

Board Policy:	Purposes and Roles
Policy Type:	Governance Process
Monitored by:	Governance Committee
Board Resolution:	#1322, approved September 21, 2016



Board Policy on Purpose and Roles

This policy statement is intended to synthesize and encapsulate the duties and powers set forth in the various source documents described below. This policy statement is not intended to supersede or supplant the various underlying legal or contractual source documents. To the extent that any inconsistency exists between this policy statement and a statutory obligation or source document, it is intended that such statutory obligation or source document shall govern.

The purpose and role of the Board is shaped by, among other things, the Long Island Power Authority Act, the Public Authorities Law, as amended by the LIPA Reform Act, the Public Officers Law, the Executive Law, the By-Laws of the Authority, the Trustee Code of Conduct, and the Board committee charters. Similarly, the purpose and roles of the Authority's Officers, the Service Provider, and the Department of Public Service are shaped by, among other things, the Public Authorities Law, as amended by the LIPA Reform Act, the Public Officers Law, the Executive Law, the Public Service Law and the Amended and Restated Operations Services Agreement between the Authority and the Service Provider (the "OSA").

The role of the **Board of Trustees** is to:

- a) Identify and define the mission, values, and strategic direction of the Authority, including the quantitative and qualitative results that the Authority is to achieve, and communicate them in the form of policy.
- b) Monitor the Authority's performance against the policies established by the Board and monitor the risks and mitigation activities undertaken by the Officers and Service Provider to identify, assess, and manage risks to the Authority's performance.
- c) Set rates, charges, and rules so as to ensure the provision of safe and reliable electric service to the Authority's customers at the lowest cost consistent with the Authority's contractual obligations and sound fiscal operating practices.
- d) Adopt annual budgets for the Authority and the Service Provider sufficient to achieve the Board's policy goals.
- e) Hire, evaluate and, when necessary, discharge the Board-elected Officers.² Officer job performance shall be evaluated by comparing the Authority's performance to the policy goals established by the Board and the Officer's personal performance to the performance goals established for that Officer in each year.
- f) Monitor the staffing policies of the Authority to make certain that staffing at the Authority does not exceed the levels necessary to ensure that the Authority is able to meet obligations

² Pursuant to the Authority's By-Laws, the Board-elected Officers include the Chief Executive Officer, Chief Financial Officer, and General Counsel of the Authority. The Chief Executive Officer may appoint such other Officers as he or she may from time to time deem necessary or desirable.

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with respect to its bonds and notes and all applicable statutes and contracts, and oversee the activities of the service provider.³

- g) Approve certain contractual agreements as required by applicable law or as otherwise required by the Authority's established policies and procedures.
- h) Fulfill and abide by its fiduciary duties, including:
 - A duty of loyalty, which requires that each Trustee (i) act at all times in the best interests of the Authority, its ratepayers, and its bondholders, whose interests must take precedence over any self-interest of the Trustee, and (ii) avoid conflicts of interest and self-dealing; and
 - A duty of care, which requires each Trustee to act in good faith and with the degree of diligence, care, and skill of an ordinarily prudent person in similar circumstances.⁴
- i) Regularly discuss and evaluate the Board's own performance and that of its committees.⁵
- j) Engage an independent auditor and, through the Finance and Audit Committee, oversee and review the results of audits and internal control reviews performed by such auditor and by the Authority's internal audit department.⁶
- k) Take such other actions as may be required by law, including actions contemplated under the LIPA Act, the LIPA Reform Act, the Public Authorities Law, the Public Officers Law, the Executive Law, and the By-Laws of the Authority.

The Board of Trustees acts as a body with a quorum of five as set forth in Section 2826 of the Public Authorities Law, except in those instances where the Board has specifically authorized the exercise of authority by individual Board members, officers, or committees. The Board establishes committees that have and exercise a greater amount of expertise and experience within the scope of the committee's responsibility, and the Board relies upon each committee's expertise and judgment regarding conclusions and recommendations that emanate from the committee.

The role of the **Authority's Officers** is to:

- a) Undertake the administrative and operational means necessary, in conjunction with the Service Provider, as appropriate, to realize the quantitative and qualitative results that the Authority is to achieve pursuant to Board policy and identify, assess, and manage risks to the Authority's performance.

³ N.Y. Pub. Auth. Law § 1020-f(c) (McKinney).

⁴ See N.Y. Pub. Auth. Law § 2824(1) (McKinney); see also The Trustee Code of Conduct and the Authority's bond covenants.

⁵ See N.Y. Pub. Auth. Law § 2824(7) (McKinney); Authority By-Laws, at Article 5 § 2; Governance Committee Charter, at 3.

⁶ See N.Y. Pub. Auth. Law § 2824(4) (McKinney).

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- b) Serve, alongside other Authority staff, as the Staff to the Board of Trustees.
- c) Recommend rates, charges, and rules to the Board of Trustees designed to ensure the provision of safe and reliable electric service to the Authority's customers at the lowest cost consistent with the Authority's contractual obligations and sound fiscal operating practices.
- d) Develop and recommend annual budgets for the Authority and the Service Provider sufficient to achieve the Board's policy goals, with assistance from the Service Provider, as appropriate.
- e) Oversee and make recommendations to the Board of Trustees regarding the operations of and contractual relationship with the Service Provider.
- f) Represent the interests of the Authority in coordination with the Service Provider in connection with proceedings of the Federal Energy Regulatory Commission, the North American Electric Reliability Corporation, the Northeast Power Coordinating Council, the New York Independent System Operator, the New York State Public Service Commission, the Independent System Operator New England, Pennsylvania Jersey Maryland Interconnection, and other industry or regulatory institutions or organizations.
- g) Finance the business and operations of the Authority and management of financial resources, including communications, reporting to, and filings with lenders, rating agencies, and governmental bodies.
- h) Manage and take overall responsibility for the Authority's legal matters.
- i) Develop and recommend certain contractual agreements as required by applicable law or as otherwise required by the Authority's established policies and procedures.
- j) Hire, evaluate, establish compensation and salary policies for and, when necessary, discharge the Authority Staff.
- k) Fulfill and abide by his or her fiduciary duties, including:
 - A duty of loyalty, which requires that each Officer (i) act at all times in the best interests of the Authority, its ratepayers, and its bondholders, whose interests must take precedence over any self-interest of the Officer, and (ii) avoid conflicts of interest and self-dealing; and
 - A duty of care, which requires each that Officer act in good faith and with the degree of diligence, care, and skill of an ordinarily prudent person in similar circumstances.⁷
- l) Perform other responsibilities as may be delegated by the Board.
- m) Take such other actions as may be required by law, including actions contemplated under the LIPA Act, the LIPA Reform Act, the Public Authorities Law, the Public Officers Law, the Executive Law, and the By-Laws of the Authority.

The role of the **Service Provider** and its management is to:

- a) Operate the Authority's transmission and distribution system, as set forth in the OSA,

⁷ See The Employee Code of Conduct and the Authority's bond covenants; *see also* Public Officers Law §§ 73, 74.

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including performance of such responsibilities as are reasonably related to management, operation, and maintenance of the transmission and distribution system.⁸

- b) Become the name and face of electric utility service in the Service Territory, including responsibility for communications with public officials, customers, community or industry programs, and the media.⁹
- c) Report to the Board of Trustees regarding the Service Provider's operations periodically or upon request of the Board.
- d) Cooperate with the Department of Public Service review of the Service Provider's operations.
- e) Take such other actions as may be required by law or contract, including actions contemplated under the LIPA Act, the LIPA Reform Act, the Public Authorities Law, and the OSA.

The role of the **Department of Public Service** is to:¹⁰

- a) Review and make independent recommendations with respect to the operations and terms and conditions of service of, and rates and budgets established by, the Authority and the Service Provider.
- b) Make such recommendations designed to ensure that the Authority and the Service Provider provide safe and adequate transmission and distribution service at rates set at the lowest level consistent with the Authority's contractual obligations and sound fiscal operating practices.
- c) Review and make recommendations regarding the annual capital expenditures proposed by the Service Provider.
- d) Periodically undertake a comprehensive management audit of the Authority and Service Provider.
- e) Review the emergency response plans of the Service Provider and the Authority.
- f) Accept, investigate, mediate to resolve and make recommendations to the Authority and/or the Service Provider regarding the resolution of complaints from consumers in the Authority's service territory.
- g) Review and make recommendations to the Authority regarding plans to implement net metering, energy efficiency, distributed generation, or advanced grid technology programs.
- h) Review and make recommendations to the Authority regarding the Service Provider's performance metrics and incentive compensation.
- i) Take such other actions as may be required by law, including actions contemplated under the LIPA Act, the LIPA Reform Act, the Public Authorities Law, the Public Officers Law, the Public Service Law, and the Executive Law.

⁸ See OSA § 4.2 *et seq.*

⁹ See OSA § 4.2 (v)

¹⁰ See N.Y. Pub. Serv. Law § 3-b.