the following resolution was adopted:

EXECUTIVE SESSION - PURSUANT TO SECTION 105 OF THE PUBLIC OFFICERS LAW

RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Trustees of the Long Island Power Authority shall convene in Executive Session for the purpose of discussing litigation matters.

At approximately 12:09 p.m. the Open Session of the Board of Trustees was adjourned into Executive Session, which commenced at 12:10 p.m. and ended at approximately 12:38 p.m.

The Chair stated that the next item on the agenda is the consideration of Approval of Hurricane Sandy Insurance Settlement and Related Accounting Adjustments.

After requesting a motion on the matter, which was seconded, the Chair indicated that the matter would be presented by Mr. Kane.

Mr. Kane presented the following action item:

Requested Action

The Trustees are requested to approve a resolution authorizing the Chief Financial Officer (“CFO”), or his designee, to enter into a settlement agreement related to an insurance claim for damage sustained to substations, certain underground facilities, and certain meter equipment of the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA (collectively, “LIPA” or the “Authority”) as a result of Superstorm Sandy.

Background

Superstorm Sandy struck Long Island on October 29, 2012 causing extensive damage to LIPA’s overhead transmission and distribution system, flooding 12 substations, with additional minor damage to other substations, and damaging certain underground transmission facilities and thousands of customer meters. LIPA had, and continues to hold, property insurance coverage for all the equipment within the fence of its substations, certain underground facilities including underground transmission facilities, and meter equipment. The insurance policy covering LIPA’s property at the time of the storm was obtained on LIPA’s behalf by its service provider at the time, National Grid Electric Services LLC (“National Grid”).

Due to the magnitude of the storm, the Authority’s Service Area was declared a federal disaster, making the Authority eligible for Federal Emergency Management Agency (“FEMA”) grants. In February 2014, LIPA signed a Letter of Undertaking that provides for Public Assistance grant funding under Section 428 of the Stafford Act (“428 Grant Agreement”). Funds from the 428 Grant Agreement reimburse the Authority for 90% of its eligible repair/restoration costs, net of insurance recoveries. In September 2014, the Authority signed a Community Development Block Grant agreement (“CDBG Grant”) for an amount equal to the 10% non-federal match of the 428 Grant Agreement. The

Authority has received reimbursement for substantially all of its Superstorm Sandy restoration expenses through a combination of these grants.

FEMA requires grantees to pursue all other available sources of funds, including insurance, and any insurance recoveries reduce the amount of FEMA funding for storm restoration to the extent that the damaged property is considered covered under both the FEMA grant and an insurance policy. As such, the Authority expects that the insurance settlement will reduce its need for FEMA grant funds for storm restoration.

Discussion

Over the past 2 ½ years, LIPA staff, along with its advisors for disaster recovery at Ernst & Young LLP, have regularly met with the insurance carriers and their representatives regarding the Authority's claim. LIPA arranged for the insurers to conduct numerous site visits to the flooded substations, inspect work being done at underground facilities, review volumes of supporting documentation, and participate in countless meetings with representatives of National Grid and PSEG Long Island LLC ("PSEG LI"), who were/are responsible for implementing the temporary and permanent repairs that have been completed to date and remain to be completed over the next two years at the damaged properties. As is the routine nature of any insurance claim, there remain differences in position between LIPA and the insurers as to the terms of the policy and the scope and cost of restoration and temporary/permanent repairs.

The current amount to perform all temporary and permanent repair work associated with the damages outlined above and continuing over the next two years is estimated at approximately \$87 million (net of certain storm hardening costs and temporary restoration work expected to be recovered from the FEMA grant).

On December 10, 2015, the parties met again and negotiated a settlement of \$80 million, subject to the approval of the Board of Trustees. LIPA's claim is subject to a \$3.75 million deductible, which LIPA expects to recover from the FEMA grant. As with any settlement, this negotiated recovery must be weighed against judgements concerning the likely expense, risk, and recovery of further prolonged dispute or litigation under the policy.

Accounting Impact

The final disposition of this insurance settlement will likely result in a significant book value gain to the Authority as the depreciated book value of the substation assets damaged by the storm were approximately \$2 million while the cost recovered from the insurers to replace/repair the assets under the terms of the policy, net of certain deductions (including for temporary repair work of a non-capital nature), is estimated at approximately \$65 million.

Consistent with past actions approved by the Board for netting similar one-time book value gains against regulatory assets, Authority staff recommends that the probable book value gain of the insurance settlement be netted against certain regulatory assets previously approved by the Board. This will not impact the Authority's expenditures or the level of electric rates but does provide a less complex and more informative view of the Authority's

net position and going forward financial condition to stakeholders, rating agencies, and investors. The alternative would be to realize the book value gain of the insurance settlement in net income in 2016.

Authority staff seeks permission to net the book value gain of the insurance settlement against the regulatory assets previously approved by the Board for the installation of the Outage Management System (currently \$24.3 million) and Enterprise Resource Planning System (\$38.7 million) upon the effective date of the insurance settlement. The selection of these regulatory assets is unrelated to the assets damaged by the storm or subject to the insurance settlement.

This recommendation has been presented to the Finance and Audit Committee, which has adopted a resolution recommending approval by the Trustees.

Recommendation

Based on the foregoing, Mr. Kane recommended approval of the above-requested action by adoption of a resolution in the form below.

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 unanimously passed by the Trustees:

APPROVAL OF AUTHORIZATION TO ENTER INTO SETTLEMENT AGREEMENT FOR INSURANCE CLAIM FOR SUPERSTORM SANDY AND RELATED TREATMENT OF ACCOUNTING GAIN

WHEREAS, the Long Island Power Authority's (the "Authority")'s transmission and distribution system sustained extensive damage during Superstorm Sandy; and

WHEREAS, the Authority had property insurance coverage for all the equipment within the fence of its substations, certain underground facilities including underground transmission facilities, and meter equipment; and

WHEREAS, the Authority staff, along with its advisors for disaster recovery at Ernst & Young LLP, have regularly met with the insurance carriers and their representatives over the past 2 ½ years in order to determine the amount of the Authority's claim and negotiate an appropriate settlement; and

WHEREAS, on December 10, 2015, the negotiated a settlement of \$80 million on the Authority's insurance claim, subject to the approval of the Board of Trustees; and

WHEREAS, consistent with past actions approved by the Board, Authority staff recommends that the probable book value gain of the insurance settlement be netted

against certain regulatory assets previously approved by the Board; specifically the installation of the Outage Management System (currently \$24.3 million) and Enterprise Resource Planning System (\$38.7 million) upon the effective date of the insurance settlement; and

WHEREAS, this change would not impact the Authority's expenditures or the level of electric rates but would provide a less complex and more informative view of the Authority's net position and going forward financial condition to stakeholders, rating agencies, and investors; and

WHEREAS, the Finance and Audit Committee of the Board, upon due consideration, has recommended these actions for approval by the full Board;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees hereby authorizes the Authority to enter into the insurance settlement agreement for property damages sustained in Superstorm Sandy as proposed in the accompanying memorandum; and

BE IT FURTHER RESOLVED, that the Board of Trustees hereby authorizes the Authority staff, in its accounting treatment of the insurance settlement, to net the probable book value gain of the settlement against certain regulatory assets as described in the accompanying memorandum.

The Chair stated that the next item on the agenda is the consideration of Approval of NYISO CFR (Coordinated Functional Registration) Agreement.

After requesting a motion on the matter, which was seconded, the Chair indicated that the matter would be presented by Mr. Shansky.

Mr. Shansky presented the following action item:

Requested Action

The Trustees are being requested to authorize the Authority's Chief Financial Officer or his designee to execute the Coordinated Functional Registration ("CFR") Agreement between the New York Independent System Operator ("NYISO") and the New York Transmission Owners ("NYTOs" or "TOs").

Background

Reliability standards for the Bulk Electric System ("BES") are established by the National Electric Reliability Corporation ("NERC") and approved by the Federal Energy Regulatory Commission ("FERC"). On March 20, 2014 the FERC approved a revised definition of the Bulk Electric System facilities under its jurisdiction that includes transmission elements operated at 100 kV and above. Based on the current NERC BES

definition, which include transmission elements operated at 230 kV and above, the NYISO is registered as a Transmission Operator (“TOP”) and as a Transmission Planner (“TP”) for the New York Control Area (“NYCA”). LIPA does not currently have any BES responsibilities.

Discussion

As a result of the expanded BES definition, a NYISO/TO working group was convened to develop a plan for the allocation of the additional responsibilities between the NYISO and the NYTOs with respect to the operation and planning of the BES. LIPA was represented on the working group by PSEG Long Island (“PSEG LI”).

Under the new BES definition (100 kV and above) many more facilities within the NYCA will fall under NERC standards for operational and planning tasks, and as a result the TOs will need to register as TOPs and TPs and assume responsibilities for the additional transmission facilities. All NYCA TOs will need to register effective July 1, 2016.

To assign responsibilities for the TOP and the TP functions for all NYCA BES facilities, an agreement needed to be reached between the TOs and the NYISO. Following months of effort, the parties have reached agreement in the assignment of TOP and TP responsibilities for all NYCA BES facilities. The responsibilities are memorialized in the Coordinated Functional Registration Agreement that it is expected to be signed by all parties by February 1, 2016.

In addition, as noted above, the broader BES definition will require that LIPA register as a TOP and TP effective July 1, 2016. LIPA and PSEG LI are working on procedures and processes required for PSEG LI to carry out LIPA’s responsibility to meet NERC requirements associated with TOP and TP functions. Mr. Shansky noted that the 2016-2018 Rate Plan included an allowance for incremental labor costs for PSEG LI to perform the additional studies and reporting to be required as a result of this new regulatory requirement.

Recommendation

PSEG LI has reviewed the CFR Agreement and recommends that LIPA execute it. Based upon the foregoing, Mr. Shansky recommended approval of the above-requested action by adoption of a resolution in the form below.

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:

APPROVAL OF THE COORDINATED FUNCTIONAL REGISTRATION AGREEMENT

WHEREAS, on March 20, 2014, the Federal Energy Regulatory Commission (“FERC”) approved a revised definition of the Bulk Electric System (BES) facilities under its jurisdiction that includes transmission elements operated at 100 kV and above; and

WHEREAS, as a result of the expanded BES definition, a the New York Independent System Operator (“NYISO”) and the New York Transmission Owners (“NYTOs” or “TOs”) working group was convened to develop a plan for the allocation of the additional responsibilities between the NYISO and the NYTOs with respect to the operation and planning of the BES; and

WHEREAS, under the new BES definition (100 kV and above), many more facilities within the New York Control Area (“NYCA”) will fall under the National Electric Reliability Corporation’s (“NERC”) standards for operational and planning tasks, and as a result the TOs will need to register as Transmission Operators (“TOPs”) and Transmission Planners (“TPs”) and assume responsibilities for the additional transmission facilities; and

WHEREAS, the broader BES definition will require that LIPA register as a TOP and TP effective July 1, 2016; and

WHEREAS, to assign responsibilities for the TOP and the TP functions for all NYCA BES facilities, an agreement needed to be reached between the TOs and the NYISO;

WHEREAS, following months of effort, the parties have reached agreement memorialized in the proposed Coordinated Functional Registration Agreement that it is expected to be signed by all parties by February 1, 2016, a draft of which has been presented to the Trustees;

NOW, THEREFORE, BE IT RESOLVED, the Trustees hereby authorize the Authority’s Chief Financial Officer or his designee to execute the CFR Agreement between the NYISO and the NYTOs in the form presented at the meeting with such changes therein as the Chief Financial Officer or his designee deems necessary and appropriate.

The Chair then allowed public comment to be heard, after which he announced that the next Board meeting is scheduled for March 21, 2016 at 11:00 a.m. in Uniondale.

The Chair then asked for a motion to adjourn to Executive Session to discuss pending litigation matters and announced that no votes would be taken. The motion was duly made and seconded and the following resolution was adopted:

EXECUTIVE SESSION - PURSUANT TO SECTION 105 OF THE PUBLIC OFFICERS LAW

RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Trustees of the Long Island Power Authority shall convene in Executive Session for the purpose of discussing litigation matters.

At approximately 1:06 p.m. the Open Session of the Board of Trustees was adjourned on a motion to enter into Executive Session, which commenced at 1:07 p.m. and ended at 1:25 p.m.