

**LONG ISLAND POWER AUTHORITY**

**MINUTES OF THE 262ND MEETING**

**HELD ON MARCH 21, 2016**

*The Long Island Power Authority (the “Authority”) was convened for the two-hundred-and-sixty-second time at 11:42 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on March 16, 2016; and electronic notice posted on the Authority’s website.*

*The following Trustees of the Authority were present:*

**Ralph V. Suozzi, Chair  
Elkan Abramowitz  
Sheldon L. Cohen  
Matthew Cordaro  
Mark Fischl  
Jeffrey Greenfield  
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; Rick Shansky, Managing Director of Contract Oversight; and John Little, Managing Director of Planning and Strategy.**

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

*Chair Suozzi welcomed everyone to the 262nd meeting of the Long Island Power Authority Board of Trustees and led the Pledge of Allegiance.*

*The Chair called for a motion to accept the minutes of the January 20, 2016 meeting of the Board of Trustees, which was duly made and seconded. Trustee Abramowitz abstained from voting on this item because he did not attend the January 20, 2016 meeting. Chair Suozzi*

*asked if there were any changes or deletions. Upon hearing none, the following resolution was then adopted by the Trustees:*

**APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE  
JANUARY 20, 2016 MEETING OF THE BOARD OF TRUSTEES OF THE LONG  
ISLAND POWER AUTHORITY**

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**RESOLVED**, that the Minutes of the meeting of the Authority held on January 20, 2016 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.

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*Chair Suozzi then remarked on the advent of Spring, the annual reporting activities being undertaken by LIPA and PSEG Long Island staff, and the procedures for the public comment period of the meeting.*

*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 Abramowitz reported on the Contract Oversight Committee, Trustee Fischl reported on the Governance Committee and the REV Committee, and Trustee McAteer reported on the Personnel and Compensation Committee.*

*Chair Suozzi stated that the next item on the agenda is consideration of approval of appointment of Chief Executive Officer.*

*After requesting a motion on the matter, which was duly made and seconded, the Chair indicated that the matter would be presented by Trustee McAteer.*

*Trustee McAteer presented the following action item:*

**Requested Action**

**The Trustees are requested to approve a resolution appointing Thomas Falcone as Chief Executive Officer of the Long Island Power Authority and the Long Island Lighting Company d/b/a LIPA (collectively, the “Authority” or “LIPA”).**

## **Background**

Since April 2015, LIPA has been actively conducting a search to fill the position of Chief Executive Officer (“CEO”). In the course of that search, the LIPA staff and certain members of the Board reviewed 80 resumes and interviewed 10 potential candidates. Having concluded that search, I recommend that Thomas Falcone be appointed CEO of LIPA. Mr. Falcone has demonstrated tremendous leadership, developed productive relationships with LIPA’s various stakeholders, and earned the trust and respect of the LIPA staff and Board.

Mr. Falcone was appointed LIPA’s Chief Financial Officer (“CFO”) in January 2014 and has been performing the day-to-day functions of CEO since August 2015. Under Mr. Falcone’s leadership, the Authority has delivered on a promised delivery rate freeze in 2014 and 2015, concluded its first rate case filing before the Department of Public Service, initiated a significant debt refinancing program for savings, adopted a 5-year financial plan that reduces future borrowing, signed \$1.4 billion of grant agreements, renegotiated its bank lending facilities on improved terms, instituted an enterprise risk management program, and initiated an ongoing strategic planning review. The Authority’s financial progress during his tenure has been recognized by all three major credit rating agencies.

Prior to joining LIPA, Mr. Falcone was an investment banker at Morgan Stanley serving municipal and utility clients. Mr. Falcone is a graduate of The Wharton School, University of Pennsylvania where he received his Bachelor of Science in Economics with concentrations in Finance and Public Policy Management.

Mr. Falcone is well-suited to take over the role of LIPA’s CEO at an annual salary of \$275,000, which is the same as LIPA’s previous CEO earned in 2015. Mr. Falcone will continue to serve in the role of CFO, without additional compensation, until a successor is named.

## **Recommendation**

Based on the foregoing, Mr. McAteer recommended approval of the above-requested action.

*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. Trustee Cordaro abstained from voting on this item.*

## **APPOINTMENT OF CHIEF EXECUTIVE OFFICER**

WHEREAS, the Personnel and Compensation Committee of the Long Island Power Authority (“Authority”) Board of Trustees has recommended that Thomas Falcone be appointed by the Trustees to the office of Chief Executive Officer of the Authority and its subsidiary, LIPA, with an annual salary of \$275,000; now therefore be it

**RESOLVED**, that Thomas Falcone be, and hereby is, appointed Chief Executive Officer, effective as of March 21, 2016, with an annual salary of \$275,000, until the earlier of his resignation or removal; and be it further

**RESOLVED**, that the incumbent of the position of Chief Executive Officer shall be an officer of the Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA, within the meaning of the Authority's enabling legislation (Chapter 517 of the Laws of 1986), as amended, including Section 1020-bb of the Public Authorities Law, and all other applicable laws.

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*Chair Suozzi stated that the next item on the agenda is presentation of LIPA's CFO Report, which would be presented by Thomas Falcone.*

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

*Chair Suozzi stated that the next item on the agenda is consideration of Approval of Community Distributed Generation Net Metering and Dynamic Load Management Tariffs.*

*After requesting a motion on the matter, which was seconded, the Chair indicated that the matter would be presented by John Little.*

*Mr. Little presented the following action item:*

### **Requested Action**

The Long Island Power Authority (the "Authority" or "LIPA") Staff proposes to modify the Tariff for Electric Service ("Tariff") effective April 1, 2016 to: (1) introduce Dynamic Load Management programs consistent with such programs in the rest of the State; and (2) introduce Community DG Net Metering for the benefit of customers in LIPA's service territory, and other changes to the net metering tariff to be consistent with Public Service Law and Public Service Commission (the "Commission") precedent.

### **Background**

The Governor's REV initiative is advancing throughout the State in a number of discrete steps, primarily under the auspices of the Department of Public Service. The Commission's December 15, 2014 *ORDER INSTITUTING PROCEEDING REGARDING DYNAMIC LOAD MANAGEMENT AND DIRECTING TARIFF FILINGS* set the stage for the Commission to approve three dynamic load management programs for the investor-

owned utilities: direct load control; commercial system relief; and distribution load relief. The Commission also recognized the importance of expanding access to distributed generation among smaller users, and it authorized programs for community net metering among the regulated electric utilities. The below proposals provide for similar programs within the LIPA service territory.

### **Requested Changes to the Tariff**

#### **Direct Load Control Program**

The Direct Load Control program will pay customers to install devices that allow PSEG Long Island to turn off or limit the use of selected end uses, such as air conditioners and pool pumps. Consistent with programs elsewhere in the State, the customer would “bring their own thermostat,” meaning that the customer would find a Control Device Provider<sup>1</sup> that would provide and install the control device, which would be connected to the home’s thermostat, for example, in the case of central air conditioning. Consistent with REV, the role of the utility is limited to identifying Control Device Providers that offer equipment that can communicate with the utility’s control system, choosing when and where to control customer loads, and making payments to the customer for the ability to control their load. In practice, Staff expects that Control Device Providers, rather than the Authority or PSEG Long Island (“PSEG LI”), will actively promote the program and sign up customers.

For the initial roll-out of this program, Staff proposes a one-time payment to participating customers of \$85 and recurring annual payments of \$25 for continued participation in the program.

#### **Commercial System Relief Program**

The recommended Commercial System Relief Program creates the opportunity for market forces to identify and implement load relief measures that would allow PSEG LI to avoid building new distribution capacity at specific locations along the transmission and distribution system. The goal of the program is to have the market provide such solutions and for PSEG LI to pay less than it would have spent in remedying the situation using conventional utility solutions. Similar Commercial System Relief programs have been approved by the PSC for all of the investor-owned utilities.

As proposed by Staff, based on analysis of system costs conducted by PSEG LI, the Commercial System Relief Program offers:

1. Monthly reservation payments of \$5.00 per kW for commitments to reduce load on 21 hours’ notice during the five month capacity period (May through September).
2. Performance payments of \$0.25 per kWh for each kWh of energy curtailed during a called event lasting up to 4 hours.
3. Bonus payments of \$0.25 per kWh for each kWh of energy curtailed beyond the 4 hour limit of the performance payment.

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<sup>1</sup> Capitalized terms not defined herein shall have the meanings ascribed to them in the attached proposed tariff leaves.

4. Penalties for non-performance, in addition to reductions in the reservation payments, to ensure that participants are motivated to commit and achieve a realistic amount of load reduction into the program.
5. Locational premiums if and to the extent that specific areas of the distribution system that would benefit from this type of load relief are identified.

Staff also proposes a voluntary option for the Commercial System Relief Program. Customers choosing the voluntary option will not receive monthly reservation payments, and will not be subject to any penalties for non-performance associated with their voluntary participation.

#### **Distribution Load Relief Program**

The recommended Distribution Load Relief Program creates the opportunity for the market to identify and implement load relief measures that would allow PSEG LI to reduce the cost of maintaining distribution capacity or having customers experience involuntary load curtailment at specific locations along the transmission and distribution system. Similar Distribution Load Relief programs have been approved by the Commission for all of the investor-owned utilities.

As proposed by Staff, based on analysis of system costs conducted by PSEG LI, the Distribution Load Relief program offers:

1. Monthly reservation payments \$3.00 per kW for commitments to reduce load on two hours' notice during the five month capacity period (May through September).
2. Performance payments of \$0.25 per kWh for each kWh of energy curtailed during a called event lasting up to 4 hours.
3. Additional payments of \$0.25 per kWh for each kWh of energy curtailed beyond the 4 hour limit of the performance payment (at the same rate as the first four hours).
4. Locational premiums in the future, if and to the extent that specific areas of the distribution system that would particularly benefit from this type of load relief are identified.

Staff also proposes a voluntary option for the Distribution Load Relief Program. Customers choosing the voluntary option will not receive monthly reservation payments, and are not subject to any penalties for non-performance associated with their voluntary participation.

#### **Cost Recovery of the Dynamic Load Management Program Payments**

Staff proposes to recover the cost of the payments to participants for all three Dynamic Load Management programs through the Power Supply Charge (also referred to as the Fuel and Purchased Power Cost Adjustment in the Tariff). Only the amount actually paid to participants will be recovered from customers through the FPPCA: no more and no less. Staff is requesting a corresponding modification to the Tariff leaf governing the costs recoverable through the Power Supply Charge, to avoid any confusion about this recovery. The Tariff already authorizes recovery of "The total actual cost of payments by the

Authority to Customers who shed load during times of high system demands at the request of the Authority” (see Leaf 166, paragraph A.1.d) and Staff proposes to extend this definition to include “payments for participation in the Dynamic Load Management Programs contained in Section XIII”. Any administrative costs for implementing these programs would be tracked against the Distributed Energy Resource expense budget and become eligible for recovery through the Distributed Energy Resource charge following approval by the Trustees.

### Community DG Net Metering

Net metering, also known as net energy metering, allows customers with eligible behind-the-meter distributed generation to reduce their electricity bill in two ways: (1) electricity generated and used immediately reduces the amount of electricity that is bought from PSEG LI; and (2) electricity generated in excess of the customer’s immediate need is injected into the grid, displacing generation from other sources, and credited against the customer’s future electricity purchases.

Community Distributed Generation (“DG”) Net Metering allows residential or commercial customers to collectively build and pay for a larger renewable generation facility at some central location and share the benefits of the renewable generation among the members. For example, a condominium association may choose to place solar panels on their roof as a single facility and designate the benefits to each individually-metered member of the association. Alternatively, someone might put the solar panels on the roof of some large building such as a store or a school or a community center and make arrangements to share the output with contributing members that are located around the community. The purpose of Community DG Net Metering is to expand participation in renewable distributed generation by removing the requirement that the eligible generation be constructed separately and located separately on each customer’s site, since many individual customer locations are not suitable for certain types of distributed generation. Community DG Net Metering is also cheaper for the participants, since large systems tend to be less expensive per kW than multiple smaller systems.

The Commission approved Community DG Net Metering for the regulated utilities on July 17, 2015 to take effect on a limited basis in October 2015 and on a system-wide basis by May 1, 2016. The Commission also encouraged the Authority to implement a Community DG Net Metering program “to ensure consistent development of and access to Community DG programs across the State.”<sup>2</sup> Accordingly, PSEG LI and Staff developed this proposal, which credits the excess energy to individual satellite accounts as if it had been recorded on each individual customer’s energy meter.

Other changes to the net metering program are also proposed to bring the LIPA Tariff into conformance with the rest of the State, specifically to:

- Increase the maximum allowable size of fuel cell electric generating equipment from 1,500 kW to 2,000 kW;

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<sup>2</sup> Case 15-E-0082, Order Establishing a Community Distributed Generation Program and Making Other Findings, July 17, 2015, page 30.

- Increase the share of costs to be paid by farm waste generation greater than 25 kW to the full incremental cost of interconnection including transformers;
- Authorize the use of farm waste generation for remote net metering;
- Increase the size limits for solar installations applicable to Residential Farm Service Customer-Generators from 25 kW to 100 kW; and
- Extend remote net metering eligibility to include the designation of multiple host sites and the option to have on-site renewable generation for any satellite account.

### **Financial Impacts:**

The financial impacts of the three proposed Dynamic Load Management programs are expected to be favorable to ratepayers on a net present value basis. Each of the three Dynamic Load Management programs involves payments that are less than the costs that can be avoided from their implementation, producing a net benefit to ratepayers. Staff estimates that the overall benefit/cost ratio for these programs ranges from 1.02 for the Commercial System Relief Program to 1.34 for the Distribution Load Relief Program, based on PSEG LI's avoided costs, the estimated cost to administer the program, the proposed payments, and the number of times that the program may be called within each year. As with many such programs, benefits tend to accumulate over time, while costs are often greatest up front. The estimated first year expense (2016) if the participation assumptions are achieved is approximately \$3.9 million.

Dynamic Load Management Program	Participation Assumption	Estimated First Year Expense <sup>1</sup>	Benefit / Cost Ratio
Direct Load Control <sup>2</sup>	35 MW	\$3.28 million	1.06 – 2.35
Commercial System Relief <sup>3</sup>	10 MW	\$0.37 million	1.02 – 1.49
Distribution Load Relief	10 MW	\$0.29 million	1.34
<b>Total DLM Program<sup>4</sup></b>	<b>55 MW</b>	<b>\$3.94 million</b>	<b>1.12 – 2.01</b>

Note 1) assuming full participation in first year.

Note 2) lower benefit / cost ratio assumes generation savings only.

Note 3) lower benefit / cost ratio assumes participants enroll in both commercial system relief and distribution load relief programs.

Note 4) benefit / cost ratio is participation-weighted average.

The financial impact of the Community DG Net Metering program consists of reductions in power supply expenses that are offset by dollar-for-dollar reductions in power supply revenues and reductions in delivery revenues. Any lost delivery revenue in excess of that assumed in the Three-Year Rate Plan filing will be recovered from all customers through an increase in the revenue decoupling mechanism in the subsequent year.

### **Public Comment**

LIPA held public hearings on February 29, 2016 at the Omni Building in Uniondale and the H. Lee Dennison Building in Hauppauge and written comments were accepted through March 11, 2016. Three comments were received from the public at the public hearings, all in favor of the Dynamic Load Management and Community DG Net Metering proposals. The Energy Director of Suffolk County, speaking on behalf of County Executive Steven Bellone, supported the community net metering program in particular as an extension of efforts that Suffolk County is making to promote energy efficiency and the deployment of renewable resources at County facilities and within the County. The Executive Director of the Sustainability Institute at Molloy College supported the Dynamic Load Management and Community DG Net Metering initiatives as well, and encouraged the Authority to initiate even more programs to promote clean energy solutions for Long Island. A representative of a New York City firm that provides energy efficiency and direct load control devices to customers encouraged additional payments directly to aggregators and equipment providers to encourage even more deployment of these beneficial technologies in order to increase participation. The representative also advocated the extension of the direct load control program to room air conditioners.

Staff also received four written comments expressing support for the programs along with some questions. A Joint Statement of Support for Community DG Net Metering was received from a coalition of 23 environmental groups, environmental and social justice groups, public health organizations, community groups, municipalities, and clean energy companies. The coalition “commends LIPA and PSEG LI on this forward thinking and far reaching proposal that ... will ensure greater access to and long-term certainty as customers adoption of renewable energy technology continues to grow on Long Island.” The City of New York “commends LIPA for implementing its Dynamic Load Management Programs, and encourages LIPA to continue promoting smarter, more efficient energy usage during times of peak load.” The City also made recommendations to increase the payments for participation to levels comparable to those paid by Con Edison and to improve its internal processes and products related to AMI metering<sup>3</sup>. An energy services company commented that the Commercial System Relief and Distribution Load Relief programs should be expanded to include transmission voltage customers and that the non-performance penalties should be removed from the Commercial System Relief Program. Lastly, a Long Island-based energy consulting firm asked for clarification on the tariff proposal, with the implication that the direct load control program should be extended to room air conditioners and similar smaller appliances.

Staff thanks everyone who took the time to participate in this process and who supported LIPA’s proposed implementation of the statewide initiatives in general. Regarding extension of the direct load control to smaller appliances like room air conditioners, Staff responds that the program as proposed is consistent with the efforts elsewhere in the State, and that smaller loads such as room air conditioners would need to be aggregated and centrally controlled to meet the 1 kW minimum for the program. Regarding recommendations to increase the payments to participants or create additional payments to

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<sup>3</sup> Advanced Metering Infrastructure, or AMI, refers to a combination of wireless radio-frequency, fiber-optic and internet technologies to read meters remotely on a near-real-time and continuous basis. Staff recognizes the City’s concerns regarding the need to evaluate the existing remote meter reading charges in the context of AMI and will take the comments under advisement.

aggregators and equipment providers, Staff is recommending payment levels that are consistent with the benefits (avoided costs) that exist on Long Island, as opposed to the more expensive network-based systems that exist in Con Edison's service territory. Staff is also aware that, subsequent to the filing of LIPA's proposal, Con Edison has received approval from the Commission to modify its programs. However, Staff notes that the Commission has not yet granted similar approvals to the other investor-owned utilities. The Department of Public Service has confirmed that the current proposal is consistent with current State policy on this issue at this point in time. Lastly, Staff has proposed that participation be limited to distribution voltage customers at this juncture for a number of reasons. The Commission Order instituting these programs is clearly focused on distribution system impacts as noted in the December 2015 Order and elsewhere. Additionally, the Commission-approved tariffs for Con Edison, Orange and Rockland, National Grid (Niagara Mohawk), among others, are specifically limited to distribution voltage customers by virtue of the rate classes that are eligible. Furthermore, LIPA has only a few transmission (69 kV or higher) and subtransmission (23 kV and 33 kV) customers. These extremely high voltage customers can participate in the demand response and load control RFPs that LIPA has available, and are thus not precluded from participation in demand response broadly. However, Staff is committed to further exploring the extension of the programs to higher voltage customers and will work with the Department of Public Service to develop appropriate recommendations to the Board regarding eligibility, performance targets and payment levels that are consistent with the policies for the investor-owned utilities in the State.

This proposal and Staff's response to the public comments were reviewed by the Long Island office of the Department of Public Service ("DPS"). The DPS review was favorable regarding the proposed programs and a letter has been provided to the Trustees affirming DPS' support for the programs as proposed, subject to one modification that would make the program more consistent with the rest of the State. DPS is recommending that customers who choose to participate in both Commercial System Relief and Distribution Load Relief programs receive the reservation fees from both programs. Discussions between Staff and DPS concluded that such a change could be made while maintaining a positive benefit/cost ratio. Staff proposes that the Trustees adopt this one change to the tariff language as originally proposed, which change has been incorporated onto Leaf 336, paragraph 9.e and Leaf 348, paragraph 10.e of Exhibits E and F attached to this memo.

No other written comments were received and the period for public comment has closed.

### **Recommendation**

For the reasons stated, Mr. Little recommend approval of the above-requested action by adoption of a resolution in the form of the draft resolution.

*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 MODIFICATIONS TO LONG ISLAND POWER AUTHORITY  
TARIFF FOR DYNAMIC LOAD MANAGEMENT AND COMMUNITY DG  
NET METERING**

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**WHEREAS, the New York Public Service Commission has adopted tariff provisions that provide for Dynamic Load Management programs for the regulated electric utilities in the State; and**

**WHEREAS, the New York Public Service Commission has adopted tariff provisions that provide for Community Net Metering and certain other modifications to the Net Metering Law (PSL 66-j); and**

**WHEREAS, LIPA Staff issued a proposal to modify LIPA's Tariff to institute Dynamic Load Management programs which provide for payments to customers that reduce their load or provide additional distributed generation resources at times that would provide relief to the LIPA system; and**

**WHEREAS, LIPA Staff issued a proposal to modify LIPA's Tariff to institute Community Net Metering, allowing customers to contract with eligible renewable generation at one centralized location and utilize that excess generation to reduce the electric bills at each of the electric accounts held by the associated customers (the "Proposal"); and**

**WHEREAS, the proposed modifications are designed to make LIPA's Tariff consistent with sections 66-j and 66-l of the Public Service Law ("PSL") as required under the LIPA Act; and**

**WHEREAS, following Public Notice in the State Register on January 27, 2016, two public hearings were held in Nassau and Suffolk counties on February 29, 2016, where comments were received from the public, and the public was afforded the opportunity to submit written comments by March 7, 2016; and**

**WHEREAS, the oral comments received at the hearings and the written comments received after the hearings were supportive of the Proposal and do not otherwise warrant further modification to the Tariff at this time; and**

**WHEREAS, the Department of Public Service provided comments that were supportive of the Proposal and recommended one change which has been incorporated into the proposed tariff language as discussed in the preceding memorandum; and**

**WHEREAS, as discussed in the preceding memorandum, the Proposal is in the public interest; and**

**WHEREAS, upon thorough consideration, the REV Committee of the Board of Trustees has recommended that the full Board adopt the Proposal and take the associated actions discussed herein:**

**NOW, THEREFORE, BE IT RESOLVED, that the Proposal is hereby adopted and approved; and be it further**

**RESOLVED, that the attached Tariff leaves reflecting our action herein are approved; and be it further**

**RESOLVED, that the Staff of the Authority may develop and implement all necessary and appropriate procedures and activities to give effect to the programs authorized in this resolution.**

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*Chair Suozzi acknowledged that there were members of the public that would like to have the opportunity to be heard specifically on the topic of Offshore Wind and Renewable Energy.*

*The Chair discussed the Offshore Wind and Renewable Energy and 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 requested a one minute recess to coordinate the public speakers and at approximately 12:23 p.m. adjourned the meeting. At approximately 12:25 p.m. the Trustees returned to Public Session and the public had the opportunity to be heard.*

*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 seconded and the following resolution was adopted:*

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

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**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.**

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*At approximately 1:14 p.m. the Open Session of the Board of Trustees was adjourned into Executive Session, which commenced at 1:15 p.m. and ended at approximately 1:28 p.m. whereupon the Board resumed in open session.*

*The Chair then suspended the order of the Agenda in order to allow Jeffrey Kagan, to comment on the IRPs and Strategic Planning.*

*Chair Suozzi then suspended the order of the Agenda and stated that the next item on the agenda is consideration of approval of the 2015 Financial Report.*

*After requesting a motion on the matter, which was seconded, the Chair indicated that the matter would be presented by Ms. Mongiardo.*

*Ms. Mongiardo presented the following action item:*

#### **Requested Action**

**The Trustees are being requested to approve the proposed financial report section of the 2015 annual report of the Long Island Power Authority (the “Authority”), prepared in accordance with Section 2800(1) of the Public Authorities Law (“PAL”), in the form presented at the meeting.**

#### **Background**

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

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

#### **Recommendation**

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

*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 2015 FINANCIAL REPORT OF THE LONG ISLAND POWER AUTHORITY**

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

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby approve the 2015 Financial Report of the Long Island Power Authority, in the form presented at this meeting.

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*The Chair stated that the next item on the agenda is consideration of Approval of Bond Refinancing.*

*After requesting a motion on the matter, which was seconded, the Chair indicated that the matter would be presented by Thomas Falcone.*

*Mr. Falcone presented the following action item:*

**Requested Action**

The Trustees are being requested to authorize the issuance of up to \$64,615,000 aggregate principal amount of Electric System Revenue Bonds (the “Authorized Bonds”) for the purposes of (i) refunding portions of the Authority’s outstanding Electric System General

Revenue Bonds, Series 2006A, 2006D, and 2006E (the “Refunded Bonds”) and (ii) paying fees and expenses in conjunction with each of the foregoing and the issuance of the bonds, including reimbursement of fees and expenses expended by the Authority in connection therewith, all as described herein.

### Plan of Finance

A portion of certain series of the Authority’s outstanding Bonds will be redeemed with moneys paid to the Authority by the Utility Debt Securitization Authority (“UDSA”) from proceeds of UDSA bonds to be issued later this year. The Authority’s staff has determined that savings may be achieved if certain of the series of bonds left outstanding, the Refunded Bonds, after such refunding are subsequently refunded with the Authorized Bonds.

### Authorized Bonds

The Authorized Bonds will be issued as fixed rate bonds and sold either on a negotiated basis (i) to one or more underwriters for resale to investors or (ii) directly to one or more investors or financial institutions at such price or prices and on such terms and conditions as they shall determine to be the most cost effective and advantageous for the Authority. The new Authorized Bonds could be issued in conjunction with such previously authorized, but not yet issued, bonds or be sold separately.

Any underwriter will be one of the firms selected pursuant to the Authority’s most recent procurement for underwriting, investment banking and swap counterparty services, which firms include Academy Securities, Barclays, BMO Capital Markets GKST Inc., Citigroup, Drexel Hamilton LLC, First Tennessee Bank National Association, Goldman, Sachs & Co., J.P. Morgan Securities, LLC, Jefferies, Key Banc Capital Markets, Loop Capital Markets, Merrill Lynch, Pierce, Fenner & Smith, Morgan Stanley & Co. LLC, Ramirez & Co., Inc., Raymond James & Associates Inc, RBC Capital Markets, Siebert Brandford Shank & Co. LLC, TD Securities, LLC, US Bancorp and Wells Fargo Bank NA. The Trustees are requested to permit the Chief Executive Officer, the Chief Financial Officer, or the Managing Director of Finance of the Authority to designate, as necessary, the underwriters as applicable, assigned to each bond series from the list of pre-qualified firms.

### Recommendation

Based upon the foregoing and the recommendation of the Finance and Audit Committee, Mr. Falcone recommended that the Trustees adopt the resolutions attached hereto authorizing the issuance of up to \$64,615,000 aggregate principal of Electric System General Revenue Bonds, as described above.

*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.*

**AUTHORIZATION RELATING TO THE ISSUANCE OF ELECTRIC SYSTEM  
GENERAL REVENUE BONDS FOR THE PURPOSE OF REFUNDING  
OF CERTAIN OUTSTANDING BONDS**

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**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, such bonds to be designated as “Electric System General Revenue Bonds” (the “Bonds”), as special obligations of the Authority in accordance with the terms thereof for, among other purposes, refunding other bonds or notes of the Authority; and**

**WHEREAS, the Authority may sell Bonds on a negotiated basis to one or more underwriters for resale to the public or by private placement to one or more investors or institutions at such price or prices as the Authority shall determine; and**

**WHEREAS, Article II of the General Resolution requires that the issuance of each series of Bonds by the Authority shall be authorized by a supplemental resolution or resolutions of the Authority adopted at or prior to the time of issuance, subject to further delegation to certain officers to establish the details of the terms of such Bonds; and**

**WHEREAS, the Authority has various series of outstanding bonds that may advantageously be refunded; and**

**WHEREAS, the Authority wishes to authorize the issuance of Bonds (the “Authorized Bonds”) for the purpose of refunding portions of the Authority’s Electric System General Revenue Bonds Series 2006A, 2006D, and 2006E, which Authorized Bonds shall be in an aggregate principal amount not to exceed \$64,615,000; and**

**WHEREAS, the Authority wishes to issue the Authorized Bonds as fixed rate; and**

**WHEREAS, in order to achieve such purposes there has been prepared and submitted to the Trustees a form of Twenty-Fifth Supplemental Resolution (the “Twenty-Fifth Supplemental General Resolution”).**

**NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:**

**The Twenty-Fifth Supplemental General 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 Chief Executive Officer, Chief Financial Officer and Managing Director of Finance are each hereby authorized to deliver the Twenty-Fifth Supplemental General 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 Chief Executive Officer, Chief Financial Officer or Managing Director of Finance, which amendments, supplements, insertions and omissions shall be deemed to be part of such resolution as approved and adopted hereby.**

**The Chief Executive Officer, Chief Financial Officer, and Managing Director of Finance, are each authorized to sell all Bonds issued either on a negotiated basis (i) to one or more**

underwriters for resale to investors or (ii) by private placement to one or more investors at such price or prices as determined to be the most cost effective and advantageous for the Authority.

Each Authorized Representative (as defined in the General Resolution) is hereby authorized with respect to each series of the Authorized Bonds, to execute and deliver a Bond Purchase Agreement (each, a “Bond Purchase Agreement”) in substantially the forms of the bond purchase agreements executed by the Authority in connection with the issuance of the Authority’s Electric System General Revenue Bonds, Series 2015B and Series 2015C, with such modifications thereto as any Authorized Representative of the Authority, upon the advice of counsel to the Authority, approves, or in in connection with any private placement of the Authorized Bonds, a placement, continuing covenant or other financing, loan or credit agreement (each a “Placement Agreement”) with the purchaser(s) thereof in such form, upon advice of counsel to the Authority, as may be approved by such Authorized Representative, which approval in each case shall be conclusively evidenced by the execution thereof by such Authorized Representative.

Each Authorized Representative 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 official statements or other disclosure documents and instruments and to do and cause to be done any and all acts necessary or proper for carrying out each Bond Purchase Agreement or Placement Agreement, the issuance, sale and delivery of the Authorized Bonds and for implementing the terms of each Bond Purchase Agreement or Placement Agreement, and the transactions contemplated thereby, the Twenty-Fifth Supplemental General Resolution and this resolution.

As and to the extent that the Chief Executive Officer, the Chief Financial Officer or the Managing Director of Finance determines that it would be advantageous in current market conditions to issue bond anticipation notes, such officer is hereby authorized to determine whether such bond anticipation notes shall be issued as “Bonds” or “Subordinated Indebtedness” (as defined in the General Resolution). In the event that bond anticipation notes are issued as Subordinated Indebtedness, the details thereof shall be incorporated in a Note Certificate executed by such officer and delivered to the trustees under the General Resolution and the Authority’s Electric System General Subordinated Revenue Bond Resolution, along with a copy of this resolution. Such Note Certificate may include such amendments and modifications to the provisions of this resolution as such officer shall determine necessary and appropriate to effectuate such determinations and details. A copy of such Note Certificate also shall be filed with this resolution into the records of the Authority and, upon such filing, shall be deemed to be a part of this resolution as if set forth in full herein.

Each Authorized Representative is hereby further authorized and directed to execute and deliver any and all documents and instruments and to do any and all acts necessary or proper for carrying out and implementing the terms of, and the transactions contemplated by this resolution and each of the documents authorized thereby and hereby.

This resolution shall take effect immediately.

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*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 reported on PSEG LI's operating results through February 2016 and on PSEG LI's scorecard results.*

*The Chair then allowed public comment to be heard, after which he announced that the next Board meeting is scheduled for May 18, 2016 at 11:00 a.m. in Uniondale.*

*The Chair then asked for a motion to adjourn. The motion was duly seconded and the meeting was adjourned.*