



## **BOARD POLICY**

# **IMPLEMENTATION REPORTS**

AS OF DECEMBER 2024

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# Annual Report on Board Policy on Clean Energy and Power Supply

Prepared for LIPA Board of Trustees

December 18, 2024



# Discussion Topics

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 Clean Energy

 Power Supply Planning

 Affordability

 Equity



# LIPA Board Policy on Clean Energy and Power Supply

- Clean Energy

- Zero-carbon electric grid by 2040
- Meet or exceed LIPA's share of the clean energy goals of the CLCPA
- Lead in energy efficiency and beneficial electrification

- Power Supply Planning

- Conduct Integrated Resource Plans no less than every five years
- Implement actionable recommendations in a timely manner

- Affordability

- Competitively procure the least-cost resources and programs that meet our clean energy and reliability objectives
- Minimize cost and maximize performance with contractual counterparties
- Advocate for fair rules and regulations

- Environmental Justice and Disadvantaged Communities

- Ensure DACs receive 40% of CLCPA-driven benefits of clean energy, EE investments, etc.

# Meeting the Board's Expectations for **Clean Energy**

## **Achieve a zero-carbon electric grid by 2040, while meeting or exceeding LIPA's share of the clean energy goals of the CLCPA**

- The 132 MW South Fork Wind Project went into commercial operation in July 2024 under contract to LIPA
- The 924 MW Sunrise Wind Project has commenced construction, with LIPA supporting interconnection to transmission
- LIPA is completing offtake contracts with three bulk energy storage systems totaling 179 MW at locations in Shoreham, Islip, and Babylon
- The Propel NY Energy transmission project has commenced development aiming to integrate up to 3,000 MW of offshore wind interconnecting on Long Island
- LIPA support for Propel includes coordination and planning on project permitting and construction, and completion of certain network upgrades to the LIPA system

# Long Island Has the Most Vibrant Solar Market in the State

- LIPA's long-standing support for behind the meter solar has helped make Long Island the leading region in New York, with approximately 39% of the State's rooftop solar
- In 2023, customers' total installed solar capacity increased by 85 MW
- 2023 solar installations increased by 29% over 2022
- LIPA is on track to exceed its share of the State's 10,000 MW 2030 rooftop solar goal 3 years early

# Meeting the Board's Expectations for **Power Supply Planning**

## **Plan for a reliable and clean power supply portfolio**

- In November 2023, LIPA released its 2023 Integrated Resource Plan
- The IRP demonstrates that LIPA is well positioned to meet reliability requirements through 2030
- As new clean resources – including large-scale offshore wind projects, the Propel NY Energy transmission project (which will support up to 3,000 MW of offshore wind), and utility-scale energy storage – reach commercial operation, Long Island can begin phasing out fossil generators

# Meeting the Board's Expectations for **Power Supply Planning**

## **Demonstrate innovation and leadership in reducing economy-wide GHG emissions through energy efficiency and beneficial electrification**

- LIPA's residential and commercial energy efficiency programs have consistently met or exceeded CLCPA-related goals
- In 2023, PSEG Long Island deployed over 9,900 heat pumps under the home comfort heat pump incentive program, and the program is on track to exceed that amount in 2024
- LIPA has already exceeded its goal of 30,000 heat pumps by 2025. Noting that New York state has emphasized a 2030 target focused on dwellings, which is a shift from the historical focus on heat pump installations, LIPA has been monitoring our achievements based on dwellings since 2023 installing heat pumps in over 10,470 dwellings
- LIPA is planning to spend \$230 million under a multi-year plan to build the infrastructure to support more than 14,000 chargers across Long Island

# Meeting the Board's Expectations for **Affordability**

**Consider the benefits and costs of its clean energy programs and power supply to achieve the greatest value for customers**

**Competitively procure the least-cost resources and programs, including using our not-for-profit cost of capital and using LIPA-owned land and generation sites**

- LIPA's 2020 RFP for energy storage is concluding successfully with potentially three offtake contracts for 179 MW of cost-competitive utility-scale projects
- LIPA and NYSERDA are discussing arrangements for LIPA to pay its fair share of the cost of NYSERDA's clean energy procurement programs to meet statewide clean energy goals
  - Renewable energy credits ("RECs") from solar and wind farms
  - Offshore wind RECs ("ORECs")
  - "Indexed storage credits" from energy storage resources
- LIPA executed a 100 MW electricity "pre-pay" transaction in October 2024. This transaction is projected to reduce LIPA's power supply costs by approximately \$4.5 million annually. Further transactions are under active consideration.

# Meeting the Board's Expectations for **Affordability**

## **Regularly demonstrate efforts to minimize cost and maximize performance with contractual counterparties and through advocating with regulatory authorities for fair cost allocations**

- LIPA successfully challenged PJM's transmission cost allocation for capacity exports over the Neptune cable, resulting in significant savings for LIPA customers
- LIPA's advocacy has helped ensure fair cost allocation for CLCPA-related transmission upgrades
  - \$3.2B Propel NY Energy transmission project
  - Cost overruns for Western NY Public Policy Transmission Project
- LIPA continues to push for efficient market price signals during the transition to clean energy
  - Variable costs used for offshore wind dispatch offers
  - Storage proxy used for capacity market price-setting

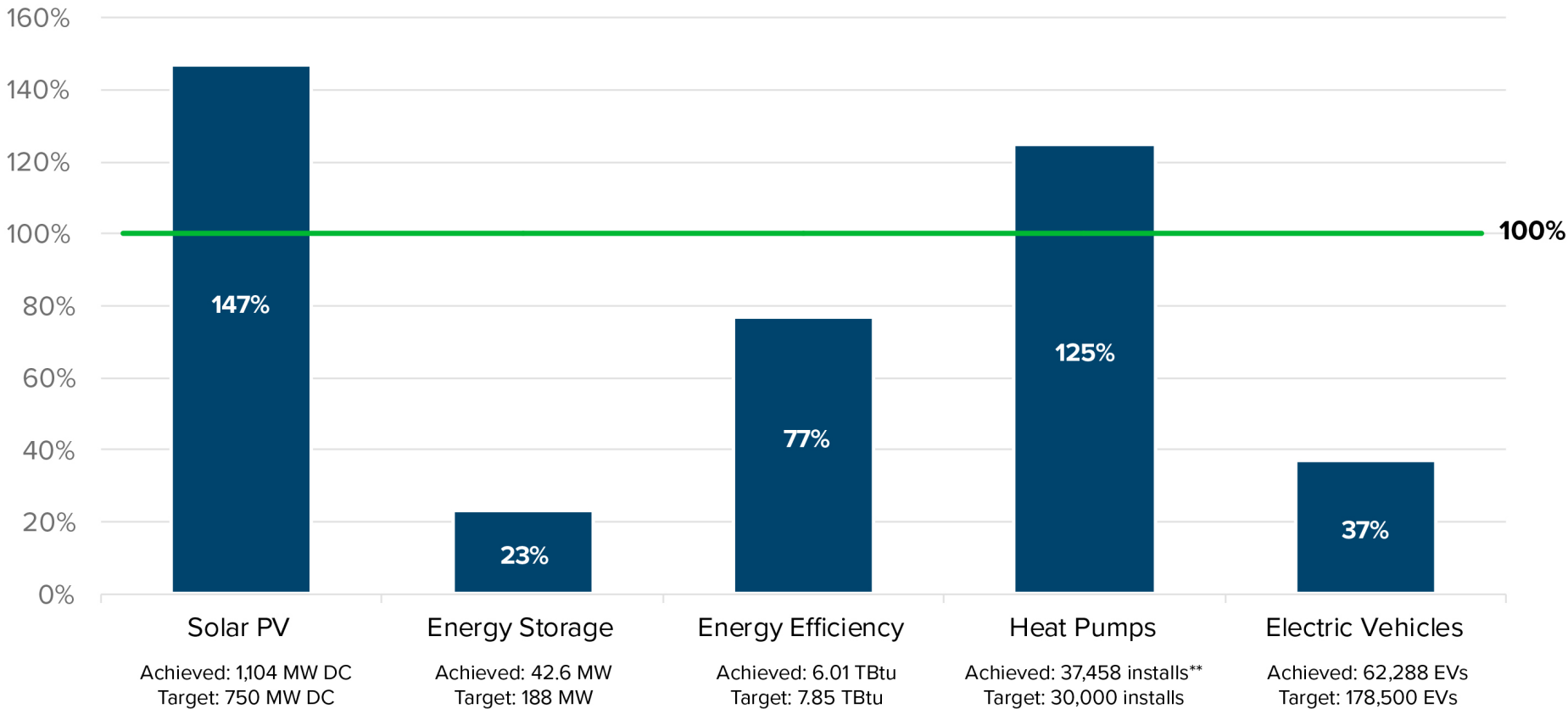
# Meeting the Board's Expectations for **Equity**

## **Improve equity for disadvantaged communities, by meeting or exceeding LIPA's share of New York's environmental justice goals for the energy sector**

- Circuit Transit Inc. launched an electric micro-shuttle service in the Rockaways and Brentwood with a \$7 million of grant funding from LIPA.
- LIPA has committed \$2 million to help establish a Long Island-based Regional Clean Energy Hub partnership with NYSERDA and Cornell Cooperative Extension to work with community-based organizations on local initiatives for clean energy and energy efficiency.
- LIPA has 2024 OSA metrics that include a minimum of 35% spend on Disadvantaged Communities for its energy efficiency and beneficial electrification metrics
- LIPA has developed a tool to verify DAC spending on Clean Energy programs from 2020-2023. Based on current formulations in the Draft Guidance Document, LIPA exceeded the minimum DAC spending for 2023, and while the year is still underway, LIPA expects to exceed the minimum DAC spend in 2024. LIPA is awaiting approval of the Draft Guidance to provide verified numbers on DAC spending to NYSERDA as part of the statewide CLCPA DAC reporting process.



# Progress to Date on LIPA's Clean Energy Goals\*



\* As of Q3 2024  
 \*\* This target refers to individual heat pump installations and may include heat pumps used for other purposes. LIPA has since recalibrated its focus to whole-home heat pump installations to align with the state's goals for electrified or electrification-ready homes by 2030.

Actual % Target %



Questions?



## **FOR CONSIDERATION**

December 18, 2024

**TO:** The Board of Trustees

**FROM:** John Rhodes

**SUBJECT:** Consideration of Approval of the Annual Report on the Board Policy on Clean Energy and Power Supply

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### **Requested Action**

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution approving the annual report on the Board Policy on Clean Energy and Power Supply (the “Policy”), and finding that LIPA has complied with the Policy since the last annual review, which resolution is attached hereto as **Exhibit “A.”**

### **Background**

The Board originally adopted the Policy in June 2017. The last annual report and amendments to the Policy were adopted in May 2023. The Policy sets LIPA’s vision for clean energy and power supply “to provide clean, reliable, resilient electricity to our customers at an affordable cost that both maintains the economic competitiveness of our region and minimizes the economy-wide greenhouse gas emissions of Long Island and the Rockaways by encouraging the electrification of vehicles, buildings, and equipment.” The Policy also establishes regular performance reporting by LIPA Staff to enable the Board to assess performance against the objectives of the Policy.

### **Compliance with the Policy**

LIPA Staff recommend that, for the reasons set forth below, the Board find that LIPA has complied with the Policy since the review of the Policy last year.

“To achieve our vision for Clean Energy, LIPA will:”

- “Achieve a zero-carbon electric grid by 2040, while meeting or exceeding LIPA’s share of the clean energy goals of New York’s Climate Leadership and Community Protection Act (“CLCPA”), including those for renewables, offshore wind, distributed solar, and storage.”
  - Through direct contracting for clean energy resources and purchases of renewable energy credits, LIPA has made significant progress toward meeting the State’s goals for renewables, offshore wind, distributed solar, and storage.
  - With regard to offshore wind, the CLCPA aims to achieve 9,000 MW by 2035, of which at least 3,000 MW is expected to be interconnected to Long Island. New York’s first commercial-scale offshore wind farm, the 132 MW South Fork Wind Project, went into commercial operation in July 2024 under contract to LIPA. The project provides enough power to meet the needs of 70,000 homes on Long Island. Two other

projects, the 924 MW Sunrise Wind and the 810 MW Empire Wind I, are currently in development under contracts with NYSERDA. LIPA is supporting Sunrise Wind's connection to LIPA's grid network, whereas Empire Wind 1 will connect to the Con Edison system. LIPA participates in cost sharing for the NYSERDA contracted projects on the same pro-rata basis as the other load serving entities in New York and expects to receive credit for its energy purchases from South Fork against its proportionate obligation for the statewide program.

- The CLCPA seeks to achieve 10,000 MW (dc) of distributed solar by 2030. LIPA has already substantially exceeded its share of the State's 2025 goal, with over 1,100 MW of utility-scale, distributed, and rooftop solar projects in service, and is on track to exceed the 2030 goal at least three years early. Long Island continues to have the most robust rooftop solar market in the State (accounting for approximately 39% of the statewide solar market as compared to 13% of the state's load) with over 90,000 photovoltaic systems installed. In 2023, customer-side installed capacity increased 85 MW (AC) with incremental annualized energy savings of about 100,000 MWh. This was a 29% increase in 2023 over 2022, while nationwide solar installations decreased by 19%.
  - LIPA is currently wrapping up contract negotiations to purchase dispatch rights from three Li-ion bulk energy storage systems totaling 179 MW at locations in Shoreham, Islip, and Babylon. These projects will position LIPA as a statewide leader in utility-scale storage and should meet most of LIPA's proportionate share of the State's storage goals in the pre-2030 timeframe.
  - As of mid-year 2024, there is also approximately 23 MW of behind-the-meter customer storage installed, virtually all in conjunction with photovoltaic installations. LIPA continues to work with NYSERDA, DPS and other stakeholders to facilitate new distributed storage projects on Long Island. In this regard, LIPA and NYSERDA are finalizing an MOU committing LIPA to fund its proportionate share of NYSERDA's retail and residential energy storage procurement program for 2024-26.
  - LIPA is working with the New York Independent System Operator and Propel NY Energy to develop a transmission project to bolster parts of the grid network on Long Island, in New York City and across Westchester County to support the integration and export of at least 3,000 MW from offshore wind projects interconnecting on Long Island. LIPA's role includes coordination and planning on project permitting and construction for Long Island-based facilities, and completion of certain network upgrades to the LIPA system. Construction is expected to commence in 2026.
- "Demonstrate innovation and be recognized among the leading utilities in reducing economy-wide greenhouse gas emissions through energy efficiency and beneficial electrification."
    - As of October 2024, LIPA's residential and commercial energy efficiency programs resulted in 646,286 MMBtu of energy savings, which is approximately 82% of the goal of 791,725 MMBtu of energy savings for the year.
    - As of Q3 2024, LIPA deployed whole house heat pumps in over 10,470 dwellings across all customer sectors. As was the case in 2023, total heat pumps counts are based on housing units served by whole house heat pumps, as this approach is consistent with the Governor's 2 Million Heat Pump ready initiative. Long Island's share of the statewide goal is 67,769 dwellings with whole house heat pumps by 2030.

- LIPA has an estimated \$230 million plan to build the infrastructure for more than 14,435 chargers across Long Island and the Rockaways by 2031 to support nearly 290,000 expected electric vehicles in the region.
- “Improve equity for disadvantaged communities, as measured by meeting or exceeding LIPA’s share of New York’s environmental justice goals as defined by the CLCPA and the Climate Justice Working Group, including ensuring that disadvantaged communities receive 40% of the overall benefits of clean energy, energy efficiency, energy assistance, and energy transportation investments, but not less than 35% of the overall benefits of spending on clean energy and energy efficiency programs, projects or investments.”
  - In 2020, LIPA offered a Community Solar feed-in tariff for up to 20 MW of new renewable resources whose benefits will be directed toward low and moderate-income customers. As of 2024, five PPA’s have been executed for 12.0 MW with three projects totaling 7 MW currently in construction. Accordingly, eligible customers are now being identified as beneficiaries of this clean energy to help meet the goals for disadvantaged communities.
  - In 2022, LIPA launched a new community college scholarship program to fund 50 scholarships over the next 5 years for students seeking education and training in careers related to the electric utility industry. The LIPA Scholarship will provide full tuition, fees, and books to students with the goal of attracting local talent from specified underserved communities on Long Island and the Rockaways.
  - Circuit Transit Inc., a recipient of the 2022 New York Clean Transportation Prize winner in the Electric Mobility Challenge category, is now operating a micro-shuttle service for the Rockaways and Brentwood. The service was made possible by LIPA’s award of \$7 million for innovative projects that expand access to clean, electric transportation and lower vehicle emissions in historically disadvantaged communities. Circuit has provided Rockaways residents with over 5,000 rides since December 2023 and launched its newest service in Brentwood in September 2024.
  - In 2022, LIPA funded a \$30,000 grant to the Shinnecock Nation to assist income-eligible residents in learning about and applying for LIPA’s low and moderate-income assistance programs. Customers receive discounts on electric service and enhanced rebates for energy efficiency and clean technologies (e.g. heat pumps).
  - LIPA’s 2024 Budget funds \$2 million for a Long Island Regional Clean Energy Hub, which is managed by NYSERDA and Cornell Cooperative Extension. The Hub’s mission is to partner with community-based organizations in providing outreach and education services in clean energy and energy efficiency, and integrate those with social services, housing, economic development, health, and training, particularly in disadvantaged or underserved communities.
  - LIPA has been participating in the statewide process to define disadvantaged communities and meet its share of CLCPA goals. As part of the 2024 OSA performance metric, LIPA has been tracking and verifying the performance against the disadvantaged communities goal and has developed internal tracking tools to facilitate this effort.
  - Based on current formulations in the Draft Guidance Document, LIPA exceeded the minimum DAC spending for 2023, and while the year is still underway, LIPA expects to exceed the minimum DAC spend in 2024. LIPA is awaiting approval of the Draft

Guidance to provide verified numbers on DAC spending to NYSERDA as part of the statewide CLCPA DAC reporting process.

“To achieve our vision for Reliable Power Supply, LIPA will:

- “Plan for a power supply portfolio that meets or exceeds industry standards for reliability, as demonstrated through Integrated Resource Plans conducted no less than every five years and by implementing the actionable recommendations of those plans in a timely manner.”
  - In November 2023, LIPA released its 2023 Integrated Resource Plan (“IRP”). The release of the IRP was accompanied by briefings for the LIPA Board, state officials and other stakeholders, press releases, a Newsday editorial by LIPA’s CEO, a webpage with links to a Summary Guide, FAQs and informative videos, targeted emails and three public comment sessions on Long Island.
  - Following the publication of the IRP, PSEG Long Island completed follow-on studies to examine local capacity needs under various generation retirement scenarios, among other studies. PSEG Long Island plans to update the IRP base case in 2025 for internal use.
  - Existing Long Island capacity and currently planned additions are expected to meet the NYISO’s minimum Locational Capacity Requirement (“LCR”) through at least 2030. The current LCR of 107.3% of peak load is satisfied mainly with fossil-fueled generation and a smaller contribution from renewable resources. As the new Propel NY Energy transmission project together with offshore wind and energy storage resources begin to reach commercial operation, Long Island will be in position to phase out a portion of the existing fossil-fuel generation in a manner that continues to satisfy the LCR and system reliability.
  - In recent years, all third party-owned generation under contract with LIPA met or exceeded contract targets.
  - LIPA continues to work cooperatively with intertie owners to ensure continued reliable transmission service for power imports. In 2023, the New York Power Authority completed extensive replacement of the Long Island land-based portion of the Y-49 cable, to help ensure the cable will provide reliable service for many years to come.
  - LIPA is participating with the state’s other transmission owners in the NYISO Coordinated Grid Planning Process to better integrate the studies performed at the local level with the NYISO’s bulk power system planning and generation interconnection processes, improve the integration of local T&D and bulk system studies with NYSERDA’s renewable generation and storage procurements, and improve forecasting of renewable generation development for specific locations on the local T&D and bulk transmission grid.

“To achieve our vision for Affordability, LIPA will:”

- “Consider the benefits and costs of its clean energy programs and power supply to achieve the greatest value for our customers.”
- “Competitively procure the least-cost resources and programs that meet our clean energy and reliability objectives, including using our not-for-profit, tax-exempt cost of capital to finance

assets or pre-pay for energy, and using LIPA-owned land or exercising LIPA's rights to acquire generating sites.”

- LIPA's pending contracts for bulk energy storage were procured through a competitive RFP. Consistent with LIPA's objective to repurpose fossil sites for clean energy, two of the projects are located next to existing fossil generating units destined for future retirement. The contracts are structured as build-own-operate-optional-transfer (“BOOOT”) arrangements, which achieves two important objectives: 1) to protect LIPA from startup and operational risks in the first seven years of the projects' lives and 2) to take advantage of LIPA's access to tax-exempt debt to finance the asset acquisition at the end of the BOOOT term, thereby lowering total costs to customers.
  - LIPA continues to work with NYSERDA and the Department of Public Service to develop the implementation plan for New York's 6 GW Energy Storage Roadmap. NYSERDA anticipates conducting annual procurements for “indexed energy storage credits,” similar to the approach used for RECs and ORECs, to achieve the CLCPA targets for energy storage. LIPA and NYSERDA have exchanged ideas on a crediting mechanism for LIPA-procured storage against LIPA's proportionate cost responsibility for the statewide program.
  - LIPA plans to meet a major portion of its future CLCPA-driven Tier 1 Renewable Energy Credits (“REC”) and OREC (“Offshore Wind REC”) targets by participating in the statewide program administered by NYSERDA, which acts as the central procurement administrator for contracting with eligible generators through annual competitive solicitations. As of year-end 2024, LIPA and NYSERDA are in discussions to complete a Tier 1 REC purchase agreement for LIPA's proportionate share of the statewide program.
  - LIPA executed a 100 MW electricity “pre-pay” transaction in October 2024. This transaction is projected to reduce LIPA's power supply costs by approximately \$4.5 million annually. Further transactions are under active consideration.
- “Regularly demonstrate efforts to minimize cost and maximize performance with contractual counterparties and through advocating with regulatory authorities for fair cost allocations for Long Island and Rockaways electric customers.”
    - LIPA worked with Neptune Cable to challenge the PJM regional transmission organization's allocation of costs for new transmission facilities within its system to customers that use the facilities to export capacity, such as LIPA's use of the Neptune cable. Along with other merchant transmission providers, LIPA is working to achieve a settlement with the PJM Transmission Owners that, if approved by FERC, is likely to result in significant saving for customers.
    - In 2022, LIPA and Con Edison successfully petitioned the PSC to more appropriately allocate the cost of certain offshore wind transmission facilities to reflect LIPA's overall load ratio share (which is approximately 13%).
    - LIPA successfully advocated for the LI Export Public Policy Transmission Need (“PPTN”) Propel NY Energy project, which offered the best combination of low cost and high export/import and interconnection flexibility out of many contending project proposals. LIPA expects the project will deliver significant net benefits to ratepayers over its lifetime.

- In 2023, LIPA and PSEG ER&T successfully worked with NYISO to set Off-Shore Wind (“OSW”) reference offer prices at OSW’s marginal variable costs. NYISO had originally proposed to set reference prices at the all-in contract cost for the South Fork project, preventing the economic dispatch of wind in nearly all hours. By allowing a realistic reference price and dispatch pattern, LIPA customers are estimated to save about \$240 M in marginal fuel cost savings over a 10-year period.
- In 2024, LIPA worked with the other New York Transmission Owners and DPS to reclassify about \$60 M in Western NY PPTN cost overruns as “foreseeable”, thus subject to a reduced return on equity. LI customers will save about \$3 M over a 10-year period.
- In 2024, LIPA worked with the state’s other transmission owners and load interests to advocate for a 2-hour battery storage proxy as part of NYISO quadrennial demand curve reset process. The demand curve is an important determinant of the market cost of generating capacity to load serving entities like LIPA. Once ratified by FERC and the courts, this change is estimated to save New York consumers \$1.6 B annually compared to using a conventional fossil proxy. Although LIPA is currently largely hedged against capacity market price increases, over the longer-term LIPA expects the change will benefit its customers significantly.

### **Enterprise Risk Management Discussion**

The Board has adopted a Policy on Enterprise Risk Management (“ERM”). Enterprise risks are brought to the Board’s attention throughout the year. There is one major risk related to the Policy that is representative of both LIPA and PSEG Long Island. The risk is *Suboptimal planning and/or CLCPA execution of the overall strategy including projects and other activities to achieve LIPA’s portion of the New York State climate goals could result in insufficient resource allocations, reduced system reliability, increased customer costs, and negative public perception.*

The CLCPA project execution risk is highly rated and among the top risks reported to the F&A Committee. This risk is being mitigated by evaluating changes in projects, load forecasts, markets, and by modifying resource plans accordingly to ensure reliability and minimize customer bill impact. We are also active participants with NPCC, NYSRC, NYISO and NYS DPS through various technical committees to ensure appropriate assumptions and studies are conducted to maintain system reliability. There is proactive communication with various stakeholders through the Project Council and TDPC to discuss major transmission project drivers such as PPTN, East End retirements, grid planning and incorporate feedback into study assumptions and recommendations. As a result of the mitigation actions in place and underway, we believe this risk is being effectively managed.

### **Annual Review of the Policy**

LIPA Staff has reviewed the Policy and recommend no changes at this time.

### **Recommendation**

Based upon the foregoing, I recommend approval of the above-requested action by the adoption of a resolution in the form attached hereto.



Attachments

**Exhibit "A"** Resolution

**RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON CLEAN ENERGY AND POWER SUPPLY**

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**WHEREAS**, the Clean Energy and Power Supply Policy (the “Policy”) was originally approved in July 2017; and

**WHEREAS**, the last annual report and amendments to the Policy was in May 2023; and

WHEREAS, the Oversight and Clean Energy Committee (the “Committee”) of the Board of Trustees has conducted the annual review of the Policy and has recommended that the Policy has been complied with.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with the Policy for the period since the last annual review and approves the annual report to the Board.

Dated: December 18, 2024



# Board Policy on Customer Experience

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**Presented by:** Steve Driscoll, Vice President of  
Customer Experience and Operation Services

November 13, 2024



# Discussion Topics

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 Board Policy on Customer Experience

 Overall Assessment

 Risk Management

# Board Policy on **Customer Experience**

It is LIPA's **Board Policy on Customer Experience** to:

- Deliver **top quartile performance** in J.D. Power's utility residential and business customer satisfaction and on industry-standard customer service metrics.
- Continually **improve customer satisfaction**, ease of interaction, and value as measured by internal, end-to-end customer transaction assessments.
- **Invest in technologies to enhance the service**, flexibility, convenience, and cost-effectiveness of billing, payment, appointments, emergency restoration, and other customer interactions.
- Target simple, accurate, and **proactive customer communications** across customer segments and socioeconomic groups, with attention to low-income and disadvantaged communities.
- Evaluate the success of our rate options, clean energy programs, and other offerings by customer adoption and satisfaction and use the information to regularly review and **improve our offerings**.



# Overall Assessment

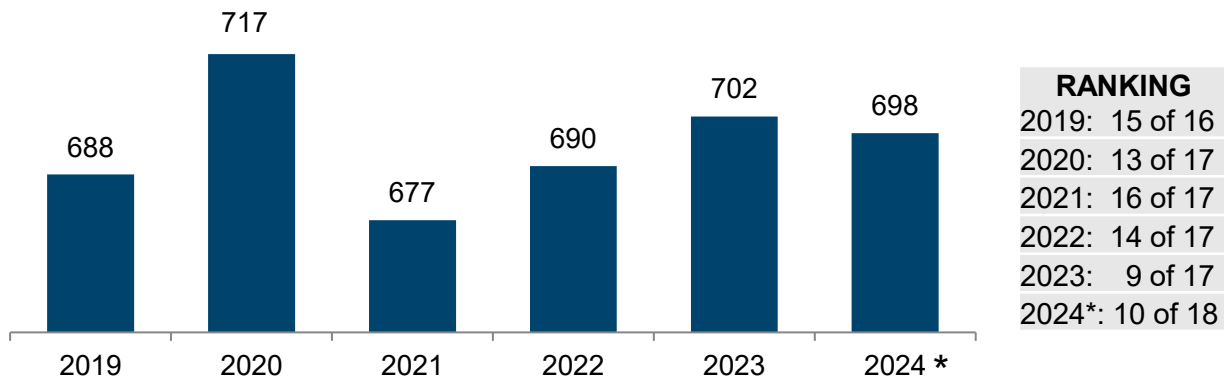
# Overall Assessment

**In 2023 and 2024, performance has been mixed, with improvements in billing and customer satisfaction; however, challenges with Call Center performance remain.**

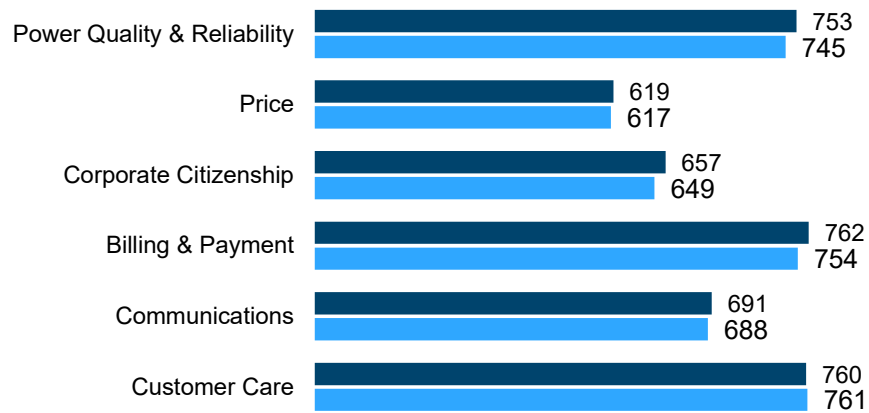
- J.D. Power **improvement in ranking** for business and residential surveys from 2022 position.
- Call Center initiatives focused on **staffing, rep training, and performance management** have positioned the call center to significantly improve in 2025.
- Billing is delivering **strong performance** across all metrics.
- Delivery of several strategic projects has **improved the customer experience and operational performance.**
- On-going customer transaction assessments have yielded opportunities for **further enhancements across all customer channels.**
- **Supporting low-income customers** through expanded eligibility and increased discounts.
- Deployment of new **Time-of-Day (TOD) rate options and clean energy programs** is another bright spot, with TOD enrollments on the rise and strong uptake continuing in net metering and heat pumps.

# J.D. Power: Customer Perception

## J.D. Power Residential

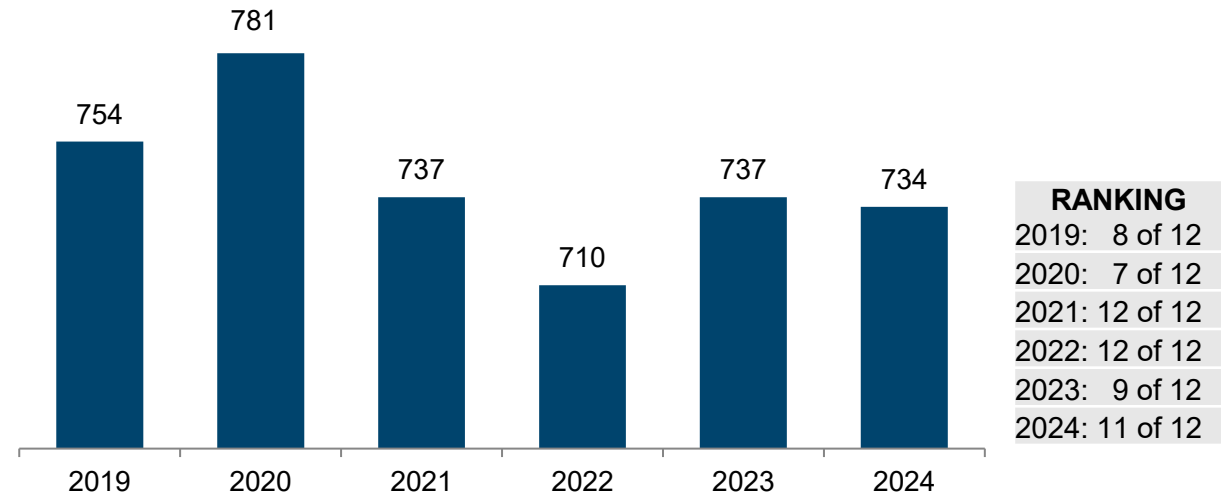


RANKING	
2019:	15 of 16
2020:	13 of 17
2021:	16 of 17
2022:	14 of 17
2023:	9 of 17
2024*:	10 of 18

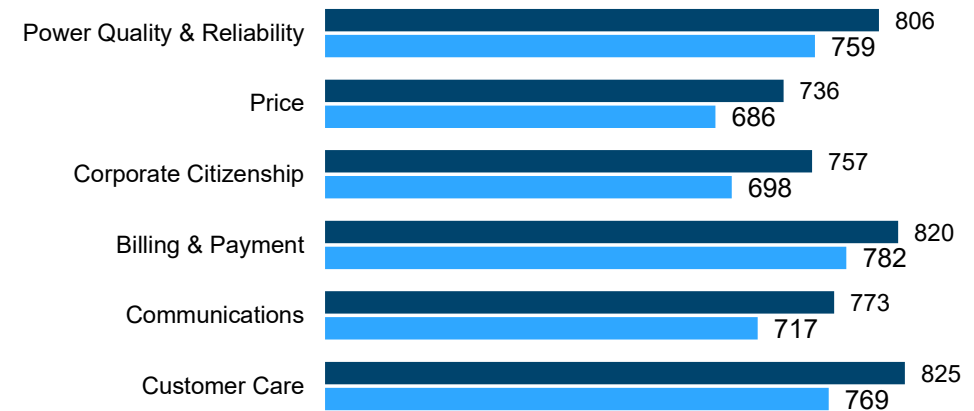


■ East Large - 2024\* ■ PSEG Long Island - 2024\*

## J.D. Power Business



RANKING	
2019:	8 of 12
2020:	7 of 12
2021:	12 of 12
2022:	12 of 12
2023:	9 of 12
2024:	11 of 12



■ East Large - 2024 ■ PSEG Long Island - 2024

\* YTD as of Q3



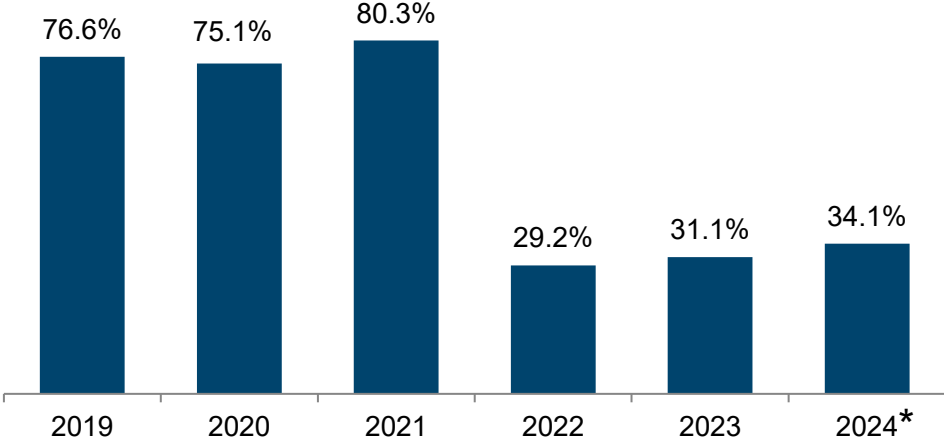


# Call Center Performance

While performance did not meet expected levels, initiatives executed in 2023 and 2024 is anticipated to drive improvement in 2025.

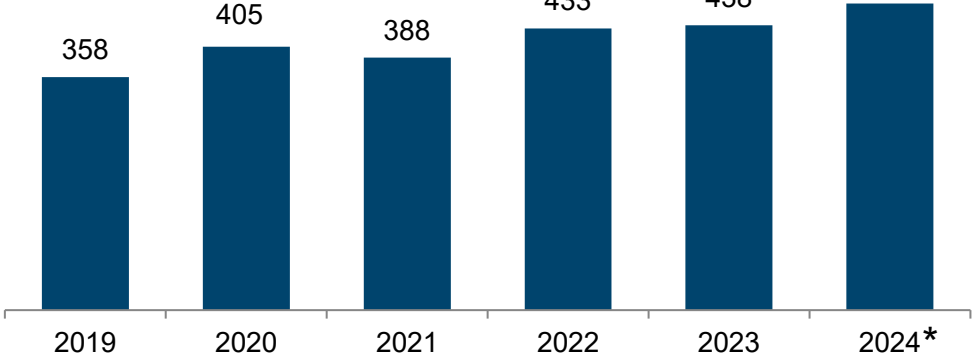
- **Staffing**
  - Established long-term planning for new class recruitments.
  - Added new leadership.
- **Training**
  - Expanded training organization and capacity.
  - Shifted to a tiered training model for more hands-on experience.
- **Performance Management**
  - Established performance-based model to qualify for remote work.
  - Incorporated average handle time into agent scorecard.

**Service Level %**

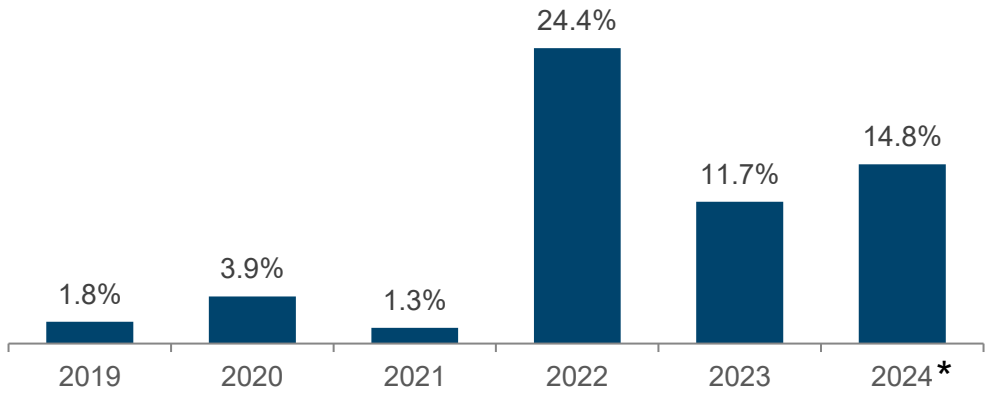


**Average Handle Time**

(in seconds)



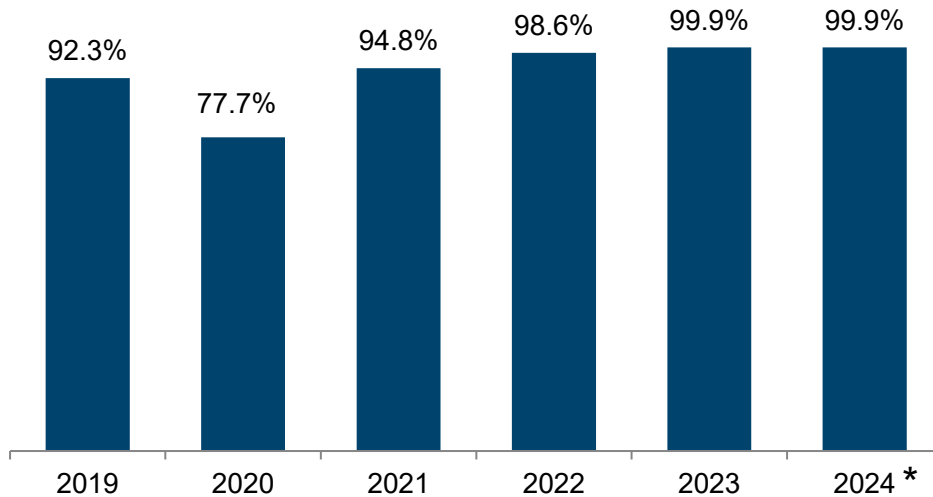
**Abandonment Rate %**



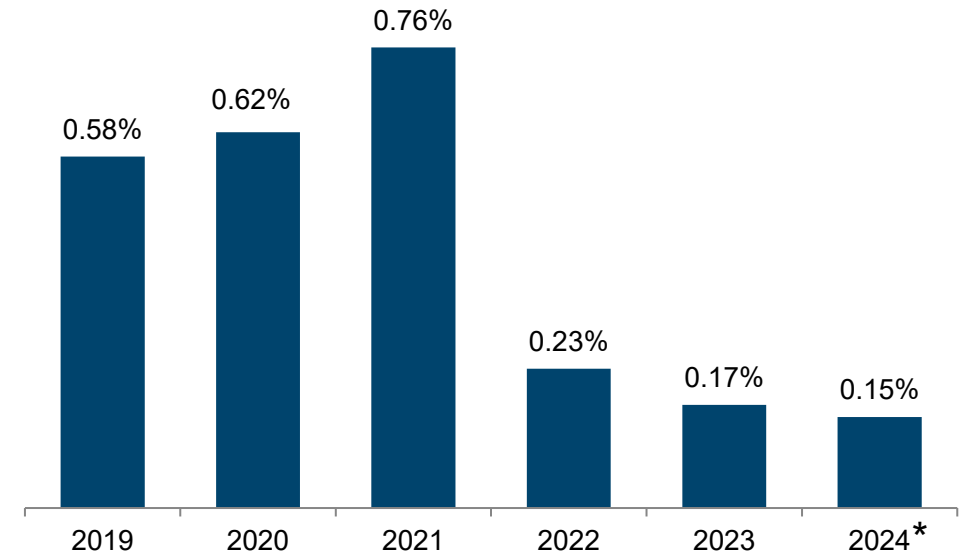
# Accurate & Timely Billing Success

- Billing performance has significantly improved over previous years due to smart meters (AMI).
- Time-of-Day billing exceptions are managed to ensure timely completion of 97% within three business days and this data continues to be refined as reporting is available.

**% Billing on Time**



**Cancel and Rebill %**



# Customer Transactional Surveys

## Objective

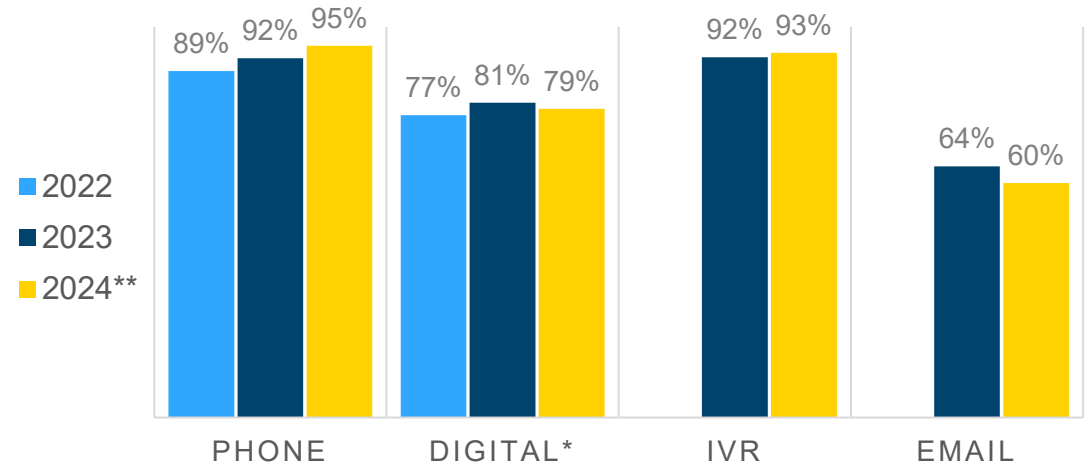
- Drive continuous improvement of interactions across customer channels.
- Influence customers to channels of lower cost and higher efficiency.

## Survey Enhancements

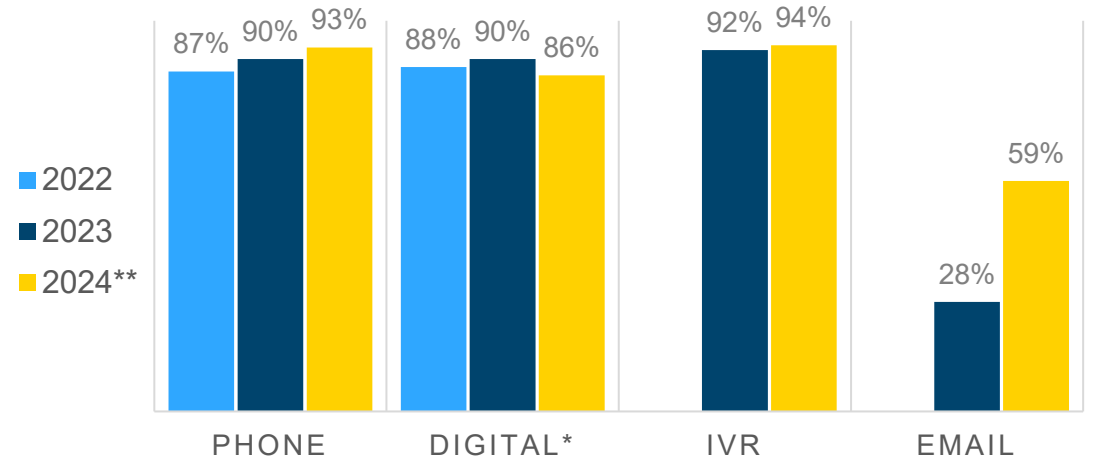
- Expanded the transactional survey in late 2023 to include email and automated phone (IVR) customer channels.
- Transactional survey questions incorporated into after-call agent survey, minimizing the need for third-party survey services.

**Customer feedback and cost per transaction data informed changes to the email channel and expansion of move and autopay functions within the digital channels.**

### Customer Satisfaction %



### Transaction Ease %



# Technology Improvements

## Invested in cost-effective technologies that improved services and customer experience

- Enhanced the **Meter Data Management system** to expand meter data validation, estimation and editing rules to reduce missing reads and improve estimation, producing more accurate and timely customer bills.
- Enhanced **customer outage communications** to consistently provide the root cause to customers who experience an outage.
- Expanded **customer move requests** to the public website in December 2023 and to the mobile app in October 2024, creating additional self-service customer channels for this transaction.
- Provided customers with direct access to **Behind the Meter load disaggregation technology** through MyAccount and the mobile app.

# Technology Improvements (Continued)

## Invested in cost-effective technologies that improved services and customer experience

- **Switched credit card vendors** in January 2024, saving approximately \$700,000 in processing fees for residential customers and reducing the commercial processing charge from \$9.95 to \$3.95.
- Deployed 4 **payment kiosks** in November 2023, creating another self-service customer payment channel and enhanced the system in 2024, allowing eligible customers to enroll in payment agreements through the kiosks.
- Deployed new IVR and call routing (ACD) systems as part of the **Contact Center as a Service (CCaaS)** implementation, allowing for numerous customer-facing improvements, including a more fluid process allowing customers to express what they want without having to follow scripted predefined patterns.
- Transitioned to **new CCaaS email platform** in August 2023, saving \$588,000 annually.

# Low-Income Customer Efforts

**Increased bill discounts:** Secured NYS utility funding to provide customers with an additional bill discount in 2024 of more than \$8. Expanded discount tiers to include customers receiving an alternate source heating benefit.

**Enrollment in low-income programs:** Increased and aligned eligible enrollment criteria with all NYS utilities, effective January 2024. Collaborating on agreements with Social Service agencies to enact customer account matching automation.

**Outreach to customers eligible for Assistance Programs:** Partnered with approximately 100 community agencies directly assisting customers to obtain utility funding through social service and non-profit programs. Strengthened relationships in disadvantaged communities through monthly outreach.

**Promotion of low-income programs:** Promoted and educated customers through targeted market outreach, signage on NICE buses, and waiting stations in underserved communities.

## Customer Benefit

➔ *Lower electric bills*

➔ *Ease of participation*

➔ *Reduced debt*

➔ *Expanded awareness*

# Customer Adoption of Rates

## Voluntary Time-of-Use Rates

- Over 13,500 customers are enrolled in the optional Time-of-Use (VTOU) rates.
- Operational and customer learnings from the VTOU pilot were used to inform the Time-of-Day (TOD) program.

## Time-of-Day Rates

- The Off-Peak TOD rate became the standard residential rate offering starting late January 2024.
- As of October 2024, over 83,000 customers are enrolled in the Off-Peak or Super-Off Peak TOD rate, with a 98.8% retention rate.
- Customer feedback was gathered from the first migration group in the summer of 2024 and will be used to adjust the approach before scaling the program.



# Customer Adoption of Clean Energy

So far in 2024, PSEG Long Island programs have resulted in:

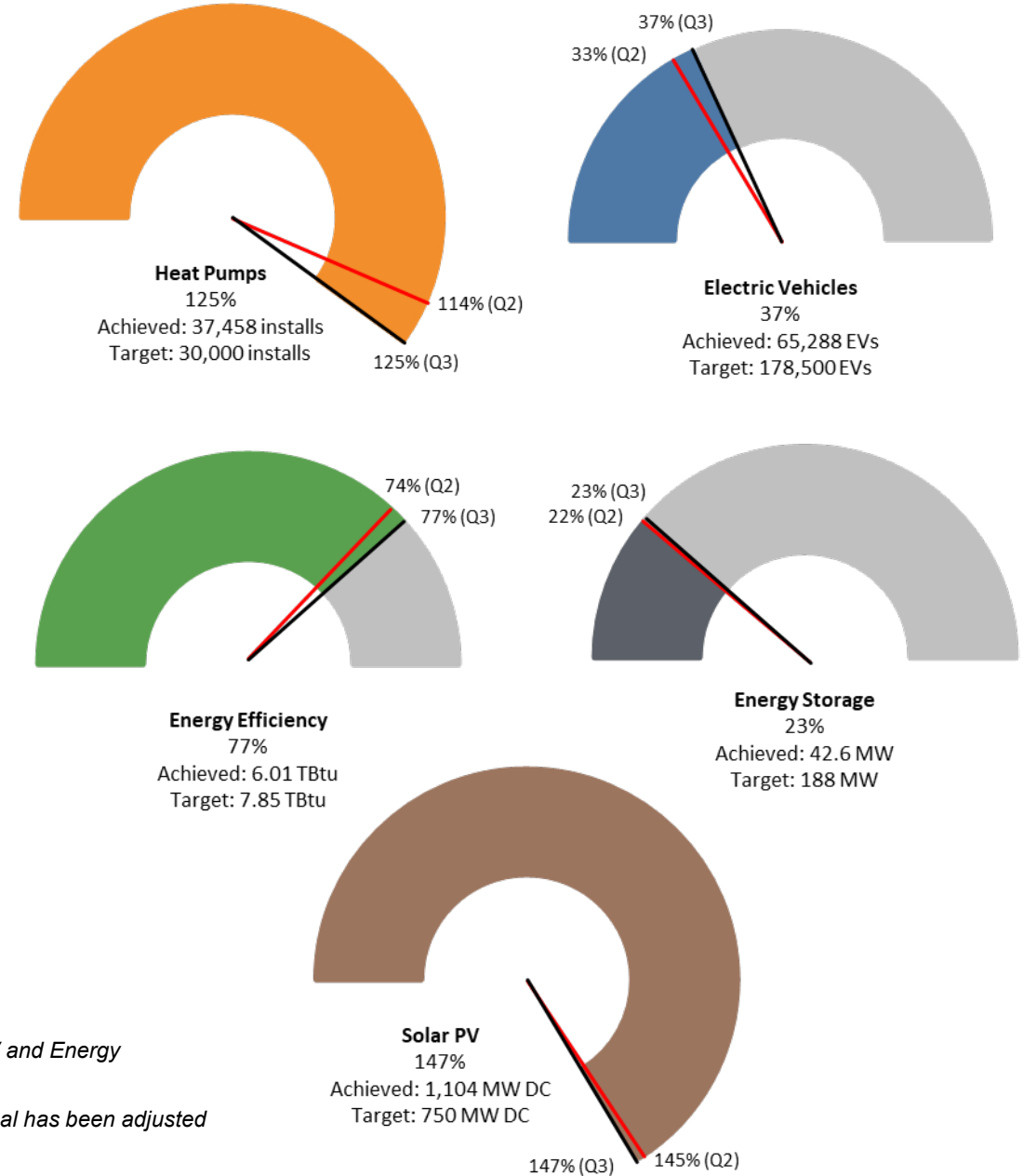
- 2,700 residences switched from fossil fuel heating to electric heat pump heating
- 565,000 MMBtu avoided through building efficiency programs
- Over 500 new public EV charging plugs

PSEG Long Island and LIPA are working on rolling out new program offerings for:

- Transportation fleet electrification
- Leveraging IRA dollars for heat pumps
- Retail energy storage

*Current as of: September 2024 (Solar PV, Heat Pumps, Energy Efficiency, and Electric Vehicles) and August 2024 (Solar PV and Energy Storage), based on data availability.*

*Notes: The Solar PV Goal for 2025 has been accomplished. The calculation to determine progress on the EV Climate Act Goal has been adjusted to account for all EVs on the road on Long Island rather than EVs on the road associated with PSEG Long Island.*





# Risk Management



# Enterprise Risk Management

**There are two highly rated risks in our ERM Program related to the Customer Experience Board Policy, which are being monitored and opportunities for enhanced mitigation actions are being discussed.**

- Customer and stakeholder dissatisfaction with PSEG Long Island's response to a storm or major event could result in increased negative perception and/or adverse reputational impact.
  - Mitigation actions have improved over the past year around customer communication during an outage which has led to improved performance and better management of this risk.
- Decreased call center performance could result in negative customer perception and reputational impact.
  - While there have been improvements to mitigate this risk by adding additional staff, increased CSR performance management, and adding new leadership; call center performance remains an area of concern with increased focus for improvement.

# Questions?

**Steve Driscoll**  
Vice President of Customer  
Experience and Operation Services

**Suzanne Brienza**  
Director of Customer Experience

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[lipower.org](http://lipower.org)



**FOR CONSIDERATION**

November 13, 2024

**TO:** The Board of Trustees

**FROM:** John Rhodes

**SUBJECT:** Approval of the Annual Report on the Board Policy on Customer Experience

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**Requested Action**

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Customer Experience (the “Policy”); and (ii) finding that LIPA has substantially complied with the Policy, which resolution is attached hereto as **Exhibit “A.”**

**Background**

In July 2017, the Board adopted the Policy with the purpose of providing a framework to achieve a high level of customer service and satisfaction. In November 2021, the Board worked with Leading Resources, Inc. to review the Policy and to facilitate discussion amongst the Trustees on amending the Policy. At that November 2021 meeting, the Board adopted a revised Customer Service Policy and renamed it the Customer Experience Policy. The Policy provides that “the Chief Executive Officer, or his or her designee, will report annually to the Board on compliance with the key provisions of the Customer Experience Policy.” The Board conducted the last annual review of the Policy in November 2022.

**Compliance with the Policy**

This report covers customer experience activities from the Board’s November 2022 review to the present. PSEG Long Island’s performance has been mixed with strong performance within billing and meter operations but has not achieved desired results within the Call Center, as further described below. LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has substantially complied with the Policy since the last review, as LIPA staff continues to work with PSEG Long Island to improve service delivery to customers.

Compliance with each element of the Policy is discussed in detail below, including areas designated for improvement.

“Deliver top quartile performance in J.D. Power’s utility residential and business customer satisfaction studies and on industry-standard customer service metrics.”

- For J.D. Power, PSEG Long Island improved from the fourth quartile position in 2022 to second quartile for Residential satisfaction and third quartile for Business satisfaction, achieving the 2023 metric targets in both surveys. PSEG Long Island’s 2024 year-to-date

performance is slightly below the 2023 yearend performance. As part of the 2023 and 2024 metric requirements, PSEG Long Island developed tactical plans to drive improvement in customer perception, informed by best practices.

- PSEG Long Island has not met the Call Center service level for answer rate in 2023 and is not on track to achieve it in 2024. In late 2022 and at the request of LIPA after observing multiple months of deteriorating performance, PSEG Long Island conducted a comprehensive review of the Call Center and developed a tactical recovery plan. The review found that the significant challenges were driven by staffing shortfalls, increased call volumes, and higher-than-normal average handle times. Execution of the many initiatives from the original plan fell behind schedule in 2023 and were not achieving the expected improvement to performance. To continue to drive improvement, LIPA retained the Call Center service level metric for 2024 and added two new metrics to reduce average handle time and optimize agent utilization. While these targets are not anticipated to be achieved in 2024, initiatives executed this year have positioned the Call Center to significantly improve in 2025.
- PSEG Long Island has made improvements in billing performance since 2022 and are achieving all metric targets. The results include the following:
  - Billing cycle on-time delivery improved from 98.6% to 99.9% in 2023 and 2024-YTD.
  - Cancels and rebills reduced from 0.23% to 0.17% in 2023 and 0.15% in 2024-YTD.
- PSEG Long Island has consistently performed within the top quartile throughout 2023 and 2024 among New York State utilities for low complaint rates.

“Demonstrate continual improvement in customer satisfaction, ease of interaction, and value as measured by internal, end-to-end customer post-transaction assessments.”

- PSEG Long Island continued surveying of customer transactions in 2023 and 2024 to understand customers’ overall satisfaction and ease of execution for the top five interactions including billing, payment, payment agreement, service change, and outage transactions as well as other general inquiries. The customer interaction channels surveyed included live agent phone, MyAccount, the mobile app, and text, collectively “digital.”
- PSEG Long Island expanded the transactional survey in late 2023 to include customer contact channels not previously surveyed. Realtime, “in-app” surveys were deployed in late 2023 to capture customer transactional experiences in email and automated phone (IVR) interaction channels. Transactional survey questions were also incorporated into the existing, system-generated “after-call” survey, minimizing the need for the previously used, person-to-person telephone interview survey, which had a low response rate and was usually conducted multiple weeks after the call with the agent.
- PSEG Long Island has made improvements across most channels as compared to base year performance. The results are below. The feedback from the customers was used to inform some of the channel and transaction improvements detailed in the next section.

	Customer Satisfaction			Ease of Transaction		
	2022	2023	2024*	2022	2023	2024*
Phone	89%	92%	95%	87%	90%	93%
Digital	77%	81%	79%	88%	90%	86%
Email		64%	60%		28%	59%
IVR		92%	93%		92%	94%

\*YTD as of September 2024

“Invest in technologies to enhance the service, flexibility, convenience, and cost-effectiveness of billing, payment, appointments, emergency restoration, and other customer interactions. Ensure simple, accurate, and proactive customer communications related to customer billing, energy usage, emergency response, and estimated times of restoration.”

- PSEG Long Island efforts included both long-term and short-term projects designed to enhance the customer experience. Longer-term projects include establishing the foundation to implement a state-of-the-art Customer Information System, Customer Contact platform, credit card processor replacement, and move process automation.
  - Customer Information System (CIS) Replacement - Customer Information System pre-implementation program work in 2023 included finalizing the documentation for the current state environment, associated business processes, functional requirements for the replacement system, and stakeholder analysis. The replacement project was subsequently paused to focus on Time-of-Day and System Separation implementations and will resume in 2026 with additional pre-implementation activities and issuance of the RFP for the new CIS solution and system integrator.
  - Customer Contact Platform - In 2022, PSEG Long Island began the Contact Center as a Service (CCaaS) project to provide a fully integrated cloud-based contact center solution, allowing for numerous customer-facing improvements, including a seamless omni-channel customer experience, a more fluid process allowing customers to express what they want without having to follow scripted predefined patterns, enhanced reporting & analytics, and many other enhancements. PSEG Long Island implemented the first phase of the platform in November 2023 and established a two-year roadmap for various future improvements. Implementation of the natural language IVR with advanced speech recognition in 2023 as part of this project was expected to improve IVR containment. PSEG Long Island is performing below the expected improvement target and will not meet the metric for 2023 or 2024. To drive future improvement, PSEG Long Island has identified various enhancement to the IVR system and will be deploying them starting in December 2024.
  - Credit Card Processor Replacement - PSEG Long Island transitioned to a new

credit card processing vendor in January 2024, which saves the utility \$700,000 a year in residential credit card fees, reduces the commercial customer processing fee from \$9.95 to \$3.95, and increases the credit card payment limit. System enhancements planned for late 2024 include a more intuitive and streamlined credit card payment experience across all channels and acceptance of more modern customer payment methods including Paypal, Google Pay, and Apple Pay.

- Move Process Automation – Move request transactions have the longest handle time compared to all other customer transactions and were not previously available as a full self-service option due to the lack of automation. In 2024, PSEG Long Island automated the MyAccount customer web portal move process, thus eliminating manual back-office processing by the agent. Two additional channels, the corporate website and the mobile app, were made available in the past year to also accept customer move requests. Expanding self-service options are anticipated to reduce volume of agent-required transactions (calls and emails) and allow customers to remain in their channels of choice.
- Payment Kiosks – PSEG Long Island introduced a new self-service payment channel to customers in November 2023 by installing payment kiosks at 4 customer offices. The systems have intuitive screen flow to guide the customer through the payment process and accepts various payment methods including cash, credit, debit, and electronic check. In 2024, the kiosk functionality was expanded to offer payment arrangement enrollment. Through September 2024, 6,300 customers have utilized the kiosks making 16,200 payments totaling more than \$6.3 million. A fifth kiosk is scheduled to be on-line in first quarter 2025.
- Outage Root Cause – In the customer transaction survey for outages, the utility informing the customer of the cause for the unplanned outage is consistently the lowest scoring question in the survey for PSEG Long Island. To address this, PSEG Long Island enhanced the customer outage communications to consistently provide the root cause to customers who experience an outage.
- MDM VEE – PSEG Long Island enhanced the Meter Data Management (MDM) system to expand meter data validation, estimation, and editing (VEE) rules to reduce missing reads and improve estimation, producing more accurate and timely customer bills.
- Customer Email Platform – In August 2023, PSEG Long Island replaced their customer email system with the email platform available in the new CCaaS system, saving \$588,000 annually.
- Load Disaggregation – PSEG Long Island enhanced MyAccount and the mobile app to provide customers with direct access to Behind the Meter load disaggregation technology, which allows customers to better understand their home’s usage by appliance.

“Effectively target communications across customer segments and socioeconomic groups, with particular attention to low income and disadvantaged communities.”

- PSEG Long Island conducted a Household Assistance Rate marketing campaign in 2023 to validate the effectiveness of a third-party segmentation vendor tool for more targeted residential customer communications. Conversion rates did not prove to be more successful for customers marketed to through the segmentation approach as opposed to traditional messaging. The 2022 marketing segmentation pilot, which used a different segmentation model, concluded the same, possibly indicating that investments in advanced segmentation may lead to meager benefits.
- PSEG Long Island partnered with more than 100 community agencies directly assisting customers to obtain utility funding through social service and non-profit programs.
- PSEG Long Island implemented an arrears management forgiveness program in partnership with the New York State Energy Assistance Working group. The second rollout of the benefit from August to December 2022 assisted 4,396 low-income customers with past due balances resulting from COVID-19, covering \$7,506,072 in arrears forgiveness. Including the initial rollout, the program assisted a total of 12,272 low-income customers, forgiving \$27,905,483.
- LIPA provided \$30,000 in grant funding to advance an advocacy program within the Shinnecock Nation to increase awareness of arrears forgiveness.
- PSEG Long Island promoted and educated customers on low-income programs through new channels including signage on NICE buses and waiting stations in underserved communities.

“Evaluate the success of our rate options, clean energy programs, and other offerings by customer adoption and satisfaction and use the information to regularly review and improve our offerings.”

- Enrollment in the optional time-of-use (VTOU) rates surpassed the 2022 year-end metric target of 12,000 and is currently over 13,500 accounts. PSEG Long Island surveyed converted, non-converted and unenrolled VTOU customers to understand the motivations and barriers to communicating with customers and to ensure a strong customer experience, high customer satisfaction and to mitigate opt outs. Operational and customer learnings from the VTOU program helped inform the TOD program.
- PSEG Long Island deployed the two Time-of-Day rates in November 2023 and the Off-Peak rate became the standard residential rate offering in January 2024. As of October 2024, over 83,000 customers are enrolled in the Off-Peak or Super-Off Peak TOD rate, with a 98.8% retention rate.
- Overall enrollment in the Household Assistance Rate (HAR) for low to moderate-income customers has trended downward in 2023 and 2024 due to a significant number of customers not renewing their enrollment. A program was developed in 2022 to automate the enrollment based on participation in social service programs but was not utilized in 2023. A requirement to execute the address match automation was incorporated into the 2024 metric to encourage use to increase enrollments, however, not having current agreements with the social service agencies has delayed utilizing this process. PSEG Long



Island is actively pursuing agreements in late 2024 with anticipated completion by Q1 2025.

- LIPA secured New York State utility funding to provide customers with an additional bill discount in 2024 of more than \$8. Also, expanded discount tiers to include customers receiving an alternate source heating benefit. The expanded tier enrollment will assist non-electric heating low to moderate income customers maintain a 6% energy burden.
- The heat pump program continues to be popular among customers and has surpassed the 2022, 2023 and 2024 metric targets for the incentive program rebates. During 2023, PSEG Long Island implemented a Heating Comparison Calculator tool to encourage conversions by calculating the customer specific potential savings. In 2024, LIPA worked with PSEG Long Island to increase engagement with the heat pump contractor base and also launch additional offerings such as air-to-water heat pumps and heat pump water heaters to continue broadening the available of this technology to facilitate a transition to a fossil fuel free future.
- LIPA is currently conducting a study of fleet electrification needs on Long Island and will work with PSEG Long Island to launch a robust Fleet Make Ready program in 2025.
- Long Island continues to be a leader in customer adoption of rooftop solar through LIPA's net metering, Community Distributed Generation, and Value of Distributed Energy Resources tariffs. LIPA has surpassed its solar generation goals.
- LIPA is behind on its targets for energy storage. LIPA is currently working on bulk storage opportunities and is designing a new retail storage program for launch in 2025.

### **Enterprise Risk Management Discussion**

The Board has adopted a Policy on Enterprise Risk Management. Enterprise risks are brought to the Board's attention throughout the year. There are two risks related to this Policy. The first risk is "Customer and stakeholders' dissatisfaction with PSEG Long Island's response to a storm or major event can result in increased negative perception and/or averse reputational impact." The second risk is related to decreased call center performance, which could result in negative customer perception and reputational impact.

The Customer and Stakeholders' Dissatisfaction to a Storm risk is rated as a high-level risk. In the customer experience area, PSEG Long Island mitigates this risk with oversight from LIPA through extensive testing of communication systems, development of a non-digital communication library of messages (e.g., radio, outreach centers) to keep customers informed, a quality control plan to ensure consistency of messaging across communication channels, and an Emergency Response Plan for customer communication protocols during restoration. PSEG Long Island has worked to improve relationships with customers and the media and has developed an updated crisis communications plan. The 2024 metric CS-21 related to information provided to customers during an outage has improved year-over-year due to increased communications during storms, including an information banner on the website during a storm and more detailed outage explanations when handling customer calls. PSEG Long Island is achieving targeted levels of the metric and is being managed to meet agreed-upon metrics and overall customer expectations.

The Decreased Call Center Performance risk emerged over the course of 2022 and has continued to experience challenges throughout 2024 with an increased number of calls being unanswered and wait times exceeding acceptable levels. When identified in 2022, this risk was the result of insufficient staffing, increased call volume and average handle time, and high shrinkage resulting in reduced efficiencies. Progress has been made with new hires and utilizing third-party resources, leadership and agent training, and performance management including return to office if customer service representative's metrics are not being met. However, there are still challenges in reducing call handle times. PSEG Long Island will miss the 2024 Call Center Service Level performance metrics in this area. While progress has been made in mitigating this risk, it is not being sufficiently managed to meet agreed-upon metrics and overall customer expectations. Conversely, if improvements continue to be realized, 2025 performance is expected to increase significantly.

### **Annual Review of the Policy**

As discussed above, the Policy was last updated in November 2021, where a working group of Trustees together with its consultant Leading Resources, Inc. provided substantial edits to the Policy to more fully reflect the Board's strategic direction in this area. As such, LIPA Staff has reviewed the Policy for this annual review and proposes no changes at this time.

### **Recommendation**

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

### **Attachments**

**Exhibit "A"** Resolution

**RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON CUSTOMER EXPERIENCE**

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**WHEREAS**, in July 2017, the Board originally adopted what was then known as the Customer Service Policy (the “Policy”) for the purpose of providing a framework to achieve a high level of customer service and satisfaction; and

**WHEREAS**, in 2021, the Policy was amended by the Board where the Board, among other substantial edits, renamed the Policy to the Board Policy on Customer Experience to more fully reflect the Board’s strategic direction in this area; and

**WHEREAS**, the Board’s last annual review of the Policy was in November 2022; and

**WHEREAS**, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with the Policy for the period since the last annual review and approves the annual report to the Board.

Dated: November 13, 2024



# Annual Report on Transmission and Distribution Operations

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**Presented by:** Billy Raley, Senior Vice President of Transmission & Distribution

November 13, 2024



# Discussion Topics

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 Board Policy on Transmission and Distribution Operations

 Policy Compliance and Overall Assessment

 Risk Management

# Board Policy on Transmission and Distribution Operations

It is LIPA's **Board Policy on Transmission and Distribution Operations** to:

- Provide **top decile reliability** among peer utilities as measured by system average duration, excluding major events.
- Improve circuit conditions that cause a customer to experience four or more sustained outages or six or momentary outages in any 12-month period.
- Utilize modern system design and technology to anticipate and minimize outages, monitor system condition, provide for preventative and predictive system maintenance, and facilitate the efficient and timely interconnection of renewable and distributed resources.
- Safeguard people and protect facilities and functions that support operations from unauthorized access or disruption through vulnerability assessments and risk mitigation.
- Mitigate the effects of climate change through multi-year programs that reduce the number and duration of outages after significant system disruptions.
- Assure timely and accurate communication to customers about outages and restoration times.
- Independently verify that emergency restoration plans are complete and tested.



# Policy Compliance & Overall Assessment

# Meeting the Board's Expectations for Reliability & Resiliency

## ✓ Provide Top Decile Reliability to Our Customers

- The 2023 System Average Interruption Duration Index (SAIDI) performance of 56.3 minutes falls within the top decile industry peer standard of 57.2 minutes.
- Performance for other major reliability indices falls within top decile (CAIDI) and top quartile (SAIFI).
- The 2024 reliability performance is slightly lagging 2023 performance due primarily to increased storm activity during the first half of the year. At present, the 2024 OSA targets for SAIDI, SAIFI and MAIFI are at risk of not being met.
- System average sustained and momentary frequency performance translates to a customer experiencing one sustained outage approximately every 18 months and one momentary outage every 8 months.

## ✓ Improve circuit conditions that cause a customer to experience four or more sustained outages or six or more momentary outages in any 12-month period

- Our focus on customers experiencing far more sustained outages than the system average has led to creating a metric that focuses on the customer outage experience; tracked in tiers of  $\geq 6$ ,  $\geq 8$ ,  $\geq 10$  and  $\geq 12$  outages within a single year. Currently, we have almost completely eliminated occurrences of customers experiencing  $\geq 10$  sustained outages in a year, while also reducing those with  $\geq 6$  to under 2,500 (0.2%) of all our customers.
- In 2023, approximately 4.4% of our customers experienced six or more momentary outages, a significant improvement from a level of nearly 10% when this became a Board policy objective and metric several years ago.



# Meeting the Board's Expectations for Reliability and Resiliency

- ✓ **Utilize Modern System Design and Technology to Anticipate and Minimize Outages, Monitor System Condition, Provide for Preventative and Predictive System Maintenance, and Facilitate the Efficient and Timely Interconnection of Renewable and Distributed Resources**
  - LIPA has required the development of a roadmap for an Enterprise Asset Management System (EAMS), including compliance with ISO 55001 asset management standards, to anticipate and minimize outages and provide the analytic tools and processes for modern preventative and predictive maintenance.
  - This effort includes a complete inventory of Transmission and Distribution assets beginning in June 2022 that continues at present. These initiatives, which include asset inventory, governance, and system implementation, were incorporated into the 2022, 2023, and 2024 performance metrics as part of a multi-year implementation effort.
- ✓ **Safeguarding Our Critical Assets**
  - As of year-end 2023, there was successful completion of all metric deliverables emanating from an independent third-party consultant Physical Security assessment completed in Q4 2022.
  - In Q4 2023, a multi-disciplinary working group consisting of LIPA and PSEG Long Island senior leadership and staff was created. The primary objective is to develop and execute a multi-year integrated plan to enhance physical security technology and measures at our facilities, prioritizing those facilities that are most critical to operations.

# Meeting the Board's Expectations for Reliability and Resiliency

## ✓ **Mitigate the Effects of Climate Change through Multi-Year Programs that Reduce the Number and Duration of Outages After Significant System Interruptions**

- In 2024, there are two storm hardening performance metrics that require the development and execution of a plan to automate switches that will minimize customer outages during a storm.
- There are three performance metrics in 2024 that target improved vegetation management, including improved cycle trim, utilizing an improved trimming technique of “circuit trim to sky” and preemptive hazardous tree identification and removal of hazard trees. PSEG Long Island partially met the 2023 performance target for hazard tree removal.
- Leveraging our public power status, since 2023 LIPA has been awarded \$472 million in mitigation grants to harden the system, allowing us to significantly increase and accelerate our storm hardening investments at low cost to our customers. Highlights of some pending and approved applications include grants totaling \$38.5 million to storm harden transmission road crossings, and two separate grants of \$5 million each to mitigate poles in disadvantaged communities in Nassau/Queens and Suffolk counties.

## ✓ **Enhance Estimated Time of Restoration (ETRs) Accuracy and Communications**

- The ETR process is being enhanced to provide more accuracy, allowing for customers to better plan for the outage duration. In 2023, efforts conducted through the ETR metric led to the selection and operationalization of three factors as drivers of ETR differentiation: device type, seasonality/month, and hour/shift that had the objective of improving ETR accuracy and the related customer outage and ETR experience. Since the time of operationalization in Q4 2023, overall ETR accuracy performance has improved by over 10% for our customers.

# Meeting the Board's Expectations for Reliability and Resiliency

## ✓ Independently Verify that Emergency Restoration Plans are Complete and Tested

- LIPA independently verified and validated PSEG Long Island's remediation of its outage management system implementation (see June 2023 report to the Board).
- Between December 2022 and May 2023, LIPA observed and made over 330 recommendations/comments to enhance PSEG Long Island's functional exercises related to emergency response in the event of a critical system failure. PSEG Long Island incorporated the recommendations/comments in Division scaled functional exercises in 2024 that were observed by LIPA and DPS.
- The 2022 Performance Metric IT-3 related to System Resiliency required PSEG Long Island to update and successfully exercise its disaster recovery and business continuity plans for all critical systems and processes. PSEG Long Island did not achieve this metric in 2022, and 2023. In 2024, the IT-3 metric is divided into IT-03 for business continuity and IT-10 for disaster recovery and LIPA hired an independent third-party consultant to conduct an overall assessment of the business continuity and disaster recovery program. The assessment report was provided to PSEG Long Island in the 3<sup>rd</sup> quarter of 2024 and provides recommendations and actions to be completed in 2024 and beyond.

# Risk Management

# Enterprise Risk Management

## There are two highly rated risks related to the T&D Operations Board Policy:

- A major event such as a severe storm damages infrastructure and results in widespread, long duration outages, equipment damages and safety issues
  - This is the most significant risk in the portfolio and is being mitigated through the execution of numerous reliability, vegetation management and storm hardening initiatives.
- Protection of critical assets such as substations and the control centers are compromised and could result in outages, equipment damages and safety issues
  - There is significant focus on safeguarding critical assets and managing this risk effectively, primarily through the creation of a multi-disciplinary working group that is focused on the execution of a multi-year integrated physical security plan.

# Enterprise Risk Management

**There are several risks related to asset management rated between medium and high that are related to the T&D Operations Board Policy.** These three risks are being monitored and opportunities for enhanced mitigation actions are being discussed.

- These risks represent the increasing number of aging assets with minimal inventory, and a continuing lack of accurate, historical data. This results in decision-making that may not support lifecycle optimization and appropriate scheduling of aging substation equipment.
- There is also an increasing risk that climate change may impact T&D facilities and a lack of a substantive cathodic program for underground transmission cables and fluid tanks.
- These risks are being mitigated by reviewing the scope of existing substation transformer and switchgear replacement programs, expanding the spare equipment program to account for aging assets, drafting detailed asset management plans for all T&D equipment classes, and reviewing the critical spares program to address increasing supply chain constraints for long lead time equipment.



# Questions?

**Billy Raley**

Senior Vice President  
Transmission & Distribution

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[lipower.org](http://lipower.org)



**FOR CONSIDERATION**

November 13, 2024

**TO:** The Board of Trustees

**FROM:** John Rhodes

**REQUEST:** Approval of the Annual Report on the Board’s Policy on Transmission and Distribution Operations

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**Requested Action**

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution: (i) approving the annual report on the Board’s Policy on Transmission and Distribution (“T&D”) Operations (the “Policy”); and (ii) finding that LIPA has complied with the Policy, which resolution is attached hereto as **Exhibit “A.”**

**Background**

By Resolution No. 1371, dated July 26, 2017, the Board originally adopted the Policy. The last annual review of the Policy was completed in June 2023, and the Board last amended the Policy in November 2021. The amendments to the Policy in November 2021 changed the name of the Policy from T&D System Reliability to T&D Operations.

The Policy now provides that: “LIPA’s vision for our transmission and distribution system is to achieve industry-leading reliability, improve resiliency by minimizing outages and reducing restoration times after significant system disruptions, and leverage modern system design and technology to provide value to all customers. The Policy also provides for an annual reporting requirement that “[t]he Chief Executive Officer, or his or her designee, will report annually to the Board on the key provisions of this Policy.”

**Compliance with the Policy**

LIPA Staff recommends that for the reasons set forth below, the Board find that LIPA has complied with the Policy since the last annual review. Compliance with each element of the Policy is discussed in detail below.

As set forth in the Policy, “[t]o achieve our vision for reliability, LIPA will”:

“provide top decile reliability (i.e., top 10% of peer utilities) as measured by system average outage duration, excluding major events.”

- LIPA has taken steps to improve reliability (as further discussed below) with the objective of maintaining the Board’s policy objective of top 10% reliability among peer utilities as measured by system average outage duration (i.e., the average outage minutes per customer



per year, excluding major weather events).

- PSEG Long Island’s 2023 performance for system average outage duration per customer was 56.3 minutes. Top decile was 57.2 minutes therefore, performance was within the top decile versus peer utilities.
- The 2024 PSEG Long Island performance metrics, which were the product of input from LIPA, PSEG Long Island, and the New York State Department of Public Service, set a system average outage duration target of 56.5 minutes (T&D-07), which is slightly more stringent than the top decile benchmark. The 2024 year-to-date performance is tracking approximately 2 minutes behind the 2023 year-end result due primarily to elevated storm activity over the first half of the year and is at risk to meet the year-end performance target.

“improve circuit conditions that cause a customer to experience four or more sustained outages or six or more momentary outages in any 12-month period.”

- The 2024 performance metrics include metrics for sustained multiple customer outages (“MCO”) (T&D-10) and multiple momentary customer outages (T&D-12). The metric for sustained MCOs was refined for 2024 to address four discrete levels of customer outages ranging from six to twelve or more outages, as measured over a rolling 12-month period. In 2023, PSEG Long Island successfully met the momentary MCO metric, but failed to meet the sustained MCO metric. In 2024, the sustained MCO metric is partially being met, however, the momentary MCO metric is behind target. While both metrics are at risk, they can still be successfully achieved by year-end.
- LIPA will continue to focus on improving MCO customer experience for those smaller groups of customers that have experienced outlier performance that is far worse than the overall system average. This will be addressed by focusing on improving performance for those customers that have experienced more than five sustained outages in a year. Similarly, LIPA will continue to focus on improving performance for those customers that have experienced six or more momentary outages in a year.
- Annual reliability programs are designed to improve circuit performance, including the Circuit Improvement Program (“CIP”), the Multiple Customer Outage Program (“MCO”), and the Multiple Device Operation Program (“MDO”).

“utilize modern system design and technology to anticipate and minimize outages, monitor system conditions, provide for preventative and predictive system maintenance, and facilitate the efficient and timely interconnection of renewable and distributed resources.”

- LIPA has required the development of a roadmap for an Enterprise Asset Management System (“EAMS”), including compliance with ISO 55001 asset management standards, to anticipate and minimize outages and provide the analytic tools and processes for modern preventative and predictive maintenance. This effort includes a complete inventory of Transmission and Distribution assets beginning in June 2022 that continues at present. These initiatives, which include asset inventory, governance, and system implementation, were incorporated into the 2022 and 2023, 2024 performance metrics as part of a multi-year implementation.

“safeguard people and protect facilities and functions that support operations from unauthorized

access or disruption through vulnerability assessments and risk mitigation.”

- LIPA engaged an independent third-party consultant to perform a security evaluation of its physical assets, with the objective of identifying vulnerabilities, determining risk, and developing findings and recommendations. That assessment was completed in November 2022. The findings from the assessment were developed into actionable deliverables under a Project Implementation Plan contained in a 2023 physical security performance metric (T&D-45). Those deliverables were successfully completed by the end of 2023.
- In late 2023, a multi-disciplinary working group consisting of LIPA and PSEG Long Island senior leadership and staff was created. The primary objective is to develop and execute on a multi-year integrated plan to enhance physical security measures at our facilities, prioritizing those facilities that are most critical to operations.

The Policy further provides that “[t]o achieve our vision for resiliency, LIPA will:”

“mitigate the effects of climate change through multi-year programs that reduce the number and duration of outages after significant system disruptions.”

- The 2024 performance metrics include two metrics (T&D-30 and T&D-31) related to storm hardening. The storm hardening metrics require the development and execution of a plan to automate switches that will minimize customer outages during a storm. There are two performance metrics (T&D-24 and T&D-26) that target improved vegetation management, including improved cycle trim, utilizing an improved trimming technique of “circuit trim to sky” and preemptive hazardous tree identification and removal of hazard trees. PSEG Long Island partially met the 2023 performance target for hazard tree removal.
- LIPA was awarded a storm hardening/mitigation grant in the 2<sup>nd</sup> quarter of 2023 for \$3.5 million to harden transmission road crossings. The New York State Division of Homeland Security and Emergency Services recommended that LIPA modify that application and in 2024, LIPA submitted its revision seeking an additional \$35 million. That application is in final review and LIPA expects approval prior to year-end 2024. A second application was awarded in 2023 for \$5 million to mitigate poles in disadvantaged communities in Nassau/Queens. In 2024, LIPA was awarded a separate award for \$5 million to mitigate poles in disadvantaged communities in Suffolk County and was also awarded \$430 million to harden 166 overhead circuits. Since late 2023, LIPA was awarded mitigation grants totaling \$472 to harden our system. These grants will allow LIPA to accelerate several hundred million dollars of storm hardening investment at low cost to customers and is a benefit of LIPA’s public power status. In 2024, LIPA submitted three grant applications under the United States Department of Energy’s Grid Resilience and Innovation Partnerships Program (GRIP). However, LIPA was recently notified that it was not selected for an award. LIPA will continue to pursue these competitive grant opportunities as they are made available.

“assure timely and accurate communication to customers about outages and restoration times.”

- LIPA is enhancing the Estimated Time of Restoration (“ETR”) process to provide more accuracy, allowing for customers to better plan for the outage duration. In 2023, efforts

conducted through the ETR metric (T&D-42) led to the selection and operationalization of three factors (device type, seasonality/month, and hour/shift) that had the objective of improving ETR accuracy and the related customer outage experience. Since the time of operationalization in the fourth quarter of 2023, overall ETR accuracy performance has improved by over 10% for our customers.

“independently verify that emergency restoration plans are complete and tested.”

- LIPA independently verified and validated PSEG Long Island’s remediation of its outage management system implementation (see June 2023 report to the Board).
- Between December 2022 and May 2023, LIPA observed and made over 330 recommendations/comments to enhance PSEG Long Island’s functional exercises related to emergency response in the event of a critical system failure. PSEG Long Island incorporated the recommendations/comments in Division scaled functional exercises in 2024 that were observed by LIPA and DPS. The 2022 Performance Metric IT-3 related to System Resiliency required PSEG Long Island to update and successfully exercise its disaster recovery and business continuity plans for all critical systems and processes. PSEG Long Island did not achieve this metric in 2022, and 2023. In 2024, the IT-3 Metric is divided into IT-03 for business continuity and IT-10 for disaster recovery and LIPA hired an external third-party consultant to conduct an overall assessment of the business continuity and disaster recovery program. The assessment report was provided to PSEG Long Island in the 3<sup>rd</sup> quarter of 2024 and provides recommendations and actions to be completed in 2024 and beyond.

### **Enterprise Risk Management Discussion**

The Board has adopted a policy on Enterprise Risk Management (“ERM”). Enterprise risks are brought to the Board’s attention throughout the year. There are three risks related to this Policy:

- a major event such as a severe storm damages the infrastructure and results in widespread, long duration outages, and negative public perception;
- protection of critical assets such as substations and the control centers are compromised and could result in outages, equipment damages and safety issues; and
- asset management risks including the increasing number of aging assets with minimal inventory, and a lack of accurate, historical data. This results in decision making that may not support lifecycle optimization and appropriate scheduling of aging substation equipment. There is also an increasing risk that climate change may impact T&D facilities and a lack of a substantive cathodic program for underground transmission cables and fluid tanks.

The major event risk is the highest rated risk in the PSEG Long Island portfolio. To mitigate this risk, LIPA and PSEG Long Island have implemented numerous reliability, vegetation management, and storm hardening initiatives, as further described above. LIPA has concerns about PSEG Long Island’s failure to previously meet certain metrics including vegetation management. This remains a risk that is not mitigated to the standards set in the performance metrics.

The protection of critical assets risk is also a highly rated risk. To mitigate this risk, there are

several substation security upgrade projects which are funded and underway. As mentioned above, a multi-disciplinary working group was created to develop and execute on a multi-year integrated plan to enhance physical security measures at our facilities, prioritizing facilities that are most critical to operations. While there are not any 2024 metrics for physical security, there is significant focus on safeguarding critical assets and managing this risk effectively.

The asset management risks are rated between medium and high. These risks are being mitigated through reviewing the scope of the existing substation transformer and switchgear replacement programs, expanding the spare equipment program to account for aging assets, drafting detailed asset management plans for all T&D equipment classes, and reviewing the critical spares program to address increasing supply chain constraints for long lead time equipment. There is one metric related to this risk, T&D-01 Asset Management Program Implementation. While progress is being made, there is concern this metric may not be achieved and is being monitored closely.

### **Annual Review of the Policy**

The Policy was last updated in November 2021, to reflect the Board’s strategic direction in this area. LIPA Staff has reviewed the Policy and proposes no changes at this time.

### **Recommendation**

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

### **Attachments**

### **Exhibit “A” Resolution**

**RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON TRANSMISSION & DISTRIBUTION OPERATIONS**

**WHEREAS**, the Board Policy on Transmission and Distribution (“T&D”) System Reliability was originally approved by the Board of Trustees by Resolution No. 1371, dated July 26, 2017; and

**WHEREAS**, the last annual review of the Policy was completed in June 2023; and

**WHEREAS**, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that the LIPA has complied with the T&D Operations Policy for the period since the last annual review and approves the annual report to the Board.

Dated: November 13, 2024



# Annual Report on Customer Value, Affordability, and Rate Design

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**Presented by:** Donna Mongiardo and William Wai

September 25, 2024



# Discussion Topics

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 Customer Value

 Affordability

 Rate Design

# Policy Priorities of the LIPA Board

- The **Board Policy on Customer Value, Affordability, and Rate Design** is to maintain competitive electric rates compared to other regional utilities while transitioning to a zero-carbon electric grid, achieving industry-leading reliability, resiliency, and customer experience, and meeting the energy needs of low-income customers.
- The **Policy for Rate Design** is to provide customers with fair electric rates that are as simple as possible and that include opportunities for customers to save money.

## Customer Value

- Prioritize investments
- Communicate the benefits and cost drivers of any rate increases to customers
- Maximize the value to customers of our not-for-profit public power business model

## Affordability

- Maintain competitive electric rates
- Aggressively manage costs
- Offer programs to low-income and disadvantaged customers

## Rate Design

- Simple and easy to understand
- Opportunities to save money
- Equitably allocate costs across and within customer classes
- Encourage conservation, the efficient use of energy resources, and the transition to a carbon-free economy
- Employ innovative electric rate design



# Customer Value



# Meeting the Board's Expectations for Customer Value

- ✓ **Prioritize investments to balance cost and service quality, as demonstrated in Strategic Roadmaps and Budgets**
  - Identified key initiatives in the Strategic Plan ([link](#)) approved by the Board in March 2023 to advance the Board's policy objectives for clean, reliable, affordable, customer-first energy over the next five years.
  - Identified key initiatives to achieve the Board's objectives in 2024 Work Plans ([link](#)), Performance Metrics ([link](#)), and Budgets ([link](#)).
- ✓ **Communicate the benefits and cost drivers of any rate increases**
  - The 2024 Budget ([link](#)) includes a plain English description of initiatives and cost drivers.
  - Published Fact Sheets in plain English about key initiatives (for example, [link](#)).
- ✓ **Maximize the value to customers of our not-for-profit public power business model...to reduce costs for customers**
  - Since 2011, was awarded \$2.4B in Federal grants (including \$426M mitigation awarded in early 2024).
  - Applied for \$123M of Department of Energy grants in 2023 (award announcements in late 2024).
  - Saved customers \$500+ million in lower financing cost (see next page) compared to New York's investor-owned utilities due to public ownership (access to tax-exempt bonds, exemption from dividends to shareholders, and corporate income taxes).

# Lower Cost of Capital for Public Power

LIPA’s cost of capital is **\$503M less** than what an investor-owned utility (IOU) would be allowed to charge for the same level of investment.

<b>Return on Equity:</b>	11.91% (IOU) minus 3.64% (LIPA)	LIPA saves <b>\$248M</b>
<b>Income Taxes @26.1%:</b>	3.11% (IOU) minus 0.00 (LIPA)	LIPA saves <b>\$149M</b>
<b>Cost of Debt:</b>	5.75% (IOU) minus 3.64% (LIPA)	LIPA saves <b>\$106M</b>
<b>Total Cost of Capital:</b>	\$866M (IOU) minus \$363M (LIPA)	LIPA saves <b>\$503M</b>

Estimates are based on the NY PSC-approved capital structure and approved rate of return for a regional IOU.





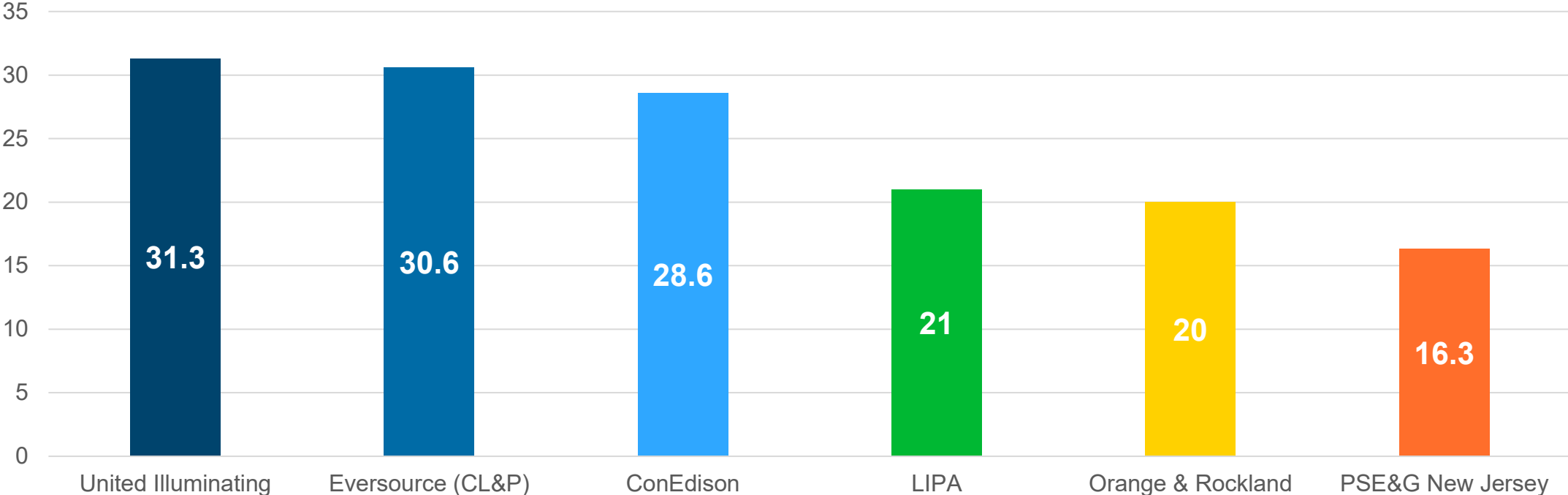
# Affordability



# Regionally Comparable Rates

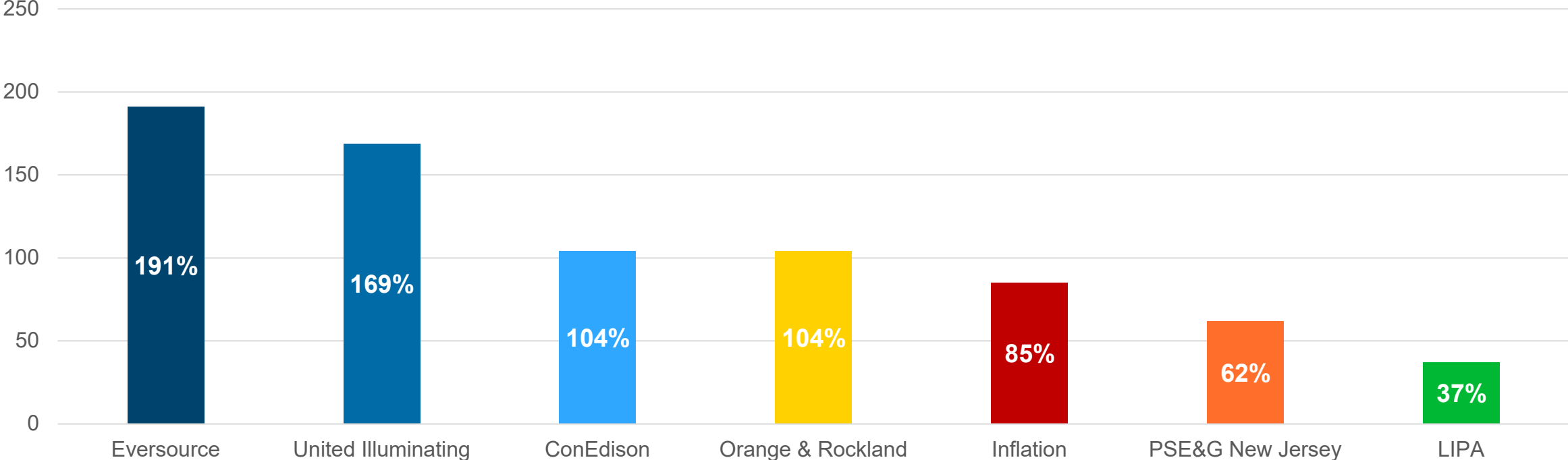
**Board Policy:** Maintain **competitive electric rates**, as compared to the system average rates of those regional electric utilities that most closely resemble the costs, electric supply, and policy goals of our service territory.

**2023 System Average Rates (Cents/kWh)**



# LIPA's rates increased slower than inflation

## Long-Term Increase in System Average Rates (1997-2023)



# Actions to Manage 2024 Rates

**Board Policy: Aggressively manage costs**, avoiding expenditures that do not advance our purpose.

Operating Lean	\$ Millions
LIPA Reform Act 2% Tax Cap	\$416
Discontinued investments in combined cycle plants	\$355
Refinancing existing debt & debt service savings	\$142
LIPA Reductions to PSEG Long Island O&M Budget Request	\$75
Power plant property tax savings	\$66
Renegotiating expiring power purchase agreements	\$64
Reduction to wholesale market and off-island transmission costs	\$57
Smart Meter savings	\$23
Investing in cost-effective energy efficiency	\$23
Operating savings, cost avoidance, and productivity	\$17
Power supply pension and retirement savings	\$8
Commodity hedging (based on current prices)	\$5
<b>Total</b>	<b>\$1,251 Million</b>

# Actions to **Manage Future Rates** in the Strategic Plan

- Establish a business process optimization practice.
- Maximize grants and low-cost funding sources.
- Minimize costs through securitization of debt and tax-exempt financing.
- Provide operating managers with financial reporting that drives sound business decisions and the best use of limited resources.
- Reduce LIPA's reliance on debt funding (financial deleveraging) to achieve upgrades in LIPA's credit ratings that will lower the cost of future borrowing.



# Assistance to Low-Income & Disadvantaged Customers

**Board Policy:** Offer programs to low-income and disadvantaged customers to maintain electric bills that are a reasonable percentage of household income.

- Provided an additional 9% in monthly bill discounts for low-income customers in 2024.
- Provided arrears forgiveness relief to low-income customers consistent with the Statewide Energy Affordability Program
  - Between 2022 and 2023, LIPA's Forgiveness Program provided its low-income customers approximately \$10 million of bill credits from state funds, and an additional \$56.2 million of bill credits funded by LIPA.
- Expanded the eligibility qualifications for the low-income rate discount program and extended the validity of program enrollment from 12 to 14 months.
- Automated the enrollment of customers in the low-income rate discount program who have received a HEAP and/or SNAP award from Social Services.
- Continues its participation in DPS's Energy Affordability Policy Working Group.
- Started bill credits for low-income customers who participate in the Solar Communities program.
- Compared with 2022, LIPA tripled its heat pump rebated for low-income customers to \$15.4 million in 2023, resulting a fivefold increase in the number of installations.

# Rate Design



# Creating Options that Reduce Bills and Manage Costs

**Board Policy:** Design electric rates that: are as simple and easy to understand as possible; provide customers with opportunities to save money; equitably allocate costs across and within customer classes; encourage conservation, the efficient use of energy resources, and the transition to a carbon-free economy; and employ innovative electric rate design based on industry trends and research, stakeholder feedback in statewide proceedings and LIPA-run collaboratives, and comments from the public.

- Developed and implemented modern Time-of-Day (TOD) rates for residential customers offering customers more opportunities to manage their bills and encouraging customers to reduce energy use during high-cost, high-carbon hours
  - Experimental Voluntary Time-of-Use (VTOU) rates were piloted as a precursor to the larger Time-of-Day rate program with 14,515 customers participating in 2023.
  - TOD rates became the standard rate offering for new residential services on January 1, 2024. Existing customers are being transitioned to the TOD rate through 2024 and 2025.
  - The TOD rate bill protection feature offers most residential customers a risk-free opportunity to try out the TOD rates.
- Implemented a modern 4-hour-peak voluntary time of use (VTOU) rate for medium commercial customers that offers more opportunities to save and helps reduce the peak load of the utility.
- Lowered the daily charge to the large commercial customers and shifted bill impacts to the demand charge to encourage more efficient use of the electric system.
- Brought the Community Choice Aggregation (CCA) Program up to statewide standards.
- Modified Dynamic Load Management (DLM) program to encourage participation.

# Questions?

**Donna Mongiardo**  
Chief Financial Officer  
**William Wai**  
Director of Rates

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[lipower.org](http://lipower.org)



## **FOR CONSIDERATION**

September 25, 2024

**TO:** The Board of Trustees

**FROM:** John Rhodes

**SUBJECT:** Consideration of Approval of the Annual Report on the Board Policy on Customer Value, Affordability, and Rate Design

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### **Requested Action**

The Board of Trustees (the Board) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution approving the annual report on the Board Policy on Customer Value, Affordability, and Rate Design (the “Policy”) for the period since the last annual review and finding that LIPA has complied with the Policy, which resolution is attached hereto as **Exhibit “A”**.

### **Background**

By Resolution No. 1318, dated September 21, 2016, the Board adopted the Policy. The purpose of the Policy is to set reasonable objectives for LIPA’s electric rates and rate design and to review LIPA’s electric rates relative to other similar regional utilities each year. The Board conducts an annual review of the Policy and considers as part of its review whether LIPA has remained in compliance with the Policy and whether any updates or revisions should be made to the Policy. The Policy was last reviewed and amended by the Board in May 2023.

### **Compliance with the Policy**

LIPA Staff has determined, for the reasons set forth below, that LIPA has remained in compliance with the objectives of the Policy for the period since the last annual review. The Policy provides that: “LIPA’s vision for customer value and affordability is to maintain competitive electric rates compared to other regional utilities while transitioning to a zero-carbon electric grid, achieving industry-leading reliability, resiliency, and customer experience, and meeting the energy needs of low-income customers. Our vision for rate design is to provide customers with fair electric rates that are as simple as possible and that include opportunities for customers to save money.”

“To achieve our vision for customer value, LIPA will”:

- “Prioritize investments for our customers to balance cost and service quality, as demonstrated in the Strategic Roadmaps and Budgets reviewed and approved by the Board.”
  - The Strategic Plan ([link](#)) approved by the Board in March 2023 identified key initiatives that will advance the Board’s policy objectives for clean, reliable, affordable, customer-first energy over the next five years.
  - The 2024 Work Plan ([link](#)) and Performance Metrics ([link](#)) identified actions and

level of performance needed to achieve the Board’s objectives.

- The 2024 Budget ([link](#)) identified \$1,251 million in projected savings from actions taken to operate lean, balance cost, and service to achieve the most out of every dollar.

Operating Lean	\$ Millions
LIPA Reform Act 2% Tax Cap	\$416
Discontinued investments in combined cycle plants	\$355
Refinancing existing debt & debt service savings	\$142
LIPA Reductions to PSEG Long Island 2024 O&M Budget Request	\$75
Power plant property tax savings	\$66
Renegotiating expiring power purchase agreements	\$64
Reduction to wholesale market and off-island transmission costs	\$57
Smart Meter savings	\$23
Investing in cost-effective energy efficiency	\$23
Operating savings, cost avoidance & productivity	\$17
Power supply pension and retirement savings	\$8
Commodity Hedging (based on current prices)	\$5
<b>TOTAL</b>	<b>\$1,251 MILLION</b>

- “Communicate the benefits and cost drivers of any rate increases to customers.”
  - The 2024 Budget ([link](#)) includes description of initiatives and cost drivers that provide maximum readability and understanding by the public. The budget proposal was summarized at LIPA’s public Board Meeting in November 2023, covered by the local media and was available for discussion at public comment hearings in both Nassau and Suffolk counties as required by the LIPA Act. Fact sheets were also provided on the LIPA website that communicated rate opportunities related to:
    - Residential Time of Day Rates.
    - COVID-19 Bill Credit (arrears forgiveness) Program.
    - Customer Benefit Contribution Charge.
    - Long Island Choice and Community Choice Aggregation.
  - Fact Sheets were also provided on topics of general interest including efforts to achieve LIPA’s goals for clean energy and manage costs.
  - All LIPA Fact Sheets can be found on the LIPA website at this [link](#).
  
- “Maximize the value to customers of our not-for-profit public power business model by using our tax-exempt cost of capital and eligibility for federal and state grants to reduce costs for customers.”
  - Since 2011, LIPA has been awarded approximately \$2.4 billion in Federal grants that reduced the financial impact of storms on customers and funded extensive capital improvements that increased the resiliency of LIPA’s electric grid. In addition, LIPA is waiting for the selection of its recent Department of Energy grants of approximately \$123 million and approval of its \$58 million

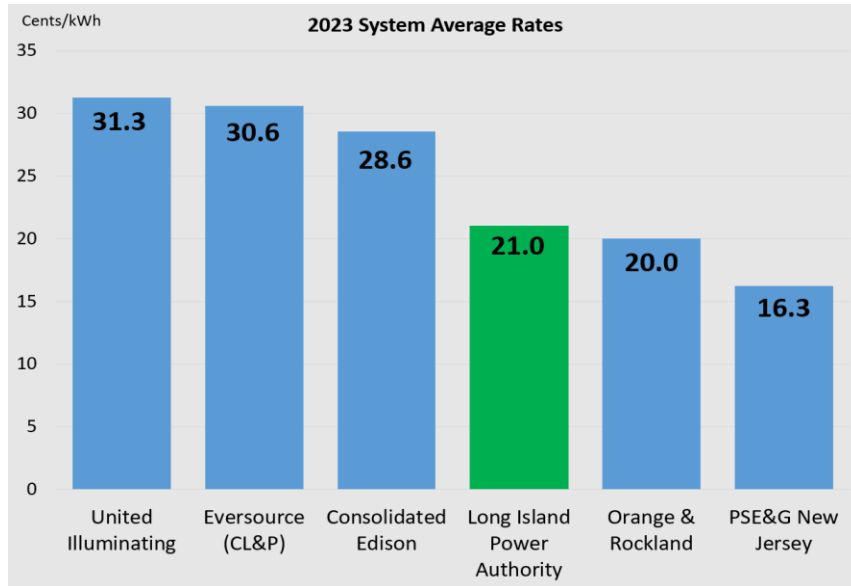


- FEMA grant.
- Customers continue to benefit from LIPA’s status as a public power authority with access to tax-exempt debt, exemption from Federal and State income taxes, and no requirement to earn profits or pay dividends to any shareholders. LIPA estimates that ongoing annual benefits are over \$500 million a year compared to investor-owned utilities regulated by the New York Public Service Commission (as shown in table below).

<b>Rate Base Summary</b>	<b>IOU</b>	<b>PSC</b>	<b>LIPA</b>	<b>LIPA</b>		
<b>2024 Approved Budget</b>	<b>Capital</b>	<b>Rate</b>	<b>Allowed</b>	<b>IOU</b>		
	<b>Structure</b>	<b>Base</b>	<b>Rate</b>	<b>Cost</b>		
Shareholder Equity	48.0%	\$4,795 M	8.80%	\$422 M	\$174 M	\$248 M
<u>Income Taxes at 26.1%</u>			<u>3.11%</u>	<u>\$149 M</u>	<u>\$0 M</u>	<u>\$149 M</u>
Shareholder Profit (pre-tax)	48.0%	\$4,795 M	<b>11.91%</b>	\$571 M	\$174 M	<b>\$397 M</b>
Long Term Debt	50.9%	\$5,085 M	5.75%	\$292 M	\$186 M	<b>\$106 M</b>
<u>Customer Deposits</u>	<u>1.1%</u>	<u>\$109 M</u>	<u>2.45%</u>	<u>\$3 M</u>	<u>\$3 M</u>	<u>\$0 M</u>
Total Interest Expense	52.0%	\$5,194 M	<b>5.68%</b>	\$295 M	\$189 M	<b>\$106 M</b>
<b>Total Cost of Capital</b>	<b>100.0%</b>	<b>\$9,989 M</b>	<b>8.67%</b>	<b>\$866 M</b>	<b>\$363 M</b>	<b>\$503 M</b>

To achieve our vision for affordability, LIPA will:

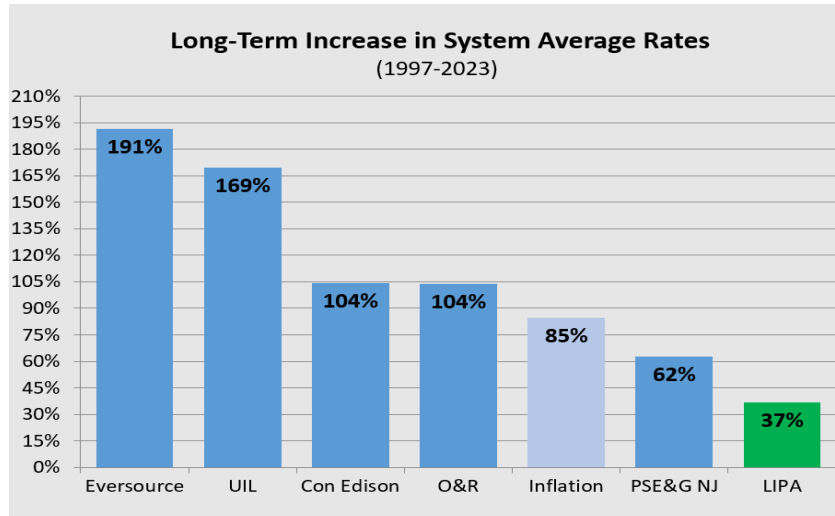
- “Maintain competitive electric rates, as compared to the system average rates of those regional electric utilities that most closely resemble the costs, electric supply, and policy goals of our service territory.”
  - In December 2023, the Board of Trustees adopted LIPA’s 2024 Budget, implementing an annual budget and rate update at the lowest level consistent with sound fiscal and operating practices, and within the statutory threshold provided in the Public Authorities Law.
  - The Board’s policy recognizes significant regional differences by benchmarking LIPA against five utilities surrounding its service territory rather than utilities in other regions. LIPA’s system’s average electric rate was 21.0 cents in 2023 which is 32.9% below the highest-priced regional utility. The system’s average electric rates of the regional utilities range from 16.3 to 31.3 cents per kWh as shown in the following figure:



*\*Regional differences: The New York City metro area has above-average labor, land, tax, and commodity costs and highly seasonal weather (i.e., electricity is used for cooling in the summer while other fuels are used for heating in the winter) causing the per kilowatt-hour electric rates to be above the national average which was 12.7 cents per kilowatt-hour in 2023 according to the U.S. Energy Information Agency. State-by-state averages include (i) Connecticut; 23.9 cents (ii) Massachusetts; 22.9 cents (iii) New York; 18.4 cents; Vermont; 17.6 cents (iv) New Jersey; 15.4 cents and, (v) Pennsylvania; 12.5 cents. Within New York, there is a significant difference in prevailing power prices as the upstate grid is primarily fueled by lower-cost hydro and nuclear power while downstate is primarily more costly fossil-fuel fired generation. The Board's policy recognizes these significant regional differences by benchmarking five utilities that surround the LIPA service territory rather than utilities in other regions.*

- If LIPA's payments in lieu of taxes (PILOTS) comprise 16% of its bills and are considerably higher than the national average of 6% of the bill. A lower PILOTS of 6% would have reduced LIPA's 2023 system average rate to 19.2 cents rather than 21 cents.
- LIPA's system average rates have been competitive on a long-term basis, having risen slower than most other regional utilities during LIPA's stewardship of the Long Island grid (see chart below). LIPA's rates increased 37% since LIPA took over the Long Island grid, compared to a range of 104% to 191% for the other utilities, as shown in the following figure. The consumer price index, a standard measure of inflation, increased 85% during this period.





- “Offer programs to low-income and disadvantaged customers to maintain electric bills that are a reasonable percentage of household income.”
  - In its 2024 budget, LIPA provided an additional 9% in monthly bill discounts for low-income customers.
  - LIPA provided arrears forgiveness relief to low-income customers consistent with the Statewide Energy Affordability Program (“EAP”).
    - Between 2022 and 2023, LIPA’s Forgiveness Program provided its low-income customers approximately \$10 million of bill credits from State funds, and an additional \$56.2 million of bill credits funded by LIPA.
  - LIPA expanded the eligibility qualifications for its low-income discount program and extended the validity of program enrollment from 12 to 14 months.
  - LIPA automated the enrollment of customers in the low-income rate discount program who have received a HEAP and/or SNAP award from Social Services.
  - LIPA continues its participation in DPS’s Energy Affordability Policy Working Group.
  - In early 2024, LIPA started bill credits to low- and moderate-income customers who participate in the Solar Communities program.
  - Compared with 2022, LIPA tripled its heat pump rebates for low-income customers to \$15.4 million in 2023, resulting in a fivefold increase in the number of installations.

To achieve our vision for rate design, LIPA will:

- “Design electric rates that: are as simple and easy to understand as possible; provide customers with opportunities to save money; equitably allocate costs across and within customer classes; and encourage conservation, the efficient use of energy resources, and the transition to a carbon-free economy.”
- “Employ innovative electric rate design based on industry trends and research, stakeholder feedback in statewide proceedings, LIPA-run collaboratives, and

comments from the public.”

- LIPA developed and implemented modern Time of Day (“TOD”) rates for residential customers that offer customers more opportunities to manage their bills and encourage customers to reduce their use of energy during high cost, high carbon hours.
  - As a precursor to the larger modern TOD, LIPA provided a voluntary pilot program beginning in 2022, called the Experimental Voluntary Time of Use (“VTOU”) Rates. Approximately 14,515 customers on average participated.
  - Since January 1, 2024, modern TOD rates have become the standard rate for residential service. Any new residential customers are automatically enrolled in TOD and must “opt-out” if want the flat rate.
  - Existing LIPA residential customers are being transitioned to the TOD rate through 2024 and 2025.
  - The TOD rate bill protection feature offers residential customers a risk-free opportunity by providing most customers with a one-year guarantee that if bills are higher than what would have been under their prior rates, the difference will be refunded.
- LIPA implemented modern VTOU rates for medium-sized commercial customers (with peak demand between 7 kW and 145 kW) that offer a 4-hour peak period (3pm – 7pm) on weekdays excluding holidays that gives larger customers more opportunities to manage their electric bills, saving them money and helping to reduce LIPA’s peak load.
- LIPA lowered the daily charge to the largest commercial customers and increased demand charges, to provide stronger pricing signal regarding the cost of peak load.
- LIPA improved the Community Choice Aggregation (“CCA”) program, bringing it up to Statewide standards consistent with the investor-owned utilities (“IOUs”).
- LIPA modified its Dynamic Load Management (“DLM”) program to encourage participation among residential customers with behind-the-meter battery storage system, enabling them to earn savings for lowering overall system costs.

### **Annual Review of the Policy**

LIPA Staff has reviewed the Policy and proposes no changes at this time.

### **Enterprise Risk Management Discussion**

The Board has adopted a Policy on Enterprise Risk Management (“ERM”). Enterprise risks are brought to the Board’s attention throughout the year. LIPA’s ERM program has identified two such risks related to the adequacy of rates and their related rate designs (tariffs). The risks are:

- *Insufficient rates/untimely rate relief may lead to inadequate system investments which compromises LIPA’s ability to achieve strategic priorities;*
- *Existing rate design may not reflect changing customer usage pattern/ expectations or provide pricing signals (i.e., TOD, location, and demand) resulting in customer cross subsidies or economic inefficiencies (i.e., less optimal use of the grid). The utility could fail*

*to achieve customer acceptance of new rate design.*

These risks are both rated as medium-level risks. LIPA mitigates the risk of insufficient rates through an extensive analysis of its cost structure each year and through the identification of new specific performance metrics in the Reformed Operating Service Agreement to monitor electric system performance relative to budgets on an ongoing basis. LIPA utilizes a decoupling mechanism, which helps to stabilize revenues with changing weather and economic patterns, and a delivery service adjustment to recover or refund to customers variances in unpredictable costs, such as storm costs. LIPA also maintains a Power Supply Hedging Program designed to reduce portions of fuel and purchased power price volatility.

Regarding the risk related to rate design, LIPA recently developed a TOD program and implemented it for a portion of its residential customers in 2024. The remaining residential customers are expected to migrate to the TOD rates in 2025. The program allows for customers to opt-out and provides most participants with a one-year guarantee that bills will not increase compared to their prior rate; with the difference refunded. Implementation of the TOD rate structure poses risks such as project execution and implementation, and the potential for negative customer reaction. To help mitigate these issues, extensive system testing is being conducted to timely resolve any vulnerabilities, and extensive customer outreach has been facilitated to educate and respond to concerns.

Based on the mitigation actions in place, staff believe both risks are being adequately managed.

### **Recommendation**

Based upon the foregoing, I recommend approval of the above-requested action by adoption of a resolution in the form attached hereto.

### **Attachments**

**Exhibit “A”** Resolution

**RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON CUSTOMER VALUE, AFFORDABILITY, AND RATE DESIGN**

**WHEREAS**, the Customer Value, Affordability, and Rate Design Policy (the Policy) was originally approved by the Board in September 2016; and

**WHEREAS**, the Policy was last reviewed and amended by the Board in May 2023; and

**WHEREAS**, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with the Policy for the period since the last annual review and approves the annual report to the Board.

Dated: September 25, 2024



# Annual Report on Fiscal Sustainability

**Presented by:** Donna Mongiardo, *Chief Financial Officer*

September 25, 2024



# Discussion Topics

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 Policy Priorities of the LIPA Board of Trustees

 Decrease LIPA Leverage and Cost of Capital

 Reporting

# Policy Priorities of the LIPA Board

LIPA's vision for fiscal sustainability is to meet the Board's policy goals to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA's assets and result in the lowest long-term cost to customers.

**To achieve our vision for fiscal sustainability, LIPA will:**

## **Decrease LIPA's leverage and cost of capital:**

- Achieving AA- category credit rating by reducing debt to asset ratio to 70% by 2030
- Maximize grants and low-cost funding sources
- Pre-fund long-term liabilities
- Maintain fixed obligation ratios of 1.40x on LIPA obligations
- Minimizing LIPA's need for coverage while maintaining fiscal sustainability by budgeting reasonable amounts and using reconciliation mechanisms for hard-to-predict cost categories

## **Maintain cash and available credit sufficient to fund business operations in emergencies:**

- \$100 million in the Operating Fund
- \$150 million in the Rate Stabilization Fund
- 150 days of operating expenses

## **Reporting:**

- Develop budgets and financial plans that maximize customer value and aggressively manage costs.
- Provide operating managers with financial reporting that drives sound business decisions and the best use of limited resources
- Provide LIPA's customers and investors with timely, transparent, accurate, and useful information to evaluate LIPA's financial performance and plans

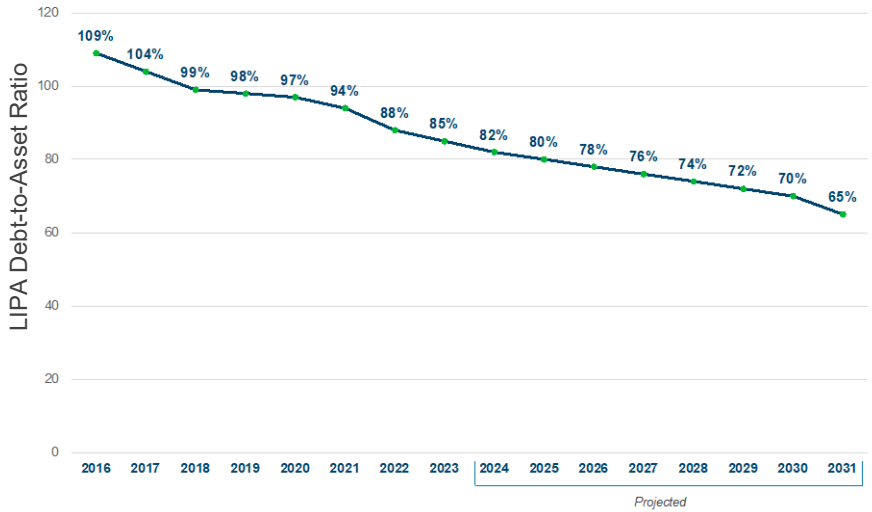
# Fiscal Sustainability – Reducing LIPA’s Debt-to-Assets ratio

- On July 19, Fitch Ratings upgraded LIPA’s Electric System General Revenue Bonds to 'A+' rating with a stable outlook, a significant improvement from the previous 'A' rating with a positive outlook.
- This upgrade is a result of LIPA’s enhanced financial performance and continued and steady achievement of its strategic objectives set by the Board of Trustees.
- The upgrade is attributed to LIPA’s improved leverage ratio, which has decreased over the past five years and is expected to further decline in future years – an improvement that is supported by strategic budgeting and higher fixed-obligation coverage.

LIPA’s rating upgrades demonstrate LIPA’s improving leverage ratio and LIPA’s budgets ensure the gradual consistent trend continues

Rating Agency	2013 Ratings (Outlook)	2024 Ratings (Outlook)
Standard and Poor’s	A- (Negative)	A (Stable)
Fitch Ratings	A- (Negative)	A+ (Stable)
Moody’s Investor Service	Baa1 (Negative)	A2 (Stable)

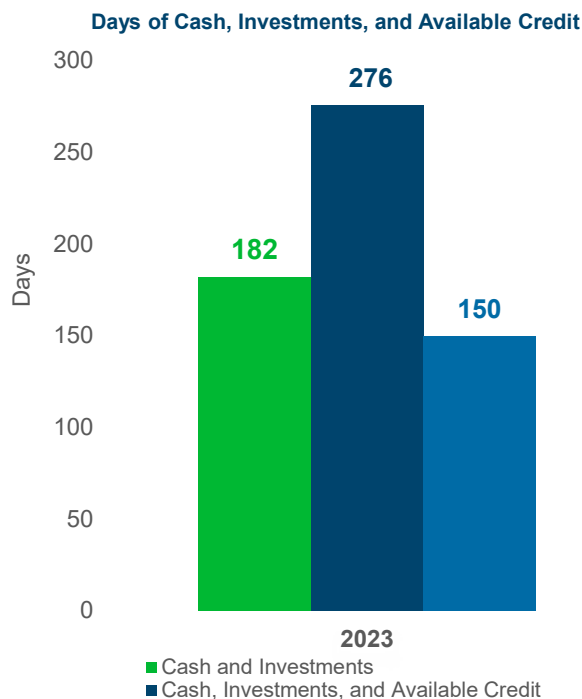
LIPA’s Deleveraging Successful Path



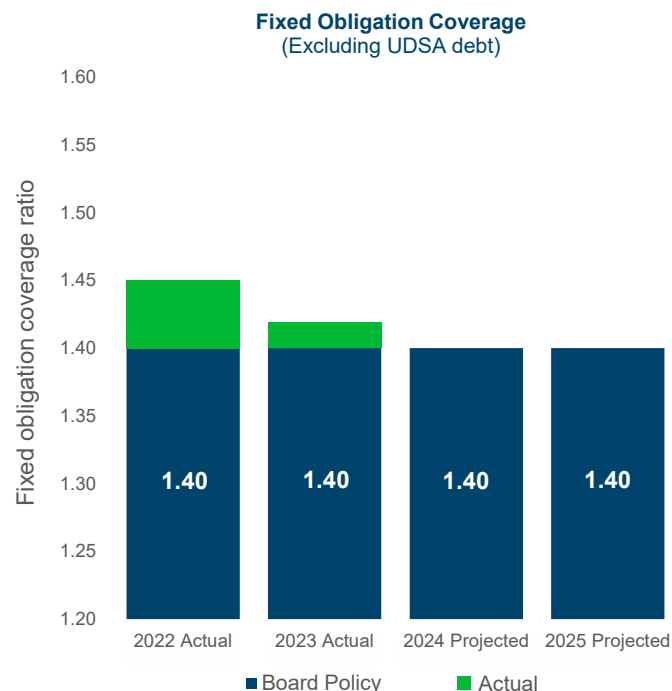


# 2023 Performance | LIPA's Fiscal Sustainability Policy Metric Updates

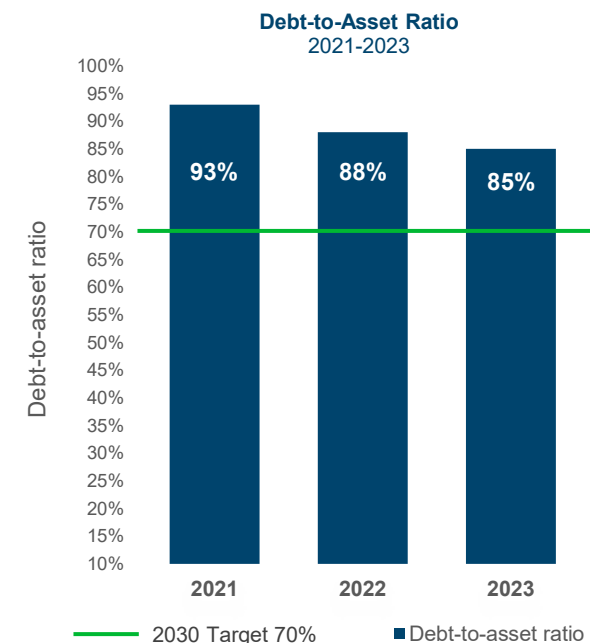
- LIPA's available sources of liquidity for operating purposes exceeded its policy of 150 days of operating expenses by achieving 276 days of available cash and credit as of YE 2023.



- LIPA has continuously succeeded at achieving or exceeding this target. LIPA's 2024 budget was approved by LIPA's Board to achieve such targets.



- LIPA seeks to decrease its leverage by reducing its debt-to-asset ratio to 70% or less by 2030. LIPA's debt-to-asset ratio has decreased from over 110% in 2015 to 85% as of 2023.



# Maximize Grants

LIPA’s status as a public power utility makes it eligible for federal grants which will reduce costs to customers by over **\$2.4 billion**.

\$ in millions

FEMA Declared Events	LIPA Costs	Federal Grants Awarded or Pending
Tropical Storm Irene (2011)	\$170	\$170
Superstorm Sandy (2012)	\$656	\$775
Sandy Mitigation	--	\$730
Winter Storm Nemo	\$17	\$11
Winter Storm Stella (2017)	\$14	\$4
Tropical Storm Isaias (2020) and Isaias Mitigation	\$309	\$277
	--	\$468
COVID-19 Pandemic and Mitigation (2020-2022)	\$26	\$16*
Tropical Storm Ida (2021)	\$9	\$7
Winter Storm Elliott (2022)	\$4	\$2*
<b>Total</b>	<b>\$1,205</b>	<b>\$2,460</b>

DOE GRIP Grant Pending Applications (50% cost share)	LIPA Potential Costs	Matching Federal Grants Pending
Substation Hardening and Automation Technology	\$59	\$59*
Residential Underground Distribution (Conduit Cable)	\$14	\$14*
Increasing Distributed Energy Resources (DER) Hosting Capacity	\$50	\$50*
<b>Total</b>	<b>\$123</b>	<b>\$123</b>

\*Applied for – LIPA waiting for FEMA/DOE decision



# Minimize costs through Utility Debt Securitization Authority (UDSA) bonds

- In 2023, the Utility Debt Securitization Authority, LIPA's component unit, issued \$698M in securitization bonds to refund LIPA and UDSA outstanding indebtedness generating net present value (NPV) savings of **\$45 million**.
- UDSA also issued \$136M in Green Bonds to support LIPA's resiliency investments.
- Since 2013, UDSA refinancings have saved LIPA customers **\$579 million** of NPV savings
- A total of \$6.3 billion of UDSA Restructuring Bonds have been issued with **\$1.7 billion** in remaining statutory capacity.

# Pre-fund Long-Term Liabilities

## December 31, 2023 Funding Status:

- \$18M was funded to the PSEG Long Island pension plan trust account; the trust had assets valued at \$433M compared to a benefit obligation of \$535 million.
- \$36M was funded to the LIPA OPEB Account to prefund the OPEB benefits of PSEG Long Island employees; the OPEB Account had assets valued at \$644M compared to a benefit obligation of \$514 million.
- \$1M was funded to the LIPA OPEB Trust for LIPA employees; the Trust had assets valued at \$29M compared to benefit obligations of \$28 million.
- \$0.3M was funded to the NMP2 Nuclear Decommissioning Trust Funds (NDTF); the NDTF had assets valued at \$178M compared to a liability of \$123 million.

**The funding levels have been reviewed by an actuarial services firm within the last two years.**

# Cash-on-Hand & Available Credit

- Cash on hand at the end of each month exceeded the target of \$100M in the Operating Fund and \$150M in the Rate Stabilization Fund. As of December 31, 2023, the Operating and Rate Stabilization funds totaled **\$15M and \$165M**, respectively.
- During 2023, cash on hand and available credit exceeded the target of at least 150 days available for operating expenses. As of December 31, 2023, **276 days** of operating expenses were available in cash and credit.

*(\$ amounts in thousands)*

	2023	Days Cash
<b>Operating liquidity</b>		
Unrestricted cash, cash equivalents, and investments	\$ 685,690	
OPEB Account cash, cash equivalents, and investments	643,733	
PSEG Long Island working capital requirements	320,709	
<b>Total operating liquidity</b>	<u>1,650,132</u>	<u>182</u>
<b>Available credit</b>		
General Revenue Notes – Revolving Credit Facility	200,000	
General Revenue Notes – Commercial Paper	655,000	
<b>Total available credit</b>	<u>855,000</u>	
<b>Total cash, cash equivalents, investments, and available credit</b>	<u>\$ 2,505,132</u>	<u>276</u>
<b>Restricted cash and cash equivalents</b>		
Clean Energy Compliance Fund	\$ 19,991	
Extraordinary working capital	250,000	
UDSA	114,951	
<b>Total restricted cash and cash equivalents</b>	<u>\$ 384,942</u>	

**LIPA continues to exceed its required 150 days cash and available credit on hand**



# Develop Budgets & Financial Plans that Maximize Customer Value and Aggressively Manage Costs

- LIPA’s 2024 Budget sets rates and charges to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA’s assets and result in the lowest long-term cost to customers. LIPA’s 2024 Budget was approved in December 2023.
- The 2024 Budget reflects, nearly **\$1.25 billion** of ongoing cost savings that equals 30 percent of electric bills, or about \$55 per month for a typical residential customer.

Operating Lean	\$ Millions
LIPA Reform Act 2% Tax Cap	\$416
Discontinued investments in combined cycle plants	\$355
Refinancing existing debt & debt service savings	\$142
LIPA Reductions to PSEG Long Island O&M Budget Request	\$75
Power plant property tax savings	\$66
Renegotiating expiring power purchase agreements	\$64
Reduction to wholesale market and off-island transmission costs	\$57
Smart Meter savings	\$23
Investing in cost-effective energy efficiency	\$23
Operating savings, cost avoidance, and productivity	\$17
Power supply pension and retirement savings	\$8
Commodity hedging (based on current prices)	\$5
<b>Total</b>	<b>\$1,251 Million</b>

# Minimizing LIPA's Need for Coverage

**Maintaining fiscal sustainability by budgeting reasonable amounts and using reconciliation mechanisms for hard-to-predict costs to minimize LIPA's need for coverage.**

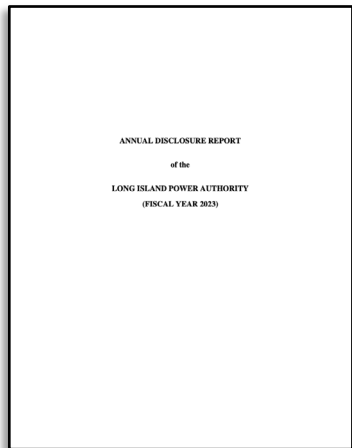
## **Cost Recovery Mechanisms Greatly Reduce Financial Volatility**

- LIPA rate mechanisms address exposure to revenue and expense variation:
  - **Revenue Decoupling Mechanism:** Collects or refunds to customers any revenue variances – resets annually - LIPA's residential and commercial customers 2024 rates included approximately \$0.50M and \$27M, respectively, for 2023 differences.
  - **Power Supply Cost Recovery Mechanism:** Charge resets monthly to reflect actual costs
  - **Delivery Service Adjustment:** Collects or refunds any difference between amounts set in the Budget (revenue requirement) and actual costs incurred – resets annually - LIPA's 2024 rates included approximately \$12 million for the 2023 under recovery.
  - **Storm** – LIPA has approximately \$38M in reserve for use against future storms.

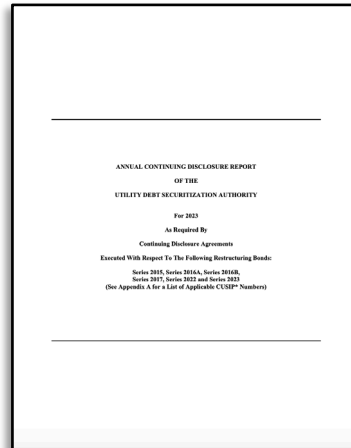
# LIPA's Annual Budget, Annual Disclosure, and Financial Reporting

## All Available on LIPA's Website:

- The 2023 Annual Disclosure Reports and Audited Financial Statements, for LIPA and the Utility Debt Securitization Authority (UDSA) were issued in 2024.
- The 2024 Budget was approved on December 13, 2023.
- LIPA's 5-year Strategic Roadmap was approved in March 2023.
- Annual Work Plans and Annual Performance Metrics.
- Fact sheets and videos on topics of significant interest.



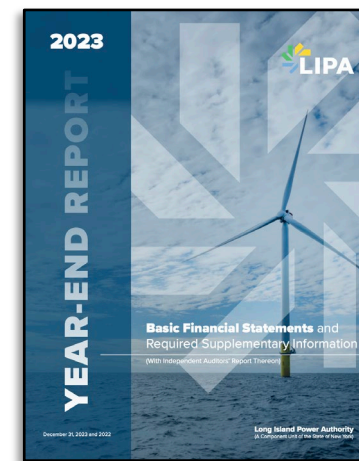
[LIPA Annual Disclosure Report](#)



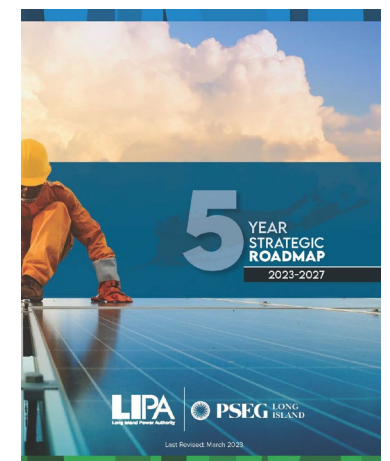
[UDSA Annual Disclosure Report](#)



[LIPA's 2024 Annual Budget](#)



[LIPA's 2023 Audited Financial Statements](#)



[5-Year Strategic Roadmap](#)



# Fiscal Sustainability Policy Annual Compliance

- ✓ LIPA's Board has a fiscal sustainability policy that targets reducing its debt-to-asset ratio to **70% by 2030 and maintaining at least 1.40x fixed obligation coverage**

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- ✓ Maximize grants and low-cost funding sources (FEMA and DOE opportunities)

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- ✓ Minimize costs through UDSA bonds

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- ✓ Pre-funding long-term liabilities – OPEB Account, Pension, and Nuclear Decommissioning Trust

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- ✓ Sound budgeting practices and use of reconciliation mechanisms

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- ✓ Maintain cash-on-hand and available credit at 150 days of operating expenses (\$100M in Operating Fund; \$150M in Rate Stabilization Fund)

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# Policy Amendment

- LIPA recommends a minor amendment to adjust for the inclusion in the fixed obligation coverage ratio to include payments related to Subscription-based Information Technology Arrangements (SBITA).
- During 2023, LIPA implemented Governmental Accounting Standards Board (GASB) Statement No. 96, and similar to GASB Statement No. 87, Leases, SBITA payments are considered a **form of debt** and therefore, will be **included** in the budget as fixed obligation costs.

# Questions?

**Donna Mongiardo**  
*Chief Financial Officer*

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[lipower.org](http://lipower.org)



## **FOR CONSIDERATION**

September 25, 2024

**TO:** The Board of Trustees

**FROM:** John Rhodes

**SUBJECT:** Approval of the Annual Report and Amendments on the Board Policy on Fiscal Sustainability

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### **Requested Action**

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution finding that LIPA has complied with the Board Policy on Fiscal Sustainability (the “Policy”), approving the annual report for the Policy, and approving certain amendments to the Policy, which resolution is attached as **Exhibit “A.”**

### **Background**

In September 2016, the Board adopted the Policy, previously known as the Board Policy on Debt and Access to the Credit Markets, with the purpose of serving the long-term interests of LIPA’s customers by adopting sound financial plans each year. Sound financial plans ensure ready access to borrowing on reasonable terms necessary to fund the infrastructure investments that maintain the reliability and resiliency of the Long Island electric system. Such financial plans contemplate prudent levels of borrowing that will accommodate efficient access to the capital markets and thereby minimize the long-term cost of providing electric service to LIPA’s customer-owners. The last annual report to the Board was presented in May 2023.

### **Compliance with the Policy**

LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the Policy for the period since the last annual review. The Policy provides that “LIPA’s vision for fiscal sustainability is to meet the Board’s policy goals to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA’s assets and result in the lowest long-term cost to customers. To achieve our vision for fiscal sustainability, LIPA will:

“Decrease LIPA’s leverage and cost of capital by:”

- “Achieving AA-category credit ratings via reducing LIPA’s debt-to-assets ratio from 92 percent to 70 percent or less by 2030.”
  - In 2024, LIPA was upgraded by Fitch Ratings (Fitch) to A+. Moody’s and S&P Global reaffirmed their ratings at A2 and A, respectively.
  - LIPA’s debt-to-asset ratio has decreased from over 110% as of the end of 2015 to 85% as of the end of 2023. LIPA included its methodology of calculation in the audited financial statements to ensure consistency and accuracy. By limiting new borrowing while paying down existing debt and fixed obligations (i.e., leases),

LIPA remains on path to achieve the Board’s stated objective of a debt-to-asset ratio of 70 percent or less by 2030.

- “maximizing grants and low-cost funding sources; minimizing costs through securitization of debt and tax-exempt financing.”
  - LIPA’s 2021 application to FEMA, totaling \$426 million, seeking a Section 406 Mitigation grant under the Tropical Storm Isaias disaster to continue storm hardening primary sections of the T&D system was approved by FEMA in July 2024.
  - Also, under FEMA Section 404 Mitigation grant opportunities resulting from Tropical Storm Isaias, LIPA was awarded a grant to fund a \$3.5 million project to harden three transmission crossings. Subsequently, LIPA amended the request seeking an additional \$35 million to harden 14 additional crossings. This application is waiting FEMA final review.
  - FEMA has also obligated approximately \$6.6 million related to COVID-19 reimbursements. LIPA awaits the final timing of such funding.
  - Under FEMA Section 404 Mitigation grant opportunities resulting from COVID-19, LIPA was awarded two \$5 million grants to replace defective poles in low-to-moderate income communities within LIPA’s service territory.
  - LIPA submitted to the Department of Energy (“DOE”) three grant proposals totaling \$122.5 million to support T&D investments to enhance interconnection capacity for Distributed Energy Resources, enhance LIPA’s underground cable program and modernize certain substations located in disadvantaged communities. LIPA submitted grant applications in April 2024 and awaits final decision in late 2024.
  - In 2023, the Utility Debt Securitization Authority (“UDSA”), LIPA’s component unit, issued \$698 million in securitization bonds to refund LIPA and UDSA outstanding indebtedness generating net present value savings of \$45 million. UDSA also issued \$136 million in Green Bonds to support LIPA’s resiliency investments. Since 2013, UDSA refinancings have saved LIPA customers \$579 million of net present value debt savings. A total of \$6.3 billion of UDSA Restructuring Bonds have been issued with \$1.7 billion in remaining statutory capacity.
- “pre-funding long-term liabilities on an actuarially sound basis including (1) pension costs, (2) Other Post-Employment Benefits (“OPEBs”); and (3) the Nuclear Decommissioning Trust Fund.”
  - During 2023, based on an actuarial services estimate, LIPA funded \$18 million to the PSEG Long Island pension plan trust account. As of December 31, 2023, the PSEG Long Island pension plan trust account had assets valued at \$433 million compared to a benefit obligation of \$535 million.
  - LIPA funded \$36 million to the LIPA OPEB account in 2023. LIPA’s OPEB account, to prefund the OPEB benefits of PSEG Long Island employees, had assets valued at \$644 million compared to a benefit obligation of \$514 million. The funding levels have been reviewed by an actuarial services firm within the last two years.

- The LIPA OPEB Trust for LIPA employees had assets valued at \$29 million compared to benefit obligations of \$28 million.
- The NMP2 Nuclear Decommissioning Trust Funds (“NDTF”) had assets valued at \$178 million compared to a liability of \$123 million. LIPA funded \$0.3 million to the NDTF in 2023. The NDTF funding levels have been reviewed by an actuarial services firm within the last two years.
- “maintaining fixed-obligation coverage ratios of no less than 1.40x on LIPA-issued debt and lease payments, and 1.20x on the combination of LIPA-issued debt, UDSA-issued debt, and lease payments.”
  - For the period ended December 31, 2023, LIPA achieved coverage ratios of 1.41x for LIPA-issued debt and lease payments and 1.24x for LIPA and UDSA-issued debt and lease payments.
  - The 2024 Budget is set to meet a 1.40x fixed-obligation coverage ratio.
- “minimizing LIPA’s need for coverage while maintaining fiscal sustainability by budgeting reasonable amounts and using reconciliation mechanisms for hard-to-predict cost categories (e.g. storms).”
  - LIPA’s Revenue Decoupling Mechanism (“RDM”) ensures that only LIPA’s Board-approved budgeted revenues for delivery service are collected from customers in each customer class by comparing actual revenues with authorized revenues. The RDM credits (or collects) any differences to (or from) customers in the following year. LIPA’s residential and commercial customers 2024 rates included approximately \$0.50 million and \$27 million, respectively, for 2023 differences.
  - LIPA’s Delivery Service Adjustment (“DSA”) provides cost recovery or refunding of overcollection for certain items that vary due to external factors, including debt service, storm restoration expenditures, non-storm emergency costs, bad debt expense, and PSEG Long Island pension and OPEBs. LIPA’s 2024 rates included approximately \$12 million for the 2023 under recovery.
- “Maintain cash on hand and available credit sufficient to fund business operations in emergencies, as measured by month-end balances of at least: (i) \$100 million in the Operating Fund and \$150 million in the Rate Stabilization Fund, and (ii) 150 days of operating expenses.”
  - Cash on hand at the end of each month exceeded the target of \$100 million in the Operating Fund and \$150 million in the Rate Stabilization Fund. As of December 31, 2023, the Operating and Rate Stabilization funds totaled \$156 million and \$165 million, respectively.
  - During 2023, cash on hand and available credit exceeded the target of at least 150 days available for operating expenses. As of December 31, 2023, 276 days of operating expenses were available in cash and credit.
- “Develop budgets and financial plans that maximize customer value and aggressively manage costs.”

- LIPA’s 2024 Budget sets rates and charges to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA’s assets and result in the lowest long-term cost to customers. LIPA’s 2024 Budget was approved in December 2023.
- The 2024 Budget reflects nearly \$1.25 billion of ongoing cost savings that equals 30 percent of electric bills, or about \$55 per month for a typical residential customer. These savings include:

	(in \$millions)
LIPA Reform Act 2% Tax Cap	\$416
Discontinued Investments in Combined Cycle Plants	\$355
Refinancing Existing Debt and Debt Service Savings	\$142
LIPA Reductions to PSEG Long Island 2024 O&M Budget Request	\$75
Power Plant Property Tax Savings	\$66
Renegotiating Expiring Power Purchase Agreements	\$64
Reduction to Wholesale Market and Off-Island Transmission Costs	\$57
Smart Meter Savings	\$23
Investing in Cost-Effective Energy Efficiency	\$23
Operating Savings, Cost Avoidance, and Productivity	\$17
Power Supply Pension and Retirement Savings	\$8
Commodity Hedging (Based on Current Prices)	\$5
<b>Total (in \$ millions)</b>	<b>\$1,251.0</b>

- “Provide operating managers with financial reporting that drives sound business decisions and the best use of limited resources.”
  - LIPA’s financial reporting managers provide analysis of budgeted costs versus actual spending to LIPA’s operating departments to aid in their analysis of PSEG Long Island’s resource management. Significant variations are identified and investigated timely.
  - Pursuant to the Strategic Roadmap ([link](#)) approved by the Board in March 2023, LIPA will continue to enhance budgeting and reporting by seeking to strengthen Capital Project Estimating processes and approval; enhancing both LIPA and PSEG Long Island’s financial analysis and fiscal management capabilities; and establishing integrated operational and financial performance reporting framework, among other items.
- “Provide LIPA’s customers and investors with timely, transparent, accurate, and useful information to evaluate LIPA’s financial performance and plans.”
  - LIPA’s 2024 Budget ([link](#)) was approved by LIPA’s Board on December 13, 2023,

- and made available on LIPA’s website.
- LIPA’s annual audited Financial Statements ([link](#)) were approved by LIPA’s Board on March 27, 2024, and made available on LIPA’s website and the Electronic Municipal Market Access (“EMMA”) platform for bondholders.
  - LIPA undertakes substantial reporting obligations to make available its plans and evaluate its performance relative to plan, including the Strategic Plan ([link](#)), Work Plans ([link](#)), and Performance Metrics ([link](#)), among other items.
  - LIPA maintains Fact Sheets and videos on topics of significant interest to the public (e.g. Time of Day Rates ([link](#)), the clean energy transition ([link](#))) to explain the topics in plain English.
  - LIPA’s Transparency Plan ([link](#)) summarizes other initiatives to make its operations and decisions transparent to customers, investors, and stakeholders.

### **Enterprise Risk Management Discussion**

The Board has adopted a Policy on Enterprise Risk Management (“ERM”). Enterprise risks are brought to the Board’s attention throughout the year. One such enterprise risk is related to liquidity. Specifically, the risk identified is, “Insufficient rates/untimely rate relief leads to inadequate system investments which compromises LIPA's ability to achieve strategic priorities.”

This risk is rated as a medium-level risk and is mitigated by LIPA’s ability to access capital markets, borrow from rate stabilization funds, a revolving line of credit, and/or in the commercial paper market. In July 2024, Fitch upgraded LIPA’s credit rating to an A+ and LIPA has also maintained a strong rating with both S&P and Moody’s helping LIPA to further mitigate this risk by providing confidence in LIPA’s ability to access capital markets.

Based on the credit ratings and ability to access capital markets, we believe this risk is being adequately managed. LIPA’s liquidity remains strong, well above the 150-day minimum required by the Policy as noted above.

### **Annual Review of the Policy**

LIPA Staff has reviewed the Policy and recommends a minor amendment to adjust for the inclusion in the fixed obligation coverage ratio to include payments related to Subscription-based Information Technology Arrangements (“SBITA”). During 2023, LIPA implemented Governmental Accounting Standards Board (“GASB”) Statement No. 96, and similar to GASB Statement No. 87, Leases, SBITA payments are considered a form of debt and therefore, will be included in the budget as fixed obligation costs.

### **Recommendation**

Based upon the foregoing, I recommend approval of the above-requested action by the adoption of a resolution in the form attached hereto.

#### Attachments

**Exhibit “A”** Resolution

**Exhibit “B”** Policy (redline)



**RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS ON THE BOARD OF TRUSTEES ON THE BOARD POLICY ON FISCAL SUSTAINABILITY**

**WHEREAS**, the Board Policy on Fiscal Sustainability (the “Policy”), previously known as the Debt and Access to the Credit Markets, was originally approved by the Board of Trustees by Resolution No. 1319, dated September 21, 2016; and

**WHEREAS**, the last annual report to the Board was presented in May 2023; and

**WHEREAS**, the Finance and Audit Committee of the Board has recommended approval of the annual report and amendments to the policy; and

**WHEREAS**, Board has conducted an annual review of the Policy and affirms that the Policy has been complied with and finds that the amendments proposed are due and proper.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board; and

**BE IT FURTHER RESOLVED**, that consistent with the accompanying memorandum, the Board hereby adopts the amendments to the Policy as reflected in **Exhibit “B.”**

Dated: September 25, 2024

Board Policy: **Fiscal Sustainability**

Policy Type: **Strategic Direction**

Monitored by: **Finance and Audit Committee**

Board Resolution: **#1319, approved September 21, 2016**  
**#1354, amended March 29, 2017**  
**#1473, amended March 20, 2019**  
**#1498, amended December 18, 2019**  
**#1579, amended December 16, 2020**  
**#1745, amended September 28, 2022**  
**#XXXX, amended September 25, 2024**



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LIPA’s vision for **fiscal sustainability** is to meet the Board’s policy goals to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA’s assets and result in the lowest long-term cost to customers.

To achieve our vision for fiscal sustainability, LIPA will:

- Decrease LIPA’s leverage and cost of capital by:
  - Achieving AA-category credit ratings via reducing LIPA’s debt-to-assets ratio from 92 percent to 70 percent or less by 2030.
  - Maximizing grants and low-cost funding sources.
  - Minimizing costs through securitization of debt and tax-exempt financing.
  - Pre-funding long-term liabilities on an actuarially sound basis including (1) pension costs, (2) Other Post-Employment Benefits (“OPEBs”)<sup>1</sup>; and (3) the Nuclear Decommissioning Trust Fund.
  - Maintaining fixed-obligation coverage ratios of no less than 1.40x on LIPA-issued debt and lease payments; and 1.20x on the combination of LIPA-issued debt, UDSA-issued debt, and lease [and subscription-based information technology arrangement \(SBITA\)](#) payments.
  - Minimizing LIPA’s need for coverage while maintaining fiscal sustainability by budgeting reasonable amounts and using reconciliation mechanisms for hard-to-predict cost categories (e.g. storms).
  
- Maintain cash-on-hand and available credit sufficient to fund business operations in emergencies, as measured by month-end balances of at least:
  - \$100 million in the Operating Fund and \$150 million in the Rate Stabilization Fund.
  - 150 days of operating expenses.

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<sup>1</sup> Service Provider OPEBs will be funded to a dedicated OPEB Account. After notifying the Finance and Audit Committee, LIPA’s Chief Executive Officer or Chief Financial Officer are authorized to withdraw funds from the OPEB Account if there are insufficient revenues to pay reasonable and necessary Operating Expenses or to make payments on bonds or parity obligations. The OPEB Account is therefore deemed available to make such payments, acting as a reserve fund. Any withdrawals for such purposes will be repaid within twelve months.

- Develop budgets and financial plans that maximize customer value and aggressively manage costs.
- Provide operating managers with financial reporting that drives sound business decisions and the best use of limited resources.
- Provide LIPA's customers and investors with timely, transparent, accurate, and useful information to evaluate LIPA's financial performance and plans.

The Chief Executive Officer shall report annually to the Board on compliance with the key provisions of this Policy.



# **Economic Development Annual Update**

## **F&A Committee Presentation**

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September 28, 2022

# AGENDA

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## Report on 2021 economic development activities

- Large business programs
- Small business programs
  - Vacant Space Revival
  - Main Street Revitalization
- Outdoor commerce support during COVID-19 pandemic

# Large Business Programs

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## Business Development Rate

- 5-year bill credit program for new or expanding Long Island businesses
- 2021: 18 customers, \$410,000 in discounts

## Excelsior Jobs Program

- Statewide program providing utility rate discounts and tax credits to incentivize job creation, retention, and local investment
- On Long Island, over 6,200 jobs retained or added, with \$150 million in capital investment (since inception)
- 116 Long Island projects accepted in the program
- 2021: \$700,000 in discounts paid to 20 NYS-certified accounts

## Recharge New York

- Energy commodity program with lower-cost hydro and market energy provided by NYPA, with LIPA as the delivery agent
- 317 LIPA customers participate in this program, with over 71,800 jobs created or retained, with \$2.9 billion in capital investment (since inception)

# Small Business Program: Vacant Space Revival

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**Purpose:** Helping local business districts fill vacant commercial spaces

## Program Goals

- Drive economic growth and jobs in local business communities
- Create electric revenue from existing infrastructure assets

## Incentives

- Subsidizes first-year electricity costs for new businesses
- Rate 280 credits up to \$1,500
- Rate 281 credits up to \$10,000

## Participation

- 2019 – 35 customers & \$62,951 incentives
- 2020\* – 16 customers & \$55,536 incentives
- 2021\* -- 24 customers & \$16,500 of incentives

\*Program not promoted during COVID-19 shutdown

# Small Business Program: Main Street Revitalization

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**Purpose:** Revitalizing under-utilized business districts

## Program Goals

- Support local communities and small businesses
- Optimize the existing electric infrastructure
- Create jobs and leverage capital investment

## Incentives

- Up to \$100,000 grant with match, up to \$25,000 without match
- Projects with greater economic benefits to the community earn higher incentives

## Accomplishments To Date

- 38 projects supported and 14 additional in progress
- Projects have provided \$137 million in direct investment and created over 650 jobs
- Total LIPA-funded grants of \$921,000 awarded since 2018



# Support for Outdoor Commerce During COVID-19 Shutdowns

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## **2020 / 2021: Main Street Revitalization Outdoor Commerce Grants**

- Grants to enable & enhance outdoor commerce
- 29 individual grants provided to date, totaling \$137,000

## **2021: Chamber of Commerce Beautification Grants**

- Grants for landscaping and beautification to support outdoor commerce
- 11 individual grants provided to date
- Increased incentives in 2022 from \$2,000 to \$3,500

**Questions?**

# Appendix

## Video Promotions

<https://www.youtube.com/watch?v=w9haDILpms&feature=youtu.be>



<https://vimeo.com/698275725>



# Appendix

## Print Promotions



**Business discounts**

Small businesses fill a major role in the local economy. Now they're filling more empty storefronts in our downtown areas with help from our Vacant Space Program.

You may qualify for electric bill discounts of up to \$10,000 when taking over a commercial space that's been vacant for a year or more. If you own a property, you may apply on behalf of a future tenant.




Visit PSEGLNY.com/business to learn more or call our Business Solutions Center at 1-800-966-4819 to speak with one of our Economic Development specialists.

©2021 PSEG



**PSEG Long Island**  
May 10 · 🌐

Hey, did you see our shout out to small business? We're celebrating the contributions small, local businesses make to our economy and our communities. Our Small Business First, Outdoor Spaces and Main Street Revitalization programs have created jobs, kept restaurants open and have made businesses more energy efficient throughout all of Long Island!  
<http://spr.ly/6182y6URY>



**Lindenhurst's Sand City Brewing Gets Grant For Reviving Main St.**

The brewing received \$25,000 from PSEG Long Island for reusing vacant retail space in a downtown area.

**Jacqueline Sweet, Patch Staff**  
Posted Wed, Jul 21, 2021 at 10:17 am ET | Updated Wed, Jul 21, 2021 at 10:19 am ET

Like 234 Share

Replies (4)



**PSEG LONG ISLAND**  
We make things work for you. Date: May 25, 2021

Pay to the order of **SAND CITY BREWING CO.** \$25,000.00

Twenty-five thousand and 00/100 Dollars

Michael Main Street Revitalization Grant *Jacqueline Sweet*



**PSEG Long Island**  
July 6 at 12:30 PM · 🌐

As COVID-19 changed our lives, our commitment to communities remained unwavering. Our Economic Development and Energy Efficiency teams created new programs to support small businesses across Long Island, like Sand City Brewing Co. in Lindenhurst. Check out how we helped them power through!



**Ian O'Connor**  
Tap Room manager - Sand City Brewing

**PSEG**

**FOR CONSIDERATION**

September 28, 2022

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Approval of the Annual Report and Amendments on the Board's Policy on Economic Development and Community Engagement

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**Requested Action**

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Economic Development and Community Engagement (the "Policy"); (ii) finding that LIPA has complied with the Policy since the last annual review; and (iii) approving certain amendments to the Policy which resolution is attached hereto as **Exhibit "A"**.

**Background**

By Resolution No. 1356, dated March 29, 2017, the Board adopted the Policy with the purpose of promoting the economic growth and vitality of the service territory through the efficient use of utility plant and equipment, consistent with LIPA's mission to its customer-owners. The Board last reviewed the Policy on August 11, 2021.

**Compliance with the Policy**

LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the Policy since the last annual review of the Policy.

The Policy requires that LIPA "promote the economic growth and vitality of its service territory." Additionally, the Policy "encourages the efficient use of utility plant and equipment and attracts personnel to LIPA and its service provider who are mission-oriented and dedicated to Long Island and the Rockaways."

In the Policy, LIPA and its service provider are directed to "[a]ttract commercial customers to LIPA's service territory and help such customers grow their businesses through electric rates that are discounted below LIPA's average cost of service, without which rates such companies would not locate in the service territory." The Policy also provides that LIPA will "[o]ffer economic development rates and programs consistent with those offered by other utilities in the state or best practices within the electric utility industry."

In 2021, LIPA's economic development rates and programs achieved the following results:

- 38 large business accounts received discounted power through our Business Development Rate and legacy New York State programs, such as the Excelsior Jobs program in 2021. These businesses received approximately \$1.1 million in discounts in 2021.
- 317 large business accounts received power through the Recharge New York program, with commodity delivered by LIPA and its agent, PSEG Long Island. Collectively, since its inception, the Recharge New York program has created or retained over 71,800 jobs.
- 24 small business customers opened new accounts through the Vacant Space program in 2021, which encourages new businesses to occupy spaces that have been vacant for at least one year. Total incentives awarded during 2021 were \$16,500.
- A total of \$156,000 in incentives were awarded to support 12 community projects through the Main Street Revitalization program in 2021. Since 2019 these projects leveraged over \$137 million in private investment while creating over 650 jobs.

The Policy further provides that LIPA and the service provider will “[e]ngage in community events, volunteerism, and educational programs consistent with the purpose of this Policy.”

- Due to the COVID-19 pandemic, two new programs were developed and implemented through working with the various Chambers of Commerce in our service territory. Grants of up to \$5,000 to enable outdoor commerce began in 2020. In 2021, 29 grants totaling \$137,000 were given out. Also, beginning in 2021, the program expanded to include 11 grants up to \$2,000 for landscaping and beautification for the purpose of supporting outdoor commerce in business districts affected by COVID-19.

### **Annual Review of the Policy**

The Board hired Leading Resources, Inc. to review the Board policies and to facilitate discussion amongst the Trustees on certain policies. The amended Policy was discussed with the Board at the meeting on July 27, 2022. Specifically, the amendments include adding a bullet with respect to LIPA’s impact on local economic development as a large purchaser of goods and services, which was previously part of the Board’s Policy on Resource Planning and Clean Energy. Other minor amendments have been included on the Policy to conform this Policy with other policies previously reviewed with Leading Resources. The updated Policy is set forth on **Exhibit “B”**.

### **Recommendation**

Based upon the foregoing, I recommend approval of the above-requested action by the adoption of a resolution in the form attached hereto.

### **Attachments**

- Exhibit “A”** Resolution
- Exhibit “B”** Policy

**RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON ECONOMIC DEVELOPMENT AND COMMUNITY ENGAGEMENT**

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**WHEREAS**, the Board Policy on Economic Development and Community Engagement (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1356, dated March 29, 2017; and

**WHEREAS**, the Policy was last reviewed by the Board on August 11, 2021; and

**WHEREAS**, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with and concurs that the changes proposed to the Policy are due and proper.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that the Authority has complied with the Policy for the period since the last annual review and approves the annual report to the Board; and

**BE IT FURTHER RESOLVED**, that the Board hereby approves the amendments to the Policy as set forth in **Exhibit “B”**.

Dated: September 28, 2022

Board Policy: **Economic Development and Community Engagement**

Policy Type: **Strategic Direction**

Monitored by: **Finance and Audit Committee**

Board Resolution: **#1356, approved March 29, 2017**  
**#1470, amended March 20, 2019**  
**#1537, amended June 24, 2020**  
**#xxxx, amended September xx, 2022**



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LIPA's vision for **economic development and community engagement** is to promote the economic growth and vitality of our service territory by encouraging the efficient use of utility plant and equipment and by attracting personnel to LIPA and its service provider who are purpose-oriented and dedicated to Long Island and the Rockaways.

LIPA will achieve our vision of economic development and community engagement by:

- Attracting both large and small commercial customers to the service territory and helping such customers grow their businesses through electric rates that are discounted below LIPA's average cost of service<sup>1</sup>;
- Offering economic development rates and programs consistent with those offered by other utilities in the State or best practices within the electric utility industry;
- Engaging in community events, volunteerism, educational programs, and selected grant-making consistent with LIPA's powers, duties, and purpose and the framework of this Policy, with a general preference for engaging with governmental entities, not-for-profit organizations, and businesses located in the service area<sup>2</sup>.
- Endeavoring to be an agent of local economic development as a large purchaser of goods and services. In doing so, in selecting among alternatives, LIPA will take into consideration the operational, environmental, and economic benefits to the service territory, including any impact on long-term local employment.

The Chief Executive Officer, or his or her designee will report annually to the Finance and Audit Committee of the Board of Trustees on the key provisions of this Policy.

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<sup>1</sup> The discounted rates will be above LIPA's marginal cost of serving new electric load or retaining existing load by using facilities and assets that would otherwise be underutilized.

<sup>2</sup> The policy does not promote the use of customer funds for charitable causes unrelated to a power, duty or purpose of LIPA granted pursuant to applicable law. LIPA's Chief Executive Officer is delegated authority to contract with grant partners where LIPA's commitment of financial and in-kind resources does not exceed \$1 million.



**FOR CONSIDERATION**

December 14, 2022

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report and Amendments on the Board Policy on Safety

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**Requested Action**

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution finding that LIPA has complied with the Board Policy on Safety (the “Policy”) for the period since the last annual review, adopting certain modifications to the Policy, and approving the annual report for the Policy, which resolution is attached hereto as **Exhibit “A.”**

**Background**

By Resolution No. 1379, dated September 27, 2017, the Board adopted the Policy. The Policy sets objectives to ensure a safe environment for the dedicated workforce of its service provider and the public. The Policy also establishes regular performance reporting by LIPA Staff to enable the Board to assess the adequacy of the service provider’s policies, procedures, and practices for safety, compliance with applicable health and safety laws and regulations, safety performance, including comparisons to peer electric utilities and initiatives to improve the safety of the service provider’s operations. The Policy was last reviewed by the Board in December 2021.

**Compliance with the Policy**

LIPA Staff recommends that the Board find that LIPA has complied with the objectives of the Policy for the period since the last annual review for the reasons set forth below.

The Policy provides the following:

“Reviewing on a periodic basis no less than every three years the policies, procedures, and practices of the Authority’s service provider.”

- In 2022, LIPA hired an independent third-party consultant to verify that the five recommendations emanating from the 2020 triennial Safety Assessment of PSEG Long Island were implemented. The consultant also performed onsite field observations of PSEG Long Island’s work practices and safety management processes, including a comparison to industry best practices.
- In 2023, LIPA is scheduled to conduct the third triennial Safety Assessment of PSEG

Long Island.

“Benchmarking against the top quartile in safety performance of the service provider to the top 25 percent of peer utilities, as measured by OSHA Recordable Incidence Rate and OSHA Days Away Rate.”

- LIPA performed an independent review that PSEG Long Island benchmarked its safety performance against a nationwide panel of electric utilities. That benchmarking helps establish programs that improve safety performance. Since 2014 through year-to-date (“YTD”) 2022, there has been an improvement of approximately 80% in both the OSHA Recordable Incident Rate and the OSHA Days Away Rate. PSEG Long Island has surpassed the Board Policy standard of top quartile and is now within top decile performance for both OSHA measures, as compared to industry benchmarked peers. The OSHA Recordable Incident Rate through October 2022 is 0.59 vs. the top quartile and decile benchmarks of 0.97 and 0.76, respectively, and the OSHA Days Away Rate through October 2022 is 5.90 vs. the top quartile and decile benchmarks of 11.65 and 8.51, respectively.

“Assessing the operational factors that contribute to injuries, motor vehicle accidents and red-light violations and the efforts to improve performance, where necessary.”

- LIPA conducted monthly reviews of PSEG Long Island’s safety metrics via the Scorecard process. Additionally, LIPA conducts an in-depth quarterly independent verification and validation (“IV&V”) process for PSEG Long Island’s quantitative safety metrics, as described in the Quarterly Performance Metric Report.
- In August 2022, there was a fatality involving a PSEG Long Island contractor while working on the Transmission & Distribution system. This fatality resulted in PSEG Long Island failing to meet the Serious Injury Incident Rate (“SIIR”) metric target.
- As part of its IV&V process, LIPA reviewed PSEG Long Island’s motor vehicle accident rate and red-light violation performance. PSEG Long Island’s performance has improved by approximately 55% for both measures, resulting in a 2022 YTD Motor Vehicle Accident Rate performance of 6.96, compared to the top decile peer benchmark of 6.93.
- The LIPA IV&V of PSEG Long Island’s safety oversight and practices extended to contractors and foreign crews during storm restoration activities indicates that additional work is required in this area; specifically, around virtual training documentation of individual contractor attendees.
- The LIPA IV&V of the Electric Safety Standards pilot program included meeting with both the New York State Department of Public Service (“DPS”) and PSEG Long Island to review current practices and compliance. An expanded pilot program proposal will be considered for 2023.

### **Enterprise Risk Management Discussion**

The Board has adopted a policy on Enterprise Risk Management (“ERM”). Enterprise risks are

brought to the Board’s attention throughout the year. There is one risk related to the Policy; “Employees and contractors not following procedures, equipment failures, and a lack of adequate training result in injury/death to employees, contractors and/or member(s) of the public.”

This risk is rated as a medium level risk and is identified as one of PSEG Long Island’s top-tier risks. To mitigate this risk, PSEG Long Island’s Safety Program fosters a high level of safety awareness among its employees and contractors. PSEG Long Island verifies contractor safety records, reviews, authorizes contractor safety plans prior to commencement of work, and conducts required training for employees, contractors, and supervisors (e.g., Substation Awareness Training). Attendance is tracked and monitored at these training sessions. The Safety Program also includes contractor roundtables with PSEG Long Island staff to ensure adherence to the policies and procedures and identifies additional protocols for integration into these sessions. Equipment has also been installed in company vehicles to record driving data to help reduce motor vehicle incidences.

In addition to PSEG Long Island’s oversight of its contractors, LIPA continues to manage its service provider by verifying OSHA-related data as part of the current monthly Scorecard meetings. Increased LIPA IV&V of contractors will be achieved with the inclusion of all on-island contractor injuries not previously included in PSEG Long Island’s safety statistics and a new safety performance metric – Serious Injury Incidence Rate captures high hazard related injuries. While we recognize that there has been significant improvement in many of the safety metrics, we must acknowledge that a contractor fatality occurred. Given these circumstances, we believe the management of the safety risk for contractor oversight should be reviewed.

### **Annual Review of the Policy**

LIPA Staff recommends the Board adopt certain amendments to the Policy. First, that the existing standard of safety performance in the top 25 percent of peer utilities, as measured by OSHA Recordable Incidence Rate and OSHA Days Away Rate, be updated to top 10 percent to reflect LIPA’s continued focus on employee and contractor safety. Second, that there be an increased focus on eliminating fatalities and serious injuries to employees, contractors, and members of the public. Finally, that the Policy be updated to reflect the Board’s more recent policy format, starting with a vision statement.

### **Recommendation**

Based upon the foregoing, I recommend approval of the above-requested action by adoption of a resolution in the form attached hereto.

### **Attachment**

**Exhibit “A”** Resolution

**Exhibit “B”** Policy (redline)

**RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON SAFETY**

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**WHEREAS**, the Board Policy on Safety (the “Policy”) was originally approved by the Board of Trustees Resolution No. 1739, dated September 27, 2017; and

**WHEREAS**, the Oversight and Clean Energy Committee of the Board of Trustees has conducted an annual review of the Policy and recommended that the Board find that the Policy has been complied with and that the changes proposed to the Policy are due and proper.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with the Policy for the period since the last annual review and approves the annual report to the Board; and

**BE IT FURTHER RESOLVED**, that the Board hereby approves the amendments to the Policy as set forth in **Exhibit “B”**.

Dated: December 14, 2022

Board Policy: **Safety**

Policy Type: **Strategic VisionDirection Operating Policies**

Monitored by: **Oversight Committee**

Board Resolution: **#1379, approved September 27, 2017**  
**#xxxx, approved December 14, 2022**

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### **Board Policy on Safety**

LIPA's vision for safety is to be recognized as a leader in employee safety while also assuring the safety of the public related to LIPA operations and facilities.

To achieve our vision for safety, LIPA will:

~~It is the policy of the Long Island Power Authority to ensure a safe environment for the dedicated workforce of its service provider and the public by:~~

- Benchmark safety to the top 10 percent of peer utilities, as measured by the OSHA Recordable Incidence Rate and OSHA Days Away Rate.
- Take steps to ~~E~~eliminateing fatalities and serious injuries to employees, contractors, and members of the public.
- Assess the operational factors that contribute to injuries (e.g., motor vehicle accidents) and the efforts to improve performance, where necessary.
- Reviewing on a periodic basis no less than every three years the policies, procedures, and practices of the Authority's service provider related to:
  - Complying with applicable health and safety laws and regulations concerning its employees, contractors, and the public;
  - Maintaining appropriate safety procedures, programs, and training for employees and contractors based on their responsibilities and duties;
  - Reporting incidents involving employees and the public promptly, investigateinvestigating the cause of such incidents, and take-taking corrective action.
- ~~Benchmarking the safety performance of the service provider to the top 25 10 percent of peer utilities, as measured by the OSHA Recordable Incidence Rate and OSHA Days Away Rate.~~

~~Eliminating fatalities and serious injuries to employees, contractors, and members of the public.~~

- ~~Assessing the operational factors that contribute to injuries (e.g., motor vehicle accidents) and the efforts to improve performance, where necessary.~~

The Chief Executive Officer will report annually to the Board on:

- Safety performance, including comparisons to peer electric utilities;
- Initiatives to improve the safety of LIPA's operations;

- The adequacy of ~~the service provider's~~ policies, procedures, and practices related to safety; and
- ~~Compliance with applicable health and safety laws and regulations;~~
- ~~Safety performance, including comparisons to peer electric utilities; and~~
- ~~Initiatives to improve the safety of the service provider's operations.~~

Board Policy:	<b>Safety</b>
Policy Type:	<b>Strategic Direction</b>
Monitored by:	<b>Oversight Committee</b>
Board Resolution:	<b>#1379, approved September 27, 2017</b> <b>#xxxx, approved December 14, 2022</b>

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LIPA's vision for safety is to be recognized as a leader in employee safety while also assuring the safety of the public related to LIPA operations and facilities.

To achieve our vision for safety, LIPA will:

- Benchmark safety to the top 10 percent of peer utilities, as measured by the OSHA Recordable Incidence Rate and OSHA Days Away Rate.
- Take steps to eliminate fatalities and serious injuries to employees, contractors, and members of the public.
- Assess the operational factors that contribute to injuries (e.g., motor vehicle accidents) and the efforts to improve performance, where necessary.
- Review no less than every three years the policies, procedures, and practices of its service provider related to:
  - Complying with applicable health and safety laws and regulations concerning its employees, contractors, and the public;
  - Maintaining appropriate safety procedures, programs, and training for employees and contractors based on their responsibilities and duties;
  - Reporting incidents involving employees and the public promptly, investigating the cause of such incidents, and taking corrective action.

The Chief Executive Officer will report annually to the Board on:

- Safety performance, including comparisons to peer electric utilities;
- Initiatives to improve the safety of LIPA's operations;
- The adequacy of policies, procedures, and practices related to safety; and
- Compliance with applicable health and safety laws and regulations.



# Briefing on Board Policy on Information Technology and Cyber Security

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**Presented by: Brian Rudowski, Acting Chief Information Officer**  
**Prepared for: LIPA Board of Trustees**

December 18, 2024





# Discussion Topics

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 Board Policy Objectives

 Key Information Technology Projects



# Board Policy Objectives

# Information Technology Board Policy Objectives

- Use technology to enhance and simplify the customer experience, improve reliability, and minimize operating costs.
- Ensure robust, secure technology platforms that provide operational stability and protect customer, employee, and third-party data from unauthorized access or disruption.
- LIPA supports data privacy by transparently communicating how customer information is collected, used, and disclosed.

# Information Technology Board Policy Objectives

Policy Component	Metric/Initiative
<p>Invest in information technology that supports the <b>efficiency of business operations, promotes innovation, and provides long-term customer value</b></p>	<ul style="list-style-type: none"> <li>• Substantial portfolio of IT projects to advance policy objective</li> <li>• Relevant metrics: Project Performance, System Resiliency, System Segregation</li> </ul>
<p>Deploy <b>modern grid management technology</b> and data analytics that enhance grid operations, customer service, utility asset management, and demand management, as measured by a Smart Grid Maturity Model level consistent with industry best practices</p>	<ul style="list-style-type: none"> <li>• Continued investments to implement and enable the planned expansions of smart grid technologies.</li> </ul>
<p>Ensure the <b>capacity of the information technology organization</b> to deliver reliable, robust, and resilient systems, as measured by a Capability Maturity Model Integration level of 3 or higher</p>	<ul style="list-style-type: none"> <li>• IT Organizational Maturity Metrics</li> <li>• IT Project Performance Metrics</li> </ul>
<p>Regularly upgrade information and operational technology systems to <b>maintain all systems within their active service life and under general support</b> from the product vendor</p>	<ul style="list-style-type: none"> <li>• System and Software Lifecycle Management Metric</li> </ul>



A hand in a dark suit sleeve is pointing towards the right. The background is a dark blue gradient with a network of white lines and dots, and several semi-transparent geometric shapes (triangles, squares) overlaid. The text 'Key Information Technology Projects' is centered in white.

# Key Information Technology Projects

# Information Technology Board Policy – Key IT Projects

Project	Purpose and Customer Benefits	Status and Plans
<b>Systems Separation</b>	<p><b>Separating all PSEG Long Island IT Systems serving LIPA from PSEG New Jersey systems.</b></p> <ul style="list-style-type: none"> <li>➤ Improve efficiency; Minimize operating costs</li> <li>➤ Improve reliability</li> <li>➤ Customer value</li> </ul>	<ul style="list-style-type: none"> <li>• Behind schedule</li> <li>• All systems are targeted to be separated by the end of 2025</li> </ul>
<b>Contact Center as a Service (CCaaS)</b>	<p><b>Fully integrated cloud-based solution providing improved omni-channel customer experience</b></p> <ul style="list-style-type: none"> <li>➤ Improve reliability</li> <li>➤ customer value</li> <li>➤ Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Went live in Nov 2023</li> </ul>
<b>Standardized Data Access Platform</b>	<p><b>Improve access to PSEG Long Island financial and operational data</b></p> <ul style="list-style-type: none"> <li>➤ Improve efficiency; Minimize operating costs</li> <li>➤ Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Phase II two-year roadmap identifies the systems to be delivered per LIPA’s business requirements</li> </ul>



# Information Technology Board Policy – Key IT Projects

Project	Purpose and Customer Benefits	Status and Plans
<b>GRC (Governance, Risk, and Compliance) Tool Deployment</b>	<p><b>Manage and automate GRC-related data and processes for Cyber Security, Business Continuity, and Disaster Recovery</b></p> <ul style="list-style-type: none"> <li>➤ Improve efficiency; Minimize operating costs</li> <li>➤ Improve reliability</li> <li>➤ Customer value</li> </ul>	<ul style="list-style-type: none"> <li>• Phase 0 to complete in 2024 with vendor selection and project plan</li> </ul>
<b>CRM Replacement</b>	<p><b>Consolidation of duplicative Customer Operations applications</b></p> <ul style="list-style-type: none"> <li>➤ Improve efficiency; Minimize operating costs</li> <li>➤ Customer value</li> </ul>	<ul style="list-style-type: none"> <li>• Completed</li> </ul>



# Information Technology Board Policy – Key IT Projects – Operational Technology

Project	Purpose and Customer Benefits	Status and Plans
<p><b>DERMS</b></p>	<p><b>Manage distributed energy resource (DER) assets (rooftop photovoltaic solar panels, behind-the-meter batteries, fleet of electric vehicles, etc.) to deliver grid services and balance demand with supply</b></p> <ul style="list-style-type: none"> <li>➤ Improve efficiency; Minimize operating costs</li> <li>➤ Improve Reliability</li> <li>➤ Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Went live in 2023</li> </ul>
<p><b>CG Concentrator Replacement</b></p>	<p><b>The new Concentrators mitigate the risks related to smart device growth, product obsolescence and cyber security risks</b></p> <ul style="list-style-type: none"> <li>➤ Improve efficiency; Minimize operating costs</li> <li>➤ Improve Reliability</li> </ul>	<ul style="list-style-type: none"> <li>• Deployment in-progress</li> <li>• Completion in 2025</li> </ul>
<p><b>JMUX Replacement</b></p>	<p><b>Implement a new technology platform to replace the nearing end-of-life network communication platform for critical T&amp;D and NERC applications</b></p> <ul style="list-style-type: none"> <li>➤ Improve Reliability</li> </ul>	<ul style="list-style-type: none"> <li>• Equipment vendor selection in Q4 2024</li> <li>• Deployment 2025-2027</li> </ul>
<p><b>EMS Upgrade</b></p>	<p><b>Upgrade the GE PowerOn Reliance SCADA/EMS system</b></p> <ul style="list-style-type: none"> <li>➤ Improve Reliability</li> </ul>	<ul style="list-style-type: none"> <li>• Planned deployment in June 2025</li> </ul>





# Questions?

**Brian Rudowski,**  
*Acting Chief Information Officer*

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[lipower.org](http://lipower.org)



## **FOR CONSIDERATION**

December 18, 2024

**TO:** The Board of Trustees

**FROM:** John Rhodes

**SUBJECT:** Consideration of Approval of the Annual Report on the Board Policy on Information Technology and Cyber Security

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### **Requested Action**

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Information Technology and Cyber Security (the “Policy”) for the period since the last annual review; and (ii) finding that LIPA has substantially complied with the Policy, which resolution is attached hereto as **Exhibit “A.”**

### **Discussion**

In December 2019, the Board adopted the Information and Physical Security Policy. The Policy delineated the Board’s expectations and direction for information and physical security in accordance with public safety, operational, reputational, and compliance requirements. It established a reporting requirement to the Board on compliance with the key provisions of the Policy. In 2021, the prior policy was supplanted by the Information Technology and Cybersecurity Policy. The Policy provides that LIPA’s “vision for information technology and cyber security is to use technology to enhance and simplify the customer experience, improve reliability, and minimize operating costs while ensuring robust, secure technology platforms that provide operational stability and protect customer, employee, and third-party data from unauthorized access or disruption. LIPA supports data privacy by transparently communicating how customer information is collected, used, and disclosed.” The Board completed the last annual review of the Policy in December 2022.

### **Compliance with the Policy**

LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has substantially complied with the Policy since the last review.

Compliance with each element of the Policy is discussed in detail below.

1. “Invest in information technology that supports the efficiency of business operations, promotes innovation, and provides long-term customer value.”
  - LIPA funded a substantial portfolio of IT projects in 2024, which advances the goals of increasing efficiency, promoting innovation, and providing long-term customer value. The

portfolio covers a range of projects, including enhancements to existing systems and implementation of new technologies, with the larger projects covered by the 2024 IT metrics. Some noteworthy IT projects are discussed below.

- Contact Center as a Service: In 2022, PSEG Long Island began the Contact Center as a Service project to provide a fully integrated cloud-based contact center solution, allowing for numerous customer-facing improvements, including a seamless omni-channel customer experience, improved response time on resolutions, enhanced reporting, and many other enhancements. The project went live in November 2023.
- System Separation: In the amended OSA between LIPA and PSEG Long Island, effective April 1, 2022, the parties agreed that it would be beneficial for all IT Systems serving LIPA to be separate and distinct from the systems, data, reports, and information of PSEG Long Island and its affiliates. In 2022, as required by the OSA, a joint LIPA and PSEG Long Island IT Team developed an IT System Separation Plan ("the Plan") to separate all PSEG Long Island IT Systems serving LIPA from PSEG New Jersey systems. The Plan, which has been adopted by the Board, organizes the systems to be separated into four logical groupings ("bundles") for phased implementation. Work began with the issuance of an RFP for the first bundle in the last quarter of 2022 and the discovery and documentation of the remaining bundles/applications in 2023. The project has experienced significant schedule delays, and the 2024 IT-07 System Separation metric will not be met. All systems are targeted to be separated by the end of 2025, in accordance with the OSA, and LIPA will continue to engage in oversight actively.
- Standardized Data Access Platform (SDAP): The SDAP project was initiated to implement the Board recommendation to improve LIPA and Department of Public Service ("DPS") access to PSEG Long Island financial and operational data through a Standardized Data Access Platform comprised of an enterprise-wide data warehouse, a broader data lake, and tools to support reporting and analytics. A reduced-scope Phase I deployment was delivered in 2022. As part of Phase II SDAP, LIPA and PSEG Long Island developed a two-year roadmap identifying some of the systems, such as CCaaS, AMI, CAS, GRIDX, Procurement Ariba, SAP HR, etc., for which the data will be ingested into the data lake as per LIPA's business requirements. The data for the remaining systems will be identified and delivered in future phases.
- CRM Replacement: PSEG Long Island has been maintaining the Salesforce CRM platform at a significant cost; however, the capabilities that were being leveraged were redundant with those provided by other tools. At LIPA's request, PSEG Long Island initiated a project to identify and implement alternate methods of managing these functions. In 2023 and 2024, Customer Operations functions were implemented allowing for significant cost savings in Customer Operations license and maintenance fees and improving the overall Call Center agent and customer experience.

- Governance, Risk, and Compliance (GRC) Tool Deployment: This project will select and implement a GRC tool to manage and automate GRC-related data and processes for the critical areas of Cyber Security, Business Continuity, and Disaster Recovery. The tool will provide efficiencies through automation, support regulatory compliance, and enable the organization to mature risk management capabilities through data and process enhancements. The project was initiated in response to the 2023 NIST Cybersecurity Framework (CSF) assessment recommendation. Phase 0 will be completed in 2024, and it will provide vendor selection and a project plan for implementation in 2025.
  - LIPA has also established annually recurring IT System Resiliency metrics (IT-03 and IT-10), which aim to minimize the probability and impact of system failures through well-designed, robust, and thoroughly exercised Disaster Recovery Plans (DRPs) and Business Continuity Plans (BCPs) for critical systems and processes. The metric was not met in 2022 and 2023. Given the importance of making progress towards the objective of developing a resiliency program that ensures that PSEG Long Island can continue to perform its essential functions and deliver core capabilities during and following disruptions to normal operations, LIPA engaged a third-party consultant in 2024 to conduct a holistic assessment of the resiliency program and develop recommendations on the path forward, including action plans with prioritized and achievable improvements. The assessment report was provided to PSEG Long Island in September 2024. PSEG Long Island will complete the actions identified in the report for 2024 and will submit a PIP in the 1 Qtr. of 2025 to outline the plan to complete the report's recommendations. The metric will be carried forward in 2025 to review the progress on the gap closure and ensure that the critical systems are exercised according to a structured plan.
2. “Deploy modern grid management technology and data analytics that enhance grid operations, customer service, utility asset management, and demand management, as measured by a Smart Grid Maturity Model level consistent with industry best practices (i.e., top 25% of utilities.)”
- The Smart Grid Maturity Model (SGMM) is a business tool stewarded by the Software Engineering Institute at Carnegie Mellon University. The model provides a framework for understanding the current extent of smart grid deployment and capability within an electric utility, a context for establishing strategic objectives and implementation plans supporting grid modernization, and a means to evaluate progress over time toward those objectives. In 2022, LIPA engaged a consultant to conduct an SGMM Assessment. The preliminary assessment recommended numerous areas for technology investment, such as Advanced Metering Infrastructure (AMI), Distributed Energy Resources Management Systems (DERMS), and Advanced Distribution Management System (ADMS). Several initiatives have since been undertaken, including AMI, DERMS, and ADMS Roadmap. For instance:
    - DERMS: DERMS is a software platform used to manage a group of distributed energy resource (DER) assets—such as rooftop photovoltaic solar panels, behind-the-meter batteries, or a fleet of electric vehicles—to deliver grid services and balance demand with supply to help utilities achieve mission-critical outcomes. In

2023, PSEG Long Island went live with a DERMS Phase 1 deployment, providing Distribution Operators visibility to DER and allowing for greater integration of DER into the electric grid operations.

- In 2024, the operational technology focus has been on a number of critical Life Cycle Planning (LCP) projects to upgrade or replace technologies nearing end-of-life. These projects will increase capacity and enhance capabilities, supporting and enabling the planned future expansions of smart grid technologies. These projects are discussed further in Item #4.
3. “Ensure the capacity of the information technology organization to deliver reliable, robust, and resilient systems, as measured by a Capability Maturity Model Integration level of 3 or higher.”
- LIPA has established an Organizational Maturity metric to improve IT capability and performance and achieve Capability Maturity Model Integration (CMMI) Maturity Level 3. The 2024 metric requires a third-party consultant's benchmark appraisal of PSEG Long Island's CMMI maturity level. Due to resource conflicts with system separation, the appraisal targeted for Q4 2024 is now planned for Q1 2025.
  - LIPA established the Project Performance metrics (IT-05 and IT-06) to improve project performance across the portfolio. While overall performance continues to fall short of the expected standards, the performance metrics have enhanced LIPA's ability to identify and work with PSEG Long Island management to address weaknesses and gaps in PSEG Long Island's project performance.
4. “Regularly upgrade information and operational technology systems to maintain all systems within their active service life and under general support from the product vendor.”
- Metric IT-04, System and Software Lifecycle Management was established to ensure all IT and OT assets managed by PSEG Long Island on behalf of LIPA, including but not limited to computers, communications equipment, networking equipment, hardware, software, and storage systems, are within their active service life and under general support from the product vendor Pursuant to the metric, PSEG Long Island developed an Asset Inventory and a Two-Year Refresh Plan in 2022, which are now refreshed annually. The updated 2024-2025 Refresh Plan specifies a number of refresh projects to be conducted in 2024 to advance the objective of replacing or upgrading all end-of-life assets and was approved by LIPA. Execution of the plan is in progress.
  - In 2024, the Life Cycle Replacement projects include some critical upgrades of operational technology systems, including:
    - EMS Upgrade: This project was initiated in 2024 to upgrade the SCADA/EMS system, add a test/development environment at the Alternate Control Center (ACC), and develop a solution for compliance with the Ambient Adjusted Rating regulatory requirement (FERC 841 Order). The project is on track to deploy the upgraded EMS (Energy Management System) at the new Transmission Control Center (TCC) and the ACC in June 2025.
    - Multiplexer Replacement: This multi-year project is for the evaluation, design, and implementation of a new technology platform to replace the nearing end-of-life

Multiplexer, which provides the network communication platform for critical T&D and NERC applications. A Systems Integrator (SI) was selected in 2023 and has been conducting an RFP process for the evaluation and selection of a new equipment vendor, as well as design activities to assess the structural work required to accommodate the new equipment. The equipment vendor is expected to be selected in Q4 2024, with the implementation to continue through 2027.

- CG Concentrator Project: The data Concentrators are critical networking devices that manage the communications and controls of over 3,000 SCADA devices across the PSEG Long Island service territory. The existing Concentrators had limited expansion capability and had come to the end of life for continued product support. In 2023, the project's first phase was completed with the selection of new Concentrators that provide the capacity needed to sustain the SCADA device growth as more Smart connected devices are connected to the grid, with enhanced cybersecurity features. Installation and commissioning of the new Concentrators at all sites were planned to be completed in 2024 but will extend into 2025 as the vendor resolves issues at the Hewlett site.
- DER to DSCADA Communications Upgrade: This project upgrades the SCADA communications network from Distributed Energy Resources (DER) to the DSCADA/EMS systems and increases capacity, which is necessary to allow for new DER to be connected to the EMS and DSCADA systems at the currently projected growth rates. Deployment is planned to be completed in 2024.

5. “Conduct quarterly internal vulnerability assessments and annual third-party vulnerability assessments and penetration testing of all information and operational technology systems and promptly mitigate vulnerabilities”

- **PSEG Long Island Cybersecurity**: Starting in late 2023, PSEG Long Island engaged an external vendor to conduct representative assessments of internal, external, D-SCADA, and mobile/web application attack surfaces. The results of these assessments were finalized in the summer of 2024. PSEG Long Island has reported that it has remediated all External surface vulnerabilities and the highest-severity Internal vulnerabilities. Remediation is ongoing for the remaining vulnerabilities. PSEG Long Island has planned to conduct a vulnerability assessment and penetration testing in 2025.
- As per the DPS Management Audit recommendation, LIPA will also conduct an independent penetration testing and vulnerability assessment of the PSEG Long Island system in 2025.
- The Northeast Power Coordinating Council (NPCC) audited PSEG Long Island’s North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection (CIP) standards from April through August of 2024. PSEG Long Island’s Cyber Security Risk and Compliance (CSRC) received a subset of five recommendations for the NERC CIP-008 standard covering Cyber Security Incident and Response Planning. PSEG Long Island is on track to complete the recommendations by 4 Qtr. 2024. PSEG Long Island has reported that they have a weekly vulnerability scanning program for all IT assets.

- Ransomware can severely impact business processes and leave organizations without the data to operate or deliver mission-critical services. The organizations affected often experience reputational damage, significant remediation costs, and interruptions in their ability to provide core services. In 2024, LIPA established the Ransomware Readiness and Response metric (IT-09). The metric ensures that any suspected or confirmed ransomware incidents are responded to consistently, controlled, and effectively. An independent third-party consultant reviewed and assessed the adequacy of PSEG Long Island in responding to a ransomware incident. The assessment report was provided to PSEG Long Island in June 2024. The assessment report provided observations, identified gaps, and made recommendations. The recommendations are organized into an actionable roadmap based on best practices for developing, implementing, and improving PSEGLI's ransomware readiness and response plans. PSEG Long Island is currently working to develop and submit a PIP for LIPA approval to fully implement the ransomware readiness and response roadmap, which aligns with the recommended timelines in the assessment report. In 2025, LIPA will engage the services of an independent consultant to review the gap closure artifacts/deliverables and gap closure activities and observe the ransomware response and recovery plan exercise as required by the 2025 (IT-09) performance metric.
    - **LIPA Cybersecurity:** In 2023, LIPA completed all information technology systems' third-party vulnerability assessments and penetration testing. In the first quarter of 2024, LIPA remediated all the vulnerabilities identified and plans to do the same in the second quarter of 2025.
    - LIPA's vulnerability management team meets bi-weekly and reviews vulnerabilities identified in systems managed by LIPA using a real-time vulnerability management/reporting tool. The team creates the remediation plan for newly identified vulnerabilities based on their criticality and reviews the remediation status of previously identified vulnerabilities. LIPA has also implemented tools to provide 24X7 monitoring and notification of any new vulnerabilities identified. The vulnerability reporting tool sends daily alerts to the Cybersecurity team.
6. "Maintain a level of 3 or higher on the NIST Cybersecurity Framework, as evaluated annually through an independent assessment."
- LIPA and PSEG Long Island have adopted the NIST Cybersecurity Framework (CSF) to improve cybersecurity programs. The Framework uses business drivers to guide cybersecurity activities. It considers cybersecurity risks as part of the risk management processes, including guidance on People, Processes, and Technology to implement defense in depth for the enterprise.
  - LIPA established a cybersecurity default metric for PSEG Long Island under the reformed PSEG Long Island contract, effective April 1, 2022, to achieve and maintain NIST CSF Tier 3. The reformed contract gives LIPA the right to terminate the contract should PSEG Long Island fail to maintain compliance, providing a strong improvement incentive. LIPA has hired a third-party evaluator to independently review PSEG Long Island's cyber readiness relative to the metric. The assessment work was completed in the First quarter of 2023, and the Final Assessment and Recommendations report was provided to PSEG Long Island in May 2023. A review by an independent consultant has started in 3 Qtr. 2024 to



determine the progress PSEG Long Island has made to remediate the findings of the 2023 report. The final assessment report will be available in Jan. 2025.

- LIPA also established The Cyber Security Organization metric, which aims to advance the objective of building a cyber security organization under the PSEG Long Island CISO that is independent of PSEG New Jersey and fully capable of developing, managing, and supporting the cyber security program independent of Affiliate Services (as defined in the OSA). The Cyber Security Organization study report was provided to PSEG Long Island in October 2023. The study recommendations aligned with the planned Systems Separation and the NSIT CSF remediation project resource requirements and addressed the evolving organizational needs. LIPA funded the positions identified in the new organizational design in the 2024 budget request. PSEG Long Island is expected to completely implement the organizational design and build the organization in 2024. The metric is currently on track, with 11 FTEs planned to be hired in 2024, with 4 FTEs remaining to be hired before the end of the year.
- An independent assessment of LIPA's cyber security posture using the NIST CSF Framework was completed in Q4 of 2023. In 1 Qtr. 2024, a work plan was developed to manage and track the implementation of the report's recommendations. LIPA is currently implementing the report's recommendations and documenting its processes. LIPA has completed approximately 55% of the work identified in the work plan and will continue implementing tools and capabilities as part of the program's maturing.

7. “Communicate how customer information is collected, used, and disclosed and ensure that, if confidential customer information is shared with a third party for a business purpose, the third party has robust information security practices.”

- PSEG Long Island collects customers' information to provide electric service. The policy posted on the LIPA website describes what personal information is collected, when it is collected, how it is used, how it is protected, and under what circumstances that information may be shared with a third party. The policy has also been posted on the PSEG Long Island website.

### **Enterprise Risk Management Discussion**

The Board has adopted a Policy on Enterprise Risk Management (“ERM”). Enterprise risks are brought to the Board's attention throughout the year. There are several risks related to the policy for both LIPA and PSEG Long Island. For LIPA, these risks include a cyber event resulting from unauthorized access to LIPA-managed systems that results in material financial losses, impact on LIPA's day-to-day operations, or the organization's reputation. Additionally, there is a risk related to PSEG Long Island's system separation from PSEG Newark. This risk is “system separation and/or transition is not fully completed by the PSEG LI 2025 contract expiration and results in increased costs, system disruption, and/or negative reputation”. For PSEG Long Island, these include a “cyberattack on the EMS/BCS systems that disables or allows someone to access control of the system operationally, resulting in the inability to operate the system effectively.” Also, the breach of personally identifiable information (PII) could result in fraud, financial impact, and negative public perception.



The system separation project is behind schedule, and the related metric IT-07 will not be achieved in 2024. This project and its associated risks are being closely monitored and are expected to be completed by the contract expiration date of December 31, 2025.

Cybersecurity and PII for both LIPA and PSEG Long Island are rated as high-level risks. LIPA's Department of Innovation and Information Technology mitigates these risks with a comprehensive risk management strategy and concurrent oversight of PSEG Long Island's IT department. The strategy includes several of the mitigation actions noted in this Report, including the completion of the annual penetration testing with remediation plans developed for vulnerabilities identified, the adoption of the NIST cybersecurity framework with a goal of maintaining a level 3 or higher assessment, and the adoption of a Cyber Security Default Metric.

In light of the extensive efforts detailed in this Policy of both LIPA's Department of Innovation and Information Technology and PSEG Long Island's IT department, we believe the cyber and PII risks are being adequately managed.

### **Annual Review of the Policy**

LIPA Staff has reviewed the Policy and recommends no change at this time.

### **Recommendation**

Based upon the foregoing, I recommend approval of the above-requested action by the adoption of a resolution in the form attached hereto.

### **Attachments**

**Exhibit "A"** Resolution

**Exhibit “A”**

**RESOLUTION APPROVING THE ANNUAL REPORT TO THE BOARD OF TRUSTEES  
ON THE BOARD POLICY ON INFORMATION TECHNOLOGY AND CYBER  
SECURITY**

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**WHEREAS**, the Board Policy on Information Technology and Cyber Security (the “Policy”) was approved by the Board of Trustees in November 2021; and

**WHEREAS**, the Oversight and Clean Energy Committee (the “Committee”) of the Board of Trustees has conducted the annual review of the Policy and has recommended that the Policy has been substantially complied with.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board of Trustees hereby finds that LIPA has substantially complied with the Policy and approves the annual report to the Board.

Dated: December 18, 2024

**FOR CONSIDERATION**

February 15, 2023

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**REQUEST:** Consideration of Approval of the Annual Report and Amendments on the Board's Policy on Strategic Planning and Oversight

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**Requested Action**

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Strategic Planning and Oversight (the "Policy"); (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy, which resolution is attached hereto as **Exhibit "A"**.

**Background**

LIPA utilizes contracts with service providers to provide transmission and distribution operations services, fuel and power procurement, and power supply resources. Under the LIPA Reform Act and the Second Amended and Restated Operations Services Agreement (the "OSA"), LIPA has oversight rights and certain responsibilities with respect to those contracts, the operation and maintenance of the Long Island electric grid, and the generation assets under contract to LIPA.

In March 2018, the Board adopted the Policy with the purpose of establishing the Board's expectations for oversight by LIPA of the "service providers in a systematic manner that meets the needs and protects the interests of LIPA's customers". In January 2019, the Board approved amendments to the Policy related to LIPA's direct operations. Thereafter in July 2020 and September 2021, the Board approved amendments to the Policy to, among other things, better define the roles of the Board and management in LIPA's strategic planning activities.

**Compliance with the Policy**

LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the Policy since the last annual review. The Policy requires "the CEO or his or her designee report annually to the Governance Committee of the Board of Trustees on compliance with the key provisions of this Policy. LIPA's CEO will consult with and report to the Board on: the objectives of LIPA's annual Work Plan for the coming year and the accomplishments of the prior year Work Plan, including Oversight activities; the status of the five-year Strategic Roadmaps; the Oversight Framework implemented by LIPA's management team; and the sufficiency of LIPA staff and resources to achieve LIPA's Purpose, Vision, Board Policies, and Oversight Objectives."

*Work Plan and Performance Metric Objectives and Accomplishments:*

- The LIPA annual Work Plan and PSEG Long Island Performance Metrics deliver the yearly translation of the Board’s vision and strategic direction into specific activities, projects, and budgets.
  - LIPA staff completed 20 projects from the 2022 Work Plan and extensive deliverables from 23 projects. The progress on multi-year projects continues in the 2023 Work Plan. One project from the 2022 Work Plan was deferred and ultimately canceled due to the lesser value of the project as compared to other higher priority efforts that arose during the year.
  - LIPA staff reported to the Board quarterly on PSEG Long Island’s progress against the 2022 Performance Metrics. Staff will provide an Annual Report on PSEG Long Island’s performance at the conclusion of our evaluation of the 2022 Performance Metrics.
  - The 2023 Work Plan includes 57 projects that align with the Board’s policies and corporate objectives.
  - For 2023, the Board adopted 93 PSEG Long Island Performance Metrics in December 2022, distributed across all the management services provided by PSEG Long Island to LIPA and its customers.

*The Status of the Five-Year Strategic Roadmaps:*

- The Board directed LIPA staff to craft Five-Year Strategic Roadmaps in 2021 and this requirement was incorporated into the revised OSA with PSEG Long Island, which became effective in April 2022.
- In 2022, LIPA, in conjunction with PSEG Long Island, commenced work on developing 5-Year Roadmaps to deliver on the Board’s expectations. Activities included reviewing the Board policies, identifying gaps and potential actions through consultation with LIPA and PSEG Long Island management and staff, and prioritizing and sequencing initiatives considering the risks and benefits.
- 5-Year Roadmaps will be reviewed by the Board for Customer Experience, Transmission and Distribution Operations, Information Technology and Cybersecurity, Performance Management, and Finance in February 2023, while plans for Business Services, Power Supply, and Clean Energy will come before the Board in late 2023.
- While the Roadmaps provide a five-year outlook, in adherence with the policy, the Board will receive updates on a triennial basis.
- The priorities outlined in the Five-Year Strategic Roadmaps are translated annually into Work Plans, Performance Metrics, and Budgets.

*Performance Management Framework:*

- The Performance Management Framework provides transparency and accountability to the Board and customers for the accomplishment of the Board’s strategic objectives and the funds budgeted each year. The Performance Management Framework includes:
  - **5-Year Roadmaps:** As part of the Strategic Planning process, starting from Board Policies, the 5-Year Roadmaps identify the end states and gaps to current

capabilities and prioritizes those gaps to meet the expectations of the Board and service to our customers.

- **PSEG Long Island Annual Performance Metrics:** LIPA develops Performance Metrics for PSEG Long Island each year. These standards create quantitative and project oriented metrics that advance the 5-Year Roadmaps and the Board’s policy objectives. LIPA staff independently verifies and validates (“IV&V”) PSEG Long Islands performance under the OSA, including on the Performance Metrics.
- **LIPA’s Annual Work Plan:** LIPA develops and manages projects that it directly executes to advance the 5-Year Roadmaps and the Board’s policy objectives.
- **Performance Reports:** LIPA staff reports to the Board quarterly and annually on PSEG Long Island’s performance under the Performance Metrics and on other items of significant concern to the Board, such as Board-adopted Recommendations, reports on compliance with each Board Policy, and budget. LIPA Staff also reports annually on accomplishments of the staff Work Plan.

In 2022, LIPA established the Strategic Performance Management Office (“SPMO”) to centrally organize its standards for IV&V as well as to support LIPA staff in project management and cross functional project collaboration. SPMO organizes reporting to the Board and LIPA management on the Work Plan and PSEG Long Island Performance Metrics and provides assistance to LIPA departments in defining and executing project plans, monitoring work execution, and reporting. LIPA regularly conducts performance review meetings both with internal staff and with PSEG Long Island to promote accountability and drive accurate results for progress reported at regular frequencies, such as monthly, quarterly, and annually.

*The Sufficiency of LIPA Staff and Resources:*

- LIPA contracts for a substantial portion of the services needed to accomplish its Vision and Purpose and relies on internal staffing and consulting support to manage the performance of vendors and its own responsibilities.
- The approved 2023 LIPA Budget includes sufficient funding for the positions and consulting resources management believes is necessary at the present time to accomplish the Purpose and strategic direction defined by the Board in policy. Management regularly reviews the sufficiency of staffing and consulting resources and makes adjustments, as necessary. The revised OSA resulted in a significant increase in the work load of the LIPA staff, which was accounted for in the 2023 Budget proposal.

**Annual Review of the Policy**

The Board hired Leading Resources, Inc. to review the Board policies and facilitate discussion amongst the Trustees on amending certain policies. A working group of Trustees participated in various meetings to develop and draft amendments to the Policy. The draft amendments to the Policy have been shared with the entire Board. The final version of the amended Policy, as drafted by the Trustees, is attached hereto as **Exhibit “B”**.

### **Recommendation**

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

### **Attachments**

**Exhibit "A"** Resolution

**Exhibit "B"** Policy on Strategic Planning and Performance Management

**RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON STRATEGIC PLANNING AND OVERSIGHT**

**WHEREAS**, the Board Policy on Strategic Planning and Oversight (the “Policy”) was most recently reviewed by the Board of Trustees on September 22, 2021; and

**WHEREAS**, the Board has received the annual Staff report on compliance with the Policy; and

**WHEREAS**, the Board has reviewed the Policy and approves the changes to the Policy as recommended by Staff finding that the amendments are due proper.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with the Policy for the period since the adoption of the Policy, approves the annual report to the Board, and approves updates to the Policy, as recommended herein.

Dated: February 15, 2023

Board Policy: **Strategic Planning and Performance Management**

Policy Type: **Strategic Direction**

Monitored by: **Board of Trustees**

Board Resolution: **#1409, approved March 29, 2018,  
#1461, amended January 23, 2019  
#1547, amended July 22, 2020  
#1668, amended September 22, 2021  
[#xxxx, amended February 15, 2023]**



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LIPA's vision for strategic planning and performance management is to achieve the strategic objectives established by the Board in its policies and to provide transparency and accountability to the Board and customers for the realization of the Board's strategic objectives and the funds budgeted each year.

LIPA will achieve its vision by directing the Chief Executive Officer to undertake: (i) effective methods of translating the Board's strategic policy objectives into multi-year plans, annual work plans, performance metrics, budgets, and recommendations<sup>1</sup> for the Board's review and approval, and (ii) a transparent system of performance reporting to the Board and public relative to the policies, plans, metrics, budgets, and recommendations adopted by the Board.

### **Strategic and Annual Planning**

The Chief Executive Officer will prepare and submit to the Board for review and approval the following to advance the Board's policy objectives across various time horizons:

- **Five-year Long-Range Plans:** LIPA's Chief Executive Officer, in consultation with its service provider(s), will on a triennial basis develop five-year roadmaps for each key business area to advance the Board's strategic objectives. The Long-Range Plans will evaluate the current state of the business area, articulate an end-state vision to be achieved within five years, and identify the projects necessary to close the gap. Each roadmap will include:
  - Prioritized list of projects with associated business rationale and benefits
  - Schedule for and sequencing of projects
  - Dependency on or interaction with projects initiated by other business areas
  - Budget requirements for project implementation and operations

The schedule below defines the timeline for the submission to the Board of the initial Long-Range Plans for each business area:

- Transmission and distribution ("T&D"), information technology, customer experience, finance, and performance management no later than March 31, 2023.
  - Business services and power supply and clean energy programs no later than March 31, 2024.
- **LIPA's Annual Work Plan, Performance Metrics, and Budgets:** LIPA's Chief Executive Officer will translate the Board's strategic policy objectives and Five-Year Long-Range Plans into annual work plans,

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<sup>1</sup> Board recommendations as defined in the Second Amended and Restated Operations Services Agreement.



performance metrics, and budgets for the Board's review and approval. The annual work plan defines the activities LIPA staff will directly undertake for the year, while the performance metrics define the objectives that will determine PSEG Long Island's Variable Compensation for the year. The work plan and performance metrics are designed to be objectively verifiable and reasonably achievable levels of performance. The funds to achieve this level of performance are also budgeted, tying realistic plans and budgets to measurable outcomes each year. The oversight activities of LIPA staff may also result in Board recommendations to improve the operations of business areas managed by service provider(s).

### **Performance Management Reporting**

Performance management reporting provides transparency and accountability to the Board and customers for the accomplishment of the Board's strategic objectives and the funds budgeted each year. The Chief Executive Officer will prepare a written report to the Board and make it available on LIPA's website for each of the following:

- **Policy Reports:** Annual reports on LIPA's performance as compared to the key objectives of each Board strategic direction and operating policy.
- **Work Plan Reports:** Annual reports on the projects and activities LIPA staff will directly undertake to advance the Board's policy objectives and accomplishments as compared to the prior year's work plan.
- **Performance Metrics and Board Recommendation Reports:** LIPA's business model involves significant outsourcing to service provider(s), which places heightened importance on vendor performance in advancing the Board's policy objectives. Therefore, the Chief Executive Officer will separately provide quarterly and annual reports on PSEG Long Island's performance as compared to the Board-approved performance metrics and recommendations.
- **Budget Reports:** Quarterly and annual budget reports comparing actual financial results to the Board-approved financial plan, including significant variances and their causes, separately detailed between LIPA and service provider-managed budget elements.

The Chief Executive Officer is responsible for informing the Board in a timely manner of developments that in the Chief Executive Officer's reasonable judgment are (i) unique or significant operational risks to LIPA; (ii) could significantly impact LIPA's customers, reputation, or community relations; or (iii) materially compromise the ability to achieve the policies and strategic objectives established by the Board.

**FOR CONSIDERATION**

March 29, 2023

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report and Amendments to the Board Policy on Diversity, Equity, and Inclusion

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**Requested Action**

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution (i) approving the annual report on the Board Policy on Diversity, Equity, and Inclusion (the “Policy”) for the period since the last annual review; (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy, which resolution is attached hereto as **“Exhibit A”**.

**Background**

In June 2020, the Board adopted the Policy. The last annual report on the Policy was in August 2021. The 2021 Policy provides that LIPA is “committed to a diverse, equitable, and inclusive environment that respects and values employees, customers, and stakeholders for the variety of their backgrounds and personal characteristics, including, but not limited to, ethnicity, gender, gender identity, marital status, national origin, physical ability, political affiliation, race, religion, sexual orientation, veteran status, life experience, talent, thinking style, or any other characteristic protected by law.”

**Compliance with the Policy**

LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the Policy since the last annual review. Compliance with each element of the Policy is set forth below.

The Policy provides that LIPA “will foster and promote a diverse, equitable, and inclusive workplace and society by:”

“attracting, retaining, and developing a diverse workforce representative of the electric customers we serve.”

- LIPA’s Human Resources department’s recruiting efforts include posting job openings on diversity-focused job boards including the New York State Department of Labor, the Professional Diversity Network, the National Forum for Black Public Administrators, and other sites as appropriate. Through the Professional Diversity Network, LIPA’s job are posted with the International Association of Women (IAW), which is one of the largest, most recognized networking organizations of professional women in the country, spanning more than 200 industries and professions; and other online employee recruitment platforms that leverage affinity groups to identify and recruit experienced and talented women, minorities,

veterans, LGBTQ and disabled persons.

“maintaining a positive, trusting, and inclusive workplace culture, through training and development and by considering these skills in our hiring and promotion practices.”

- LIPA’s employees have access to LinkedIn Learning, Percipio Learning, and Cornerstone Learning Management System. These programs provide education, training and development courses related to diversity, equity, belonging and inclusion and can be accessed by or assigned to employees as part of their professional development.
- LIPA’s monthly staff meetings include a diversity, equity, inclusion and belonging highlight to embed these in our culture and reinforce our commitment to all employees. In 2022, we used many of our all-staff meetings to provide a common language for employees by defining what certain words mean at LIPA and describing the behaviors associate with each word. Words included equity, diversity, inclusion, belonging, and more.
- The employee newsletter reinforced the Diversity, Equity, and Inclusion (DE&I) message presented at the staff meeting.

“utilizing annual employee engagement surveys and related initiatives to measure and advance our diversity, equity, and inclusion practices.”

- Each year, LIPA conducts an Employee Engagement Survey. These surveys are designed to measure and assess how motivated and engaged our employees are to perform their best at work each day.
- LIPA’s 2022 engagement remained among the top ten percent of companies with an overall score seven points above industry average benchmarks and one point above top company benchmarks (i.e. top 10%), although our score did drop from 85 to 79<sup>1</sup> between November/December 2020 and March/April 2022.
- LIPA’s engagement survey includes questions specifically related to DE&I. Employees are asked whether:
  - This organization encourages a climate in which diverse perspectives are valued.
  - I am encouraged to treat others with dignity and respect.
  - All employees are given a fair opportunity to succeed in this organization.
  - This organization values its employees.
  - People of all cultures, backgrounds, and identities are respected and valued at LIPA.
  - Diversity activities and learning opportunities offered by my organization have a positive impact on our culture.
  - My organization’s leadership demonstrates a commitment to and support of diversity and inclusion.
  - I can bring my authentic self to work.
- DE&I-related questions had an average score of 75, down from a previous average of 83. This is consistent with the overall score results.
- Results of the engagement survey are shared with management and LIPA Staff and management identifies opportunities for improvement.

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<sup>1</sup> Scores 70 and above are generally considered strong scores.

“overseeing the diversity, equity, and inclusion initiatives of LIPA’s service providers.”

- PSEG Long Island conducted multiple DE&I events for their employees. These events included:
  - Cultural Awareness and Diversity Appreciation programs such as Diwali Cultural Celebration, Honoring our Veterans event, and Hispanic Heritage month activities.
  - PSEG Long Island encourage and supports employees to join any of their numerous Employee Business Resource Groups (EBRGs). These are voluntary groups of employees that help shape and drive their diverse and inclusive culture. EBRGs help build meaningful relationships through initiatives like community outreach and volunteerism, mentorship, and professional development. In addition, PSEG Long Island’s EBRGs serve as a platform to elevate diverse perspectives and help support key business goals and priorities.

“promoting the participation of minority, women-owned, and service-disabled veteran-owned businesses in procurements by LIPA and its service providers, consistent with Article 15-A of the Executive Law.”

- The State of New York annually grades each state agency and authority’s MWBE procurement efforts. LIPA and its service provider were rated “A+” for 2022.
- PSEG Long Island increased its MWBE spend by 5% and continued to meet its 30% goal.
- The PSEG Long Island Supplier Diversity Team increased training for its procurement staff and provided informative sessions to its prime vendors and contractors. That team also hosted a virtual Supplier Diversity Procurement Fair in May of 2022 promoting a greater presence of MWBEs in our supply chain and procurement activities and attended and participated at several events in person and virtually including MWBE Expos, 2022 MWBE Forum, Competitive Edge Conference.
- PSEG Long Island established a proactive approach to connect MWBEs with internal decision makers and prime contractors.
- LIPA participated and accompanied PSEG Long Island in all outreach events listed above and served on the planning committee for the Competitive Edge Conference.

Additionally, the Policy provides that “in furtherance of the CLCPA and ECL Art 48, LIPA will participate in the community-based planning efforts of the State’s Climate Action Council, and create, pursue, and promote opportunities for, and eliminate barriers to, the achievement of environmental and climate justice.”

- Throughout 2021 and 2022, the State’s Climate Action Council has been at work on the State’s Scoping Plan to reach the goals set by the CLCPA, including making major strides toward achieving environmental and climate justice in the transition to a decarbonized economy. LIPA’s CEO holds a seat on the Council and LIPA’s staff have been participating in State staff working groups developing specific chapters of the Scoping Plan. Upon release of the

Draft Scoping Plan in December 2021, the working groups, which met on a monthly basis, supported the Council’s outreach to a broad set of stakeholders and the public through public hearings and acceptance of comments on the Draft Scoping Plan, which lasted through the summer of 2022. In the Fall of 2022, LIPA staff continued to support the Council’s efforts by incorporating the learning from public outreach into the final Scoping Plan, which was adopted in December 2022 as required by CLCPA.

- In 2022, LIPA undertook several new initiatives to benefit social and environmental justice goals, including:
  - LIPA undertook a two-phase bill forgiveness program. Low-and-moderate income (LMI) customers received a credit of the entirety of past-due account balances through May 1, 2022, while all customers received up to \$2,000 for past-due balances.
  - LIPA announced a \$30,000 grant to the Shinnecock Nation to assist income-eligible residents in learning about and applying for our LMI assistance program, which provided bill forgiveness through year-end 2022, as well as a monthly bill credit and eligibility for enhanced energy efficiency and electrification program rebates.
  - LIPA awarded a \$200,000 grant to the United Way of Long Island to support transforming their headquarters into a “net zero” building, with \$60,000 in annual energy savings that will be reinvested back into its core mission, including training for disadvantaged youth and veterans in clean energy construction.
  - LIPA funded a New York Clean Transportation Prize Award on Long Island at a cost of up to \$10 million for innovative projects expected to expand access to clean, electric transportation in historically disadvantaged communities.
  - LIPA created a community college scholarship program to support education and training in careers related to the electric industry for students from disadvantaged communities.
- LIPA engages with its stakeholders through its Community Advisory Board (CAB), among other methods. LIPA’s CAB was formed in 2017 to advise LIPA’s Chief Executive Officer on issues of importance to the Authority and our Long Island and Rockaways community. The CAB represents a diverse range of perspectives and has 19 members, including experts in energy, education, business, economic development, government, and finance. Members are appointed by LIPA’s CEO and participate in quarterly meetings, the last which was held in March 2023, that discuss regional issues, including energy efficiency, climate and green energy goals, and other topics important to members.
- Energy Efficiency and Renewables Advisory Committee: An advisory committee comprised of stakeholders not affiliated with PSEG Long Island or LIPA advise LIPA Staff on clean and renewable energy programs and hold periodic meetings to provide input and recommendations on demand reduction goals, beneficial electrification program goals, and renewable program goals established under applicable laws or various state initiatives.

### **Annual Review of the Policy**

The Board hired Leading Resources, Inc. to review the Board policies and facilitate discussion amongst the Trustees on amending certain policies. A working group of Trustees participated in

various meetings to develop and draft amendments to the Policy, including renaming the Policy to the Board Policy on Social and Environmental Justice. The draft amendments to the Policy have been shared with the entire Board.

Pursuant to public comments received by the Board at its February 2023 meeting, the working group of Trustees reconvened prior to the March 2023 Board meeting to consider further amendments to the Policy. The final version of the amended Policy, as drafted by the Trustees, is attached hereto as **Exhibit “B”**. In drafting the final version of the Policy, the Board has considered all public comments made with respect to the proposed amendments to the Policy.

### **Recommendation**

Based upon the foregoing, I recommend approval of the above-requested action by adoption of a resolution in the form attached hereto.

### **Attachments**

**Exhibit “A”** Resolution

**Exhibit “B”** Board Policy on Social and Environmental Justice

**RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS TO THE BOARD POLICY ON DIVERSITY AND INCLUSION**

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**WHEREAS**, the Board Policy on Diversity and Inclusion (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1542, dated June 24, 2020; and

**WHEREAS**, the Governance, Planning and Personnel Committee (the “Committee”) has conducted an annual review of the Policy on February 15, 2023 and recommended that the Board affirm that the Policy has been complied with and that the changes to the Policy recommended herein are due and proper.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board; and

**BE IT FURTHER RESOLVED**, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in **Exhibit “B”** are hereby approved.

Dated: March 29, 2023

Board Policy: **Social and Environmental Justice**

Policy Type: **Strategic Direction**

Monitored by: **Governance, Planning, and Personnel Committee**

Board Resolution: **#1542, adopted June 24, 2020**  
**#1662, amended August 11, 2021**  
**[#xxxx, amended March 29, 2023]**



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LIPA’s vision for social and environmental justice is to foster a workplace that promotes diversity, equity, and belonging and to promote fairness and equity in the impact of our programs on our community.

LIPA values employees, customers, and stakeholders for the variety of their backgrounds and personal characteristics, including:

- race, ethnicity, national origin, religion, gender, gender identity, sexual orientation, marital status, physical ability, political affiliation, age, veteran status, and any other characteristic protected by law; and
- other characteristics such as talents, thinking styles, and lived experiences.

LIPA will foster and promote a diverse, equitable, and inclusive workplace by:

- modeling and cultivating the organization’s values of service, collaboration, and excellence and their related behaviors, which foster an open, positive, and respectful workplace, including by considering these behaviors in our hiring, performance evaluation, and promotion practices;
- attracting, retaining, and developing a diverse workforce representative of the electric customers we serve;
- utilizing annual employee engagement and climate surveys and related initiatives to measure and advance our diversity, equity, and inclusion practices; and
- overseeing the diversity, equity, and inclusion initiatives of LIPA’s service providers.

LIPA supports social and environmental justice, namely achieving fairness and equity in the transition to a clean energy future, and believes that all communities are entitled to equal protection of environmental laws and regulations.<sup>1</sup>

In furtherance of social and environmental justice, LIPA will:

- pursue initiatives that promote fairness and equity in the clean energy transition;
- pursue initiatives that promote fairness and equity in the application of environmental laws and regulations; and
- promote the participation of minority, women-owned, and service-disabled veteran-owned businesses in procurements by LIPA and its service providers.

The Chief Executive Officer, or his or her designee, will report annually to the Governance, Planning, and Personnel Committee of the Board of Trustees on the key provisions of this Policy.

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<sup>1</sup> See Climate Leadership and Community Protection Act and in Article 48 of the Environmental Justice of the Environmental Conservation Law for more information.





# Annual Report on Construction of Transmission and Distribution Projects

Presented by: Billy Raley

November 13, 2024



# Discussion Topics

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 Board Policy on Construction of T&D Projects

 Policy Compliance & Overall Assessment

 Risk Management

# Board Policy on Construction of Transmission and Distribution Projects

It is LIPA's **Board Policy on Construction of Transmission and Distribution Projects** to:

- Make choices for the construction of the transmission and distribution system in a consistent manner that balances cost for all customers with local concerns.
- Conduct public outreach prior to the beginning of construction in accordance with certain principles described in detail in the policy.
- To accommodate local preferences for underground construction in circumstances where system-wide benefits are insufficient to justify the incremental expense by providing mechanisms for local choice and local funding.

# Board Policy on Construction of Transmission and Distribution Projects

## Proposed Change to **Board Policy on Construction of Transmission and Distribution Projects**:

- LIPA's electric transmission and distribution (T&D) system is predominantly an overhead system. In general, overhead construction with a robust tree-trim program has provided the best balance between reliability and cost of service for LIPA's customers.
- In recognition of evolving risks to the T&D System in the future as a result of climate change and other factors, for new transmission projects designed for voltages 65kV and above that are not subject to Article VII, underground method of construction is more likely than not to meet the requirements of LIPA's Board Policy on T&D Operations.
- If overhead method is proposed for such facilities, a review of factors such as those identified in certain state regulations (see, for example, Title 16 NYCRR Part 102) should be performed.

# Policy Compliance & Overall Assessment





# Transmission & Distribution System Overview

## LIPA's Transmission & Distribution (T&D) System Statistics

- Overall T&D system approximately 15,500 total miles (10,000 overhead and 5,500 underground).
- Transmission = approximately 1,500 total miles (1,000 overhead and 500 underground).
- Distribution = approximately 14,000 total miles (9,000 overhead and 5,000 underground).
- Underground lines make up approximately 35.5% of our overall T&D system, with underground lines comprising about 33% of the Transmission System and nearly 36% of the Distribution System.



# Transmission & Distribution Highlighted Construction Projects

- ✓ **Projects are evaluated with multiple options in mind balancing considerations of constructability, cost and local customer preferences**
  
- ✓ **Eaton's Neck Reconfiguration Reliability Project**
  - Approximately 2,100 customers served with a significant portion of them experiencing a long history of sustained and momentary outages that far exceed system-wide average performance.
  - A reliability project with a scope that incorporated a mix of solutions, with the objective of reducing customer outages in this area. The main project components included converting a portion of the overhead three phase conductor to underground and storm hardening 0.8 miles of overhead lines.
  - Project completed in April 2024 at a cost of approximately \$2.3 million.
  
- ✓ **Huntington Village Load Pocket Project**
  - Approximately 4,000 customers supplied by two 23kV lines with portions running through heavily vegetated areas that have experienced many outages over an extended period of time, especially during major storm events.
  - Potential solutions (1. Overhead – Aerial Cable, 2. Underground, and 3. Hybrid of #1 and #2) were developed and thoroughly evaluated, with the Aerial Cable solution coupled with additional hardening becoming the preferred solution. This project is scheduled to commence in early 2025.

# External Affairs (EA) Public Outreach for Construction Projects

## Public Outreach Tier Structure and Activity

- PSEG Long Island outreach is integrated into capital project planning, design, and construction, and both LIPA and the Department of Public Service review project scoring and outreach plans.
- PSEG Long Island scores each project using outreach tiers based on various factors, including project need, community impact, governmental impact, media landscape, permitting and regulatory requirements, aesthetic impacts, and environmental, historical, cultural, and construction considerations. An outreach plan is developed for each specific project. The outreach tiers are used as a guideline, and outreach tools are then tailored to each project's specific circumstances.
- Tier 1 project activities may include: (i) developing collateral materials; (ii) conducting media and regulatory audits to determine the outreach landscape and identification of stakeholders; (iii) briefing impacted officials; and (iv) notifying impacted customers.
- Tier 2 project activities may include: (i) all Tier 1 activities; (ii) mailings or door hangers to impacted customers; (iii) follow-up with impacted officials; and (iv) sharing project information on PSEG Long Island's website and social media accounts.
- Tier 3 project activities may include: (i) all Tier 1 and 2 activities; (ii) engaging in early design discussions; (iii) conducting early outreach and partnering with elected officials; (iv) hosting open houses; (v) collaborating with third-party experts; (vi) implementing a print and/or broadcast media communications plan; and (vii) email updates to impacted customers.
- Since the last annual update, there were two T&D-specific projects that were scored by External Affairs as Tier 3, Belmont Substation Conversion (from 33kV to 69kV) and Bridgehampton – Install New 69kV Circuit to Buell Substation. Additionally, there were five projects that were scored as Tier 2.



# Risk Management



# Enterprise Risk Management

**There is one low-level risk related to the Construction of T&D Projects Board Policy.** This risk is being monitored and opportunities for enhanced mitigation actions are being discussed.

- Transmission & Distribution and capital generation projects could lead to controversy with stakeholders, negative public perception, and SEQRA and/or other litigation.
- LIPA mitigates this risk with concurrent oversight of PSEG Long Island's project identification, planning, and development process for significant projects and through its Legal and External Affairs teams that work closely with PSEG Long Island's External Affairs to monitor compliance with the Policy and the communication with towns and the public on significant projects.

# Questions?

**Billy Raley**

Senior Vice President  
Transmission & Distribution

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[lipower.org](http://lipower.org)



## **FOR CONSIDERATION**

November 13, 2024

**TO:** The Board of Trustees

**FROM:** John Rhodes

**SUBJECT:** Approval of the Annual Report and Amendments to the Board Policy on the Construction of Transmission and Distribution Projects

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The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution: (i) approving the annual report on the Board Policy on the Construction of Transmission and Distribution Projects (the “Policy”); (ii) adopting revisions to the Policy described and recommended in this memorandum; and (iii) finding that LIPA has complied with the Policy, which resolution is attached hereto as **Exhibit “A”**.

### **Background**

By Resolution No. 1383, dated September 27, 2017, the Board adopted the Policy with the purpose of supplementing existing requirements and practices and to guide consistent decision-making related to: (i) the evaluation of system-wide benefits and costs for underground construction of projects where such benefits may exceed their costs; and (ii) public outreach prior to construction of major projects. The Policy was last reviewed on September 28, 2022.

### **Compliance with the Policy**

LIPA Staff recommends that, for the reasons set forth below, the Board find that the Authority has complied with the Policy for the period since the review of the Policy last year.

The Policy requires that the Chief Executive Officer annually report to the Board on compliance with the key provisions of the Policy. The key provisions of the Policy require that LIPA and its Service Provider, PSEG Long Island:

“For transmission projects designed for voltages 65 kV and above that are not subject to Article VII, prepare a pre-construction report containing an advantage-disadvantage analysis using standardized criteria for evaluating the system-wide benefits and costs to the public of construction of overhead versus underground transmission projects similar to the criteria used by New York utilities subject to Title 16 of the New York Codes, Rules and Regulations (“NYCRR”) Part 102, such report to be done sufficiently far in advance of construction to inform the public outreach and project planning process”:

- The Eaton’s Neck Reconfiguration Reliability Project benefits approximately 2,100 customers served with a significant portion of them experiencing a long history of sustained and momentary outages that far exceed system-wide average performance. A reliability project was developed with a scope that incorporated a mix of solutions, with the objective of reducing customer outages in this area. The main project components included

converting a portion of the overhead three phase conductor to underground and storm hardening 0.8 miles of overhead lines. This project was completed in April 2024 at a cost of approximately \$2.3 million.

- The Huntington Village Load Pocket Project will benefit approximately 4,000 customers supplied by two 23kV lines with portions running through heavily vegetated areas. These customers have experienced many outages over an extended period, especially during major storm events. Potential construction solutions include: (i) overhead – aerial cable, (ii) underground; and (iii) a hybrid of the first two potential solutions. These were developed and thoroughly evaluated, with the aerial cable solution coupled with additional hardening becoming the preferred solution. This project is scheduled to commence in early 2025.

“Maintain a special tariff for undergrounding to provide a financing mechanism that allows local communities to pay for the additional cost of undergrounding all or a portion of a transmission or distribution project where insufficient systemwide benefits exist to justify allocation of the incremental expense throughout the Service Area.”

- LIPA’s Tariff for Electrical Service (the “Tariff”) provides a financing program that allows a local community to request an overhead line be undergrounded.
- The Tariff provisions allow the requesting municipality the option of paying either the full incremental cost of undergrounding in advance of construction or paying the cost in the form of an incremental consumption charge for a period of 20 years.
- LIPA prepared a [brochure](#) for its Service Provider on the undergrounding program, which was electronically distributed to local elected officials and is available on both the LIPA and PSEG Long Island websites. A formalized process was also developed with LIPA oversight to ensure the effective implementation of the Tariff provisions.
- This tariff has been used most recently for a project that was completed in 2021 in the Village of Westhampton.

“LIPA and its Service Provider will conduct outreach to affected public officials, civic leaders, and communities in advance of the construction of transmission and distribution projects in a manner appropriate to each project, including visual representations of the proposed project as built, if appropriate, consistent with industry best practices, as mutually agreed upon by LIPA and its Service Provider, and in consultation with the Department of Public Service”:

- PSEG Long Island outreach is integrated into capital project planning, design, and construction, and both LIPA and the Department of Public Service review project scoring and outreach plans.
- PSEG Long Island scores each project using outreach tiers based on various factors, including project need, community impact, governmental impact, media landscape, permitting and regulatory requirements, aesthetic impacts, and environmental, historical, cultural, and construction considerations. An outreach plan is developed for each specific project. The outreach tiers are used as a guideline, and outreach tools are then tailored to each project’s specific circumstances.

- Tier 1 project activities may include: (i) developing collateral materials; (ii) conducting media and regulatory audits to determine the outreach landscape and identification of stakeholders; (iii) briefing impacted officials; and (iv) notifying impacted customers.
- Tier 2 project activities may include: (i) all Tier 1 activities; (ii) mailings or door hangers to impacted customers; (iii) follow-up with impacted officials; and (iv) sharing project information on PSEG Long Island’s website and social media accounts.
- Tier 3 project activities may include: (i) all Tier 1 and 2 activities; (ii) engaging in early design discussions; (iii) conducting early outreach and partnering with elected officials; (iv) hosting open houses; (v) collaborating with third-party experts; (vi) implementing a print and/or broadcast media communications plan; and (vii) email updates to impacted customers.
- Since the last annual update, PSEG Long Island reports that there were a total of seven Transmission and Distribution-specific projects that were scored by External Affairs as Tier 2 or Tier 3. Two of those projects were Tier 3, including the Belmont Substation Conversion (from 33kV to 69kV), and Bridgehampton – Install New 69kV Circuit to Buell Substation. Five projects are rated a Tier 2, including Woodmere Conversion & Reinforcement Feeder Extension, Syosset New Underground 13.2 kV Feeder & Overhead Reconductoring, Park Place (2A) Feeder Extension (Superblock), Reconductor 33-315 Reynolds Channel Submarine Cable and Port Jefferson - Install New 13kV Distribution Feeder.

### **Enterprise Risk Management Discussion**

The Board has adopted a Policy on Enterprise Risk Management. Enterprise risks are brought to the Board’s attention throughout the year. There is one risk related to the Policy. That risk is: “Transmission and Distribution and generation capital projects could lead to controversy with stakeholders, negative public perception, and SEQRA and other litigation.”

This risk is rated as a low-level risk. LIPA mitigates this risk with concurrent oversight of PSEG Long Island’s project identification, planning, and development process for significant projects and through its Legal and External Affairs teams that work closely with PSEG Long Island’s External Affairs to monitor compliance with the Policy and the communication with municipalities and the public on significant projects. Based on the mitigation actions in place, LIPA Staff believes this risk is adequately managed.

### **Annual Review of the Policy**

LIPA Staff has completed its review of the Policy and is proposing certain changes to reflect consideration of the evolving trends in risks and benefits from underground and overhead methods of constructions for new transmission facilities for voltages 65 kV and above that are not subject to Public Service Law Article VII. Such considerations include growing climate change risks that were identified in the recently completed Climate Change Vulnerability Study, potential additions of transmission capacity needed to reliably accommodate future offshore wind deliveries to Long Island, and other factors considered to meet the requirements of the Board’s Policy on Transmission and Distribution Operations.

**Recommendation**

Based upon the foregoing, I recommend approval of the above-requested action by the adoption of a resolution in the form attached hereto.

Attachments

**Exhibit "A"** Resolution

**Exhibit "B"** Policy (redline)

**RESOLUTION APPROVING THE ANNUAL REPORT ON THE BOARD POLICY ON  
THE CONSTRUCTION OF TRANSMISSION AND DISTRIBUTION PROJECTS**

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**WHEREAS**, the Board Policy on the Construction of Transmission and Distribution Projects (the “Policy”) was originally approved by the Board of Trustees Resolution No. 1383, dated September 27, 2017; and

**WHEREAS**, the Policy was last reviewed by the Board in September 2022; and

**WHEREAS**, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with and finds that the amendments proposed are due and proper.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that the LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board; and

**BE IT FURTHER RESOLVED**, that consistent with the accompanying memorandum, the Board hereby adopts the amendments to the Policy as reflected in **Exhibit “B”**.

Dated: November 13, 2024



Board Policy: **Construction of Transmission and Distribution Projects**

Policy Type: **Operating Policies**

Monitored by: **Oversight and Clean Energy~~REV~~ Committee**

Board Resolution: **#1383, approved September 27, 2017**  
**#1449, amended December 19, 2018**  
**#1491, amended September 25, 2019**



**DRAFT revisions proposal for November 13, 2024 meeting**

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## **Board Policy on Construction of Transmission and Distribution Projects**

It is the policy of the Long Island Power Authority to (i) make choices for the construction of the transmission and distribution system in a consistent manner that balances cost for all customers with local concerns; (ii) to conduct public outreach prior to the beginning of construction in accordance with certain principles described herein; and (iii) to accommodate local preferences for underground construction in circumstances where system-wide benefits are insufficient to justify the incremental expense by providing mechanisms for local choice and local funding.

## **Regulatory Requirements**

LIPA's construction of transmission and distribution facilities must comply with criteria contained in several statutes and regulations, including:

- Article VII of the New York Public Service Law (Article VII)<sup>1</sup>,
- State Environmental Quality Review Act (SEQRA),
- Environmental Conservation Law (ECL) Article 8,
- 6 NYCRR 617 (SEQRA implementing regulations),
- 21 NYCRR 10052 (LIPA's SEQRA implementing regulations), and
- Smart Growth Public Infrastructure Policy Act, ECL Article 6.

This Policy supplements these legal and regulatory requirements to guide consistent decision-making.

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<sup>1</sup> Article VII applies to electric transmission facilities with a design capacity of 100 kilovolts (kV) or more extending for at least 10 miles, or 125 kV and extending more than one mile.

## Selection of Construction Type

LIPA's electric transmission and distribution system is predominantly an overhead system.<sup>2</sup> In general, overhead construction with a robust tree-trim program ~~has provided~~ the best balance between reliability and cost of service for LIPA's customers. In recognition of evolving risks to the T&D System in the future as a result of climate change and other factors, for new transmission projects designed for voltages 65kV and above that are not subject to Article VII, underground method of construction is more likely than not to meet the requirements of LIPA Policy on Transmission and Distribution Operations. If overhead method is proposed for such facilities, a review of ~~Underground facilities are considered when necessary to address issues of feasibility<sup>3</sup> or to address~~ factors such as those identified in certain state regulations (see, for example, Title 16 NYCRR Part 102) should be performed.

To achieve the objectives of this Policy, LIPA and its Service Provider will:

- For transmission projects designed for voltages 65 kV and above that are not subject to Article VII, prepare a pre-construction report containing an advantage-disadvantage analysis using standardized criteria for evaluating the system-wide benefits and costs to the public of construction of overhead versus underground transmission projects similar to the criteria used by New York utilities subject to Title 16 of the New York Codes, Rules and Regulations (NYCRR) Part 102<sup>3</sup>, such report to be done sufficiently far in advance of construction to inform the public outreach and project planning process<sup>4</sup>;
- For all transmission projects designed for voltages below 65 kV, as well as all distribution projects, consider the criteria set forth in the attachment to this Policy, as applicable.
- Maintain a special tariff for undergrounding to provide a financing mechanism that allows local communities to pay for the additional cost of undergrounding all or a portion of a transmission or distribution project where insufficient systemwide benefits exist to justify allocation of the incremental expense throughout the Service Area<sup>5</sup>;
- Underground service to multiple occupancy buildings and new residential subdivisions at the developer's expense in accordance with similar criteria used by New York utilities subject to 16 NYCRR Part 100; maintain tariff provisions for the utility to provide cost allowances for undergrounding residential service where required or where requested by an applicant, consistent with Title 16 NYCRR Part 98 (e) and (f); and underground customer-owned facilities at customer expense.

<sup>2</sup> As of 2024, LIPA's electric grid contains approximately [10,000 miles (9,000 distribution and 1,000 transmission) of overhead lines and 5,2500 miles (45,8000 distribution and 4500 transmission)] of underground lines.

<sup>3</sup> ~~LIPA's standardized criteria for evaluating eligible projects are included as an attachment to the Policy.~~

<sup>4</sup> The analysis for each project will be sent to the Trustees as an information item when completed.

<sup>5</sup> Local communities may also pursue other financing mechanisms, such as an undergrounding district.

## Application of the Policy to Projects Planned by Parties Other Than LIPA

Consistent with this Policy, if a party other than LIPA is planning a transmission project in the LIPA's Service Area, including upgrading or rebuilding facilities, designed for voltages 65kV and above that is not subject to Article VII, such party should plan for underground method of construction for the planned facilities after it has completed a consultation with the LIPA. The party may plan for overhead method of construction if it completes the pre-construction report contemplated by this policy with consideration of criteria set forth in the attachment to this policy, and on the basis of such report and consideration has reasonably concluded, with concurrence by LIPA, that overhead construction method is justified for all or relevant portions of the planned facility.

## **Principles for Public Outreach**

Public outreach is important to maintaining public acceptance and support for the infrastructure necessary to maintain reliable electric service to the 1.2+ million customers served by the LIPA and its Service Provider. The electric grid is a complex system of generation and transmission that aims to ensure adequate levels of power reach customers at reasonable cost, with minimum impact to the environment and local community.

LIPA's Service Provider implements many widely varying infrastructure projects each year. There is therefore no "one size fits all" approach to public outreach, and any process requires regular review, including to consider changing conditions or lessons learned from actual projects over time.

To achieve the objectives of this Policy, LIPA and its Service Provider will conduct outreach to affected public officials, civic leaders, and communities in advance of the construction of transmission and distribution projects in a manner appropriate to each project, including visual representations of the proposed project as built, if appropriate, consistent with industry best practices, as mutually agreed upon by LIPA and its Service Provider, and in consultation with the Department of Public Service.<sup>6</sup>

LIPA's principles to guide the public outreach process include:

- Evaluating the potential impacts of each major project for:
  - Project scope, development timeline, and alternatives;
  - Cost, including the cost of alternatives;
  - Community impact, including:
    - Local services,
    - Aesthetic concerns,
    - Tree canopy and vegetation,
    - Residential or commercial districts,

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<sup>6</sup> The Department of Public Service's responsibilities in reviewing such capital projects are pursuant to the LIPA Reform Act, as described in a letter from the DPS CEO dated June 23, 2014.

- Height of poles,
  - Historic or cultural areas,
  - Environmentally sensitive areas;
  - Local, state and federal jurisdictions affected; and
  - Permitting and regulatory requirements.
- Using tools for public outreach designed to ensure all relevant officials, stakeholders, and customers are informed of project plans, and that all projects proceed transparently, including:
  - Briefing officials in affected areas;
  - Meeting with civic groups and organizations, as appropriate;
  - Notifying affected customers through mailings, door hangers, websites, outbound calls, open houses, and social media, as appropriate.
- Developing systematic outreach plans, particular and appropriate to each project, based on the potential impacts of the project, evaluated as described above.
- Performing appropriate outreach for each project prior to any State Environmental Quality Review Act determination, if applicable.

The Chief Executive Officer will report annually to the Board on compliance with the key provisions of this Policy.

**LIPA’s Standardized Criteria for Evaluating Systemwide Benefits  
of Underground-Overhead Versus Undergrounds Transmission Facilities**

LIPA’s Board Policy on the *Construction of Transmission and Distribution Projects* requires “utilizing standardized criteria for evaluating the systemwide benefits and costs to the public of construction of overhead versus underground transmission projects similar to the criteria used by New York utilities subject to Title 16 of NYCRR Part 102.”

Therefore, the evaluation of whether to construct overhead versus underground transmission facilities<sup>7</sup> shall include:

1. Any Priority Areas (defined below) affected by the subject Project where the advantages of underground-overhead transmission construction to the public *throughout the Service Area* may outweigh the disadvantages (i.e., an advantage-disadvantage analysis);
2. An inventory of other potentially affected areas in categories identified below; and
3. An explanation of why the proposed transmission facility or portion thereof should be placed overhead or underground.

The categories of areas shall be updated as 16 NYCRR Part 102 may change from time to time.

**I. Priority Areas for Advantage-Disadvantage Analysis**

Priority Areas for an advantage-disadvantage analysis that evaluates whether the advantages of underground-overhead construction outweigh the disadvantages to the public *throughout the Service Area* are:

1. National and State parks, preserves, reservations, landmarks, and monuments formally so designated and acquired for their natural, scenic or cultural value by appropriate State and Federal agencies. (Included would be historic landmarks, national landmarks, national monuments and trails, and wild and scenic rivers.)

2. Status as a disadvantaged and/or historically marginalized community;

2.3. Historic sites formally so designated by National or State agencies but without acquisition of rights or ownership sufficient for the purpose of preservation.

3.4. Central Business Districts (as defined below) in towns, cities, villages and hamlets.

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<sup>7</sup> Transmission facilities 65 kV or higher for distances of one mile or longer, excluding facilities subject to Article VII of the Public Service Law; the construction of all other such transmission facilities in Priority Areas shall be reported to the Board no less than annually.

4.5. Developed and partly developed residential areas with an existing density of one or more dwelling units per acre, as shown on approved Subdivision (as defined below) maps, occupying a minimum contiguous area of 20 acres, all or a portion of which would be traversed by the proposed transmission facility right-of-way.

## **II. Definitions**

(a) Central Business Districts are:

1. The centrally located, prime commercial district of a municipality (which may be a town, city, village or hamlet), the focus of main traffic arteries and mass transit composed of retail trade, offices (including governmental functions), light manufacturing and commercialized recreational activities with few or no dwellings.
2. Commercial areas essentially one lot deep along a thoroughfare are more aptly described as strip developments and not central business districts.

Central business districts occupy a relatively small proportion of the urbanized area -- not over four percent even in the smallest cities and only 0.4 percent in the largest.

(b) Subdivisions are a tract of land divided into lots for residential buildings the plan for which has been approved by governmental authorities having jurisdiction.

## **III. Exemption from Completion of Full Report Consistent with 16 NYCRR 102**

A full report consistent with the provisions of 16 NYCRR 102 is not required for upgrading or rebuilding transmission facilities on existing right-of-way provided that all of the following conditions are met:

1. No additional rights-of-way are required;
2. There is no increase in the number of structures on the right-of-way;
3. The resulting structures do not carry more than two circuits;
4. No substantial modification will be made to existing vegetative cover on the right-of-way; and
5. The height of a new tower does not exceed the height of a replaced tower by more than 10 feet.

Likewise, a full report is not required if construction of the facility in question must substantially be underground-overhead for technical reasons.

#### **IV. Elements of the Advantage-Disadvantage Analysis for Priority Areas**

The advantage-disadvantage analysis for Priority Areas is meant to provide a framework by which the features or facts which support one or another mode of construction are identified clearly. Circumstances that reduce or enhance the benefits or affect the costs of ~~underground-overhead~~ construction, identified in the advantage-disadvantage analysis, will provide the basis for decision. Examples of factors which may affect a decision to ~~underground-overhead~~ would include the availability of suitable existing corridors, or the likelihood of pronounced visual impact.

Data and/or all pertinent information for each item shall be presented for both the underground and overhead alternative. The analysis of cost should be made on a present-worth basis for both alternatives over a period long enough to allow for appropriate incremental construction.

The advantage-disadvantage analysis for Priority Areas shall include:

1. Availability of existing corridors suitable for additional transmission facilities. (The availability of suitable existing corridors through a Priority Area, for example, may reduce the relative benefits of underground construction.)
2. Capital construction costs. (Costs that may be capitalized under the uniform system of accounts.)
3. Construction expense costs. (Costs that may not be capitalized.)
4. Right-of-way acquisition costs.
5. Anticipated total operation and maintenance costs including power losses for the depreciable life of the plant, discounted to present-worth, when the present worth of such losses is significant in comparison to other costs (such as (i) there is no increase in the number of structures on the right-of- way; (ii) the resulting structures do not carry more than two circuits; or (iii) no substantial modification will be made to existing vegetative cover on the right-of-way).
6. Relevant technological considerations.
7. The relative effect on vegetation, wildlife, soils, erosion, streams, and other such natural features (as noted in biological surveys, water quality ratings, and land management policies and practices) of the construction methods proposed.
8. The relative visual impact including incremental impact compared to existing surroundings.
9. Relative availability of right-of-way for other uses: e.g., parks, recreation, farming, transportation.

## **V. Other Areas to Be Inventoried**

Other areas which should be inventoried, but for which an advantage-disadvantage analysis is not required, but may be prepared if appropriate, are:

1. Areas of outstanding natural or scenic value which are preserved by non-profit private agencies, but which have not been formally so designated by national or State agencies.
2. Areas of outstanding cultural value (e.g., attractive pastoral scenes, locations of noteworthy architectural and/or social import both within and outside specific sites) that have been formally designated by the appropriate governmental authority.
3. Existing local (city, town, village and county) parks and open space areas that have been formally established by governmental or private authorities.
4. Public and semipublic facilities such as cemeteries, educational, correctional and medical facilities and military installations.
5. Existing light industrial and commercial areas (e.g., industrial parks, shopping centers, office building complexes).
6. Partially developed residential areas where the Subdivision will have an eventual population density of one or more dwelling units per acre, as shown on approved Subdivision maps, comprising a minimum contiguous area of 20 acres or a portion of which is traversed by the proposed transmission facility right- of-way.
7. Areas of outstanding cultural value (e.g., attractive pastoral scenes, locations of noteworthy architectural and/or social import both within and outside specific sites that lend attractiveness to a neighborhood or community) that have not been formally designated by governmental or private authority.
8. Residential areas with less population density than those specified in preceding categories.
9. Planned and zoned undeveloped light industrial, commercial and residential areas.
10. Managed woodlands (e.g., commercial and other productive forests).
11. Agricultural districts established in accordance with article 25-AA of the Agriculture and Markets Law, and other farmlands.
12. Existing and planned heavy industrial areas.
13. Woods and open lands other than those included within areas specified in any Priority Area above.






# ENTERPRISE RISK MANAGEMENT – F&A COMMITTEE DISCUSSION

September 27, 2023

# TOPICS FOR DISCUSSION

- 01  ERM Process Overview
- 02  2023 Risk Summary
- 03  ERM Board Policy Review and Approval

# ERM PROCESS OVERVIEW



# RISK EVALUATION PROCESS & CRITERIA

## Risk Identification

Work with subject matter experts within each department to identify the risks that could impact their objectives.

**For example:** A major event could cause damage to infrastructure, delayed restoration, and ineffective communication with customers which could result in increased costs and negative reputation

## Risk Assessment

CRITERIA FOR EVALUATING RISKS				
Impact	Impact Categories	Likelihood	Velocity	Outlook
5 - Severe	Financial	5 - Almost Certain	High	Increasing
4 - Major	Reliability	4 - Likely	Medium	Decreasing
3 - Moderate	Reputational	3 - Possible	Low	Stable
2 - Minor	Regulatory, Legal, & Compliance	2 - Unlikely		
1 - Incidental	Environmental, Health, & Safety	1 - Highly Unlikely		



**Risk Exposure = Impact (x) Likelihood**

Work with subject matter experts to evaluate the likelihood, impact, velocity, and outlook of the risk

**For example:** Major Event risk has a severe (5) rating in multiple impact categories and is likely (4) to occur, so the risk exposure is 5x4=20

## Risk Response & Mitigation

Work with subject matter experts to determine and develop mitigation actions to manage the risk.

## Risk Monitoring

Develop a cadence and quantitative measures that monitor risk trending by working with subject matters in each department

## Risk Reporting

Report on high-priority risks periodically to the Enterprise Risk Management Committee and quarterly to the Board of Trustees. Additionally, select risks have deep-dive analysis performed and presented to leadership which includes both LIPA and PSEG Long Island.

# ERM ROLES AND RESPONSIBILITIES

**Board of Trustees**

- Sets ERM Board policy
- Provides oversight of the ERM process

**CEO**

- Reviews and approves overall risk portfolios

**Senior Leadership/VPs**

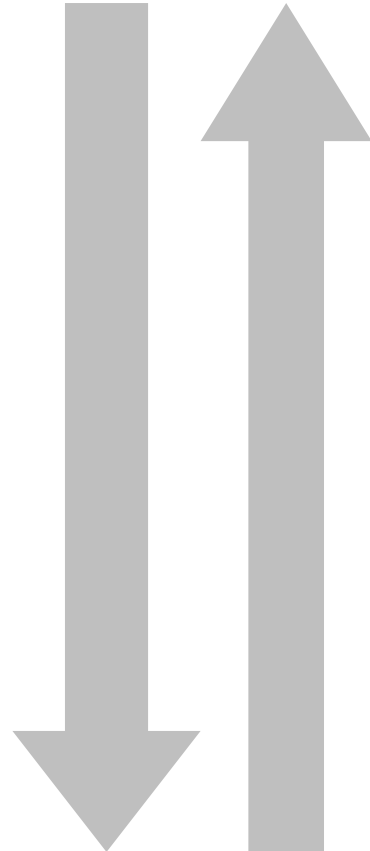
- Reviews and approves department portfolios
- Reviews and aggregates enterprise risks at ERM meetings
- Prioritizes resources to reduce risk

**Directors**

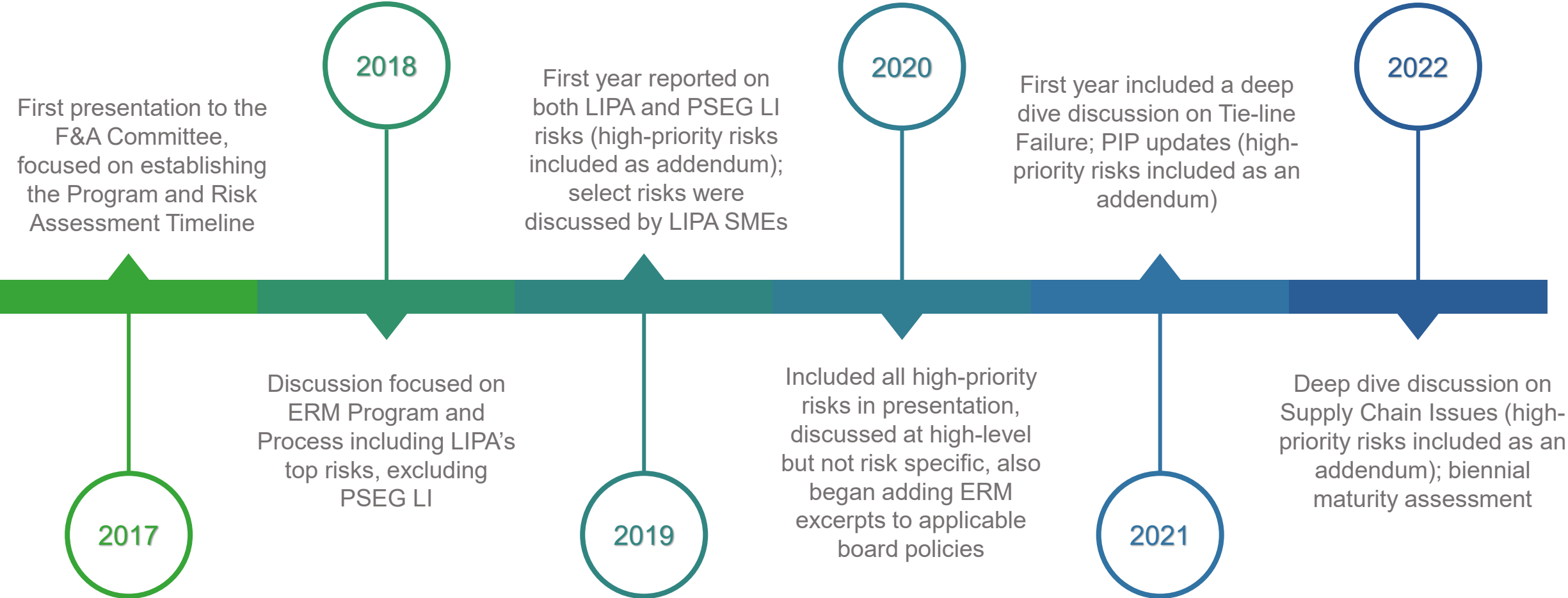
- Responsible for managing department risks
- Identifies areas for improvement

**Front-line Managers**

- Identifies and manages risks in day-to-day operations



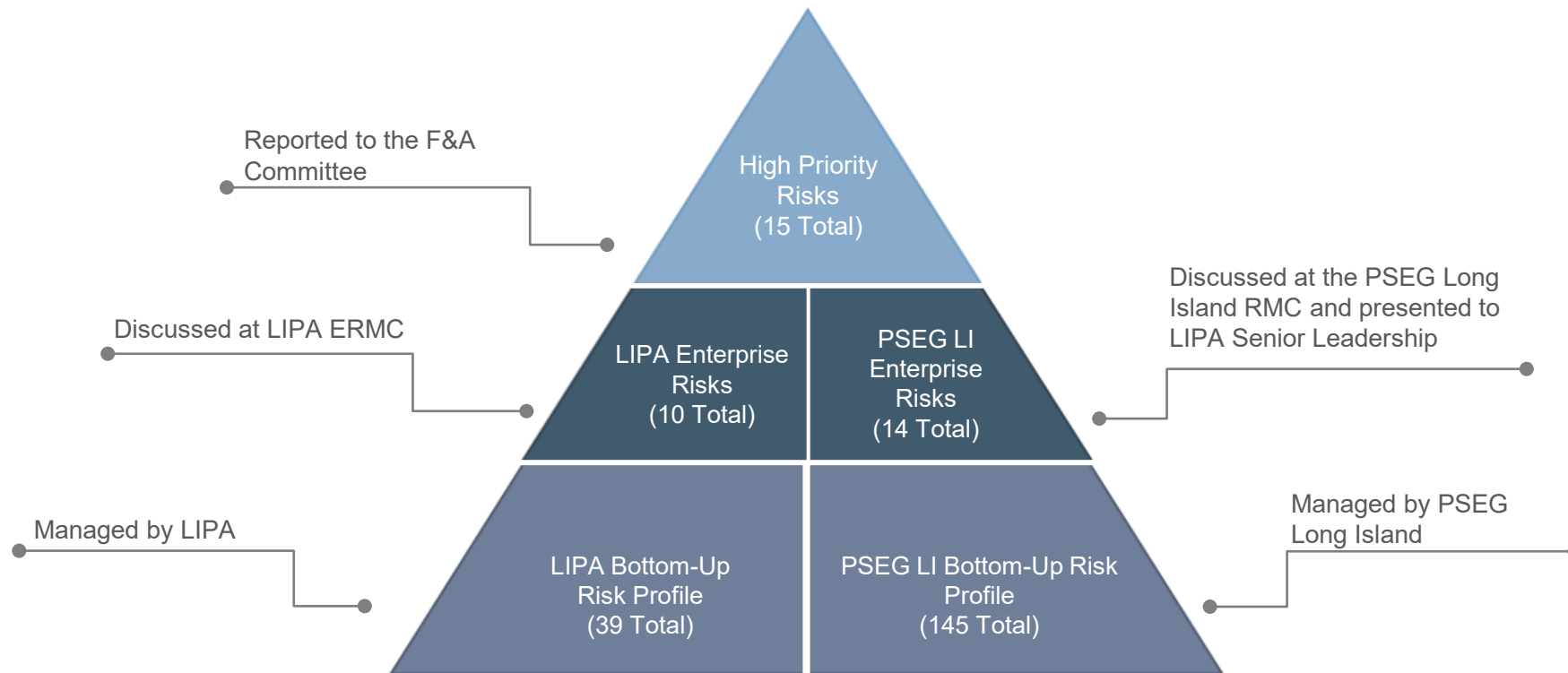
# ERM PRESENTATION TO F&A COMMITTEE - HISTORY



# 2023 SUMMARY OF RISKS

**High-priority risks** can significantly impede *both* LIPA and PSEG Long Island's ability to achieve their respective goals.

- Both LIPA and PSEG Long Island undergo a formal risk assessment process to develop their risk profiles; PSEG Long Island provides LIPA an in-depth annual report detailing their most significant risks and their mitigation actions
- There are 15 risks that have been deemed high-priority and represent the most significant risks to the organization; these risks along with their mitigation strategies and actions are reviewed and approved by senior management





# 2023 LIPA AND PSEG LONG ISLAND HIGH-PRIORITY RISKS



Category	Risk
Reliability	<b>Major Event</b> - Damage to infrastructure, delayed restoration, and ineffective communication with customers could result in increased costs and negative reputation
	<b>Physical Security Attack</b> - Substation security and/or the control centers are compromised and could result in reduced reliability and/or a safety incident
	<b>Outdated Primary Transmission Control Center</b> - Current control center condition could create increased system vulnerabilities, especially during high activity events
	<b>Safety</b> - Employees/contractors not following procedures, equipment failure, or lack of adequate training could result in an injury/death
	<b>Loss of multiple tie-lines</b> - Multiple cable failures could result in the inability to meet demand and require load curtailment measures, including load shedding
Technology	<b>Cyber Event</b> - Unauthorized access to IT and/or T&D systems could result in decreased operational abilities
	<b>Breach of Personal Identifiable Information</b> - Internal or 3rd party mass breach of PII could result in loss of sensitive data, a critical system, and potential fraud
	<b>Failure of Critical Business System</b> - A major failure of availability or performance of a critical operating technology or business system, results in extended disruption to operations or business processes, damage to systems and/or loss of data
Regulatory & Rates	<b>Regulatory/Legislative</b> - Modifications to regulations and/or legislations could result in potential changes to the business model, operational changes, and/or an increased cost of service
	<b>Business Model</b> - The outsourced business model could result in suboptimal value and increased cost to customers
	<b>Business Model Uncertainty</b> - Uncertainty regarding the future business model results in enterprise-wide challenges related to attracting and retaining talent, competing priorities impact the ability to perform necessary work, and maintaining a positive working culture at LIPA and a productive working relationship with the Service Provider
	<b>Rate Design</b> - Existing rate design may not reflect changing customer usage patterns/expectations or provide pricing signals and could result in economic inefficiencies and negative public perception
People & Reputation	<b>Talent Management</b> - Difficulty attracting/retaining individuals with the right knowledge, skillsets, and experience may impact the ability to achieve our purpose and objectives
	<b>Call Center</b> - Difficulty attracting and retaining call center personnel paired with increased call volume can result in longer hold times, decreased ability to effectively and efficiently interact with customers, and negative public perception
	<b>Reputation</b> - Negative media coverage could alter customer perception, system operations, and access to affordable capital






Risks are grouped by category and not ranked in order of prioritization





# 2023 LIPA AND PSEG LONG ISLAND TOP RISKS - RELIABILITY

Risk	Trend	Risk Mitigation	Board Policy & Communications	Metrics and PIPs
<p><b>Major Event -</b> Damage to infrastructure (system hardening/resiliency), delayed restoration, and ineffective communication with customers could result in increased costs and negative reputation <i>Managed by - PSEG Long Island</i></p>		<ul style="list-style-type: none"> <li>• Ongoing storm hardening initiatives: Power-On, Trim to Sky, Hazard Tree, Auto-Sectionalizing Units Viper Switches (ASUVs), evaluation of eight load pockets, etc.</li> <li>• Storm hardening program targeting 18% reduction compared to Isaias through 2025 and on track</li> <li>• Continue identification of mutual aid including wire watchers, LV crews, and damage assessors</li> <li>• Emergency storm response trainings</li> <li>• Integration of OMS with AMI has improved data gathering and situational awareness during storm events</li> <li>• Reevaluating the use of drone technology for assessing damage after storms</li> </ul>	<p style="text-align: center;"><b>Policy</b></p> <ul style="list-style-type: none"> <li>• T&amp;D Operations</li> </ul> <p style="text-align: center;"><b>Communications</b></p> <ul style="list-style-type: none"> <li>• May Summer Prep &amp; Emergency Restoration Plan</li> <li>• June Storm Hardening &amp; Resiliency Update</li> <li>• Quarterly ITF Reports &amp; PIP updates</li> <li>• June Final OMS report</li> <li>• Annual board report</li> <li>• Quarterly metric reports</li> </ul>	<ul style="list-style-type: none"> <li>• T&amp;D-24 Vegetation Management – Cycle Tree Trim w/ Vegetation Intelligence</li> <li>• T&amp;D-25 Vegetation Management – Trim to Sky Circuits</li> <li>• T&amp;D-26 Vegetation Management – Hazard Tree Removal</li> <li>• T&amp;D-27 Storm Hardening - Overhead Hardening</li> <li>• T&amp;D-28 Storm Hardening - Underground Hardening</li> <li>• T&amp;D-29 T&amp;D System Enhancements</li> <li>• T&amp;D-30 Storm Hardening Work Plan - ACRV Commissioning Program</li> <li>• T&amp;D-31 Storm Hardening Work Plan - LT5H (ASUV) Program</li> <li>• T&amp;D-42 Estimated Time of Restoration Process Enhancements</li> <li>• T&amp;D-48 Program Effectiveness - Storm Hardening</li> </ul>
<p><b>Physical Security Attack -</b> Substation security and/or the control centers are compromised and could result in reduced reliability and/or a safety incident <i>Managed by - PSEG Long Island</i></p>		<ul style="list-style-type: none"> <li>• Conduct security vulnerability inspections and penetration tests at all critical sites</li> <li>• Substation security upgrades are either in design phase, planned or underway for all 10 critical substations</li> <li>• In-progress: AMAG upgrade for access control and video management</li> <li>• Increased focus and enrollment regarding insider threat trainings</li> </ul>	<p style="text-align: center;"><b>Policy</b></p> <ul style="list-style-type: none"> <li>• Physical security included in the T&amp;D Operations policy</li> </ul> <p style="text-align: center;"><b>Communications</b></p> <ul style="list-style-type: none"> <li>• Board review to occur post-Security audit</li> <li>• Annual board report</li> <li>• Quarterly metric reports</li> </ul>	<ul style="list-style-type: none"> <li>• T&amp;D-44 Regulatory Compliance</li> <li>• T&amp;D-45 Physical Security</li> </ul>



# 2023 LIPA AND PSEG LONG ISLAND TOP RISKS - RELIABILITY

Risk	Trend	Risk Mitigation	Board Policy & Communications	Metrics and PIPs
<b>Outdated Primary Transmission Control Center</b> - Current control center condition could create increased system vulnerabilities, especially during high activity events <i>Managed by - PSEG Long Island</i>		<ul style="list-style-type: none"> <li>One candidate property has been identified and is awaiting design, permitting, and construction</li> <li>Small board conversion to SCADA eliminated risk associated with evacuating Hicksville without data on physical board</li> <li>Developed a strategic road map for the replacement of the PCC and ACC as well as an IT cutover plan</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>N/A</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>Ongoing communications and status updates</li> <li>Quarterly metric reports</li> </ul>	<ul style="list-style-type: none"> <li>T&amp;D-06 Primary and Alternative Transmission Control Center Replacement</li> <li>Board adopted PIP in 2021 and revised in 2023</li> </ul>
<b>Safety</b> - Employees/contractors not following procedures, equipment failure, or lack of adequate training could result in an injury/death <i>Managed by - PSEG Long Island</i>		<ul style="list-style-type: none"> <li>Continuously improve and integrate current safety and training programs including implementation of a documented safety management system</li> <li>Continued focus on contractor safety, storm onboarding, and monitoring initiatives</li> <li>Regular internal and external assessments and audits; EHS audit and AEGIS risk assessment planned for Q3 2023</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Safety</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>Annual board report</li> <li>Quarterly metric reports</li> </ul>	<ul style="list-style-type: none"> <li>T&amp;D-13 Safety – Serious Injury Incident Rate (SIIR)</li> <li>T&amp;D-14 Safety – OSHA Recordable Incidence Rate</li> <li>T&amp;D-15 Safety – OSHA Days Away Rate</li> </ul>
<b>Loss of multiple tie-lines</b> - Multiple cable failures could result in the inability to meet demand and require implementation of load curtailment measures up to and including load shedding <i>Managed by - PSEG Long Island</i>		<ul style="list-style-type: none"> <li>Neptune transformer replacement put into service</li> <li>NYPA Y49 Extension and Modernization project led to the replacement of the LI land portion</li> <li>Improved spare strategy by increasing the number of spare transformers</li> <li>Increased outreach to cable owners to provide increased transparency of annual equipment maintenance plans</li> <li>Board approved capacity contract with NYPA Flynn plant on LI</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>N/A</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>May Summer Prep report</li> <li>Regular intertie outage communications to the Board of Trustees, and pertinent news articles</li> </ul>	N/A



# 2023 LIPA AND PSEG LONG ISLAND TOP RISKS - TECHNOLOGY

Risk	Trend	Risk Mitigation	Board Policy & Communications	Metrics and PIPs
<p><b>Cyber Event</b> - Unauthorized access to IT and/or T&amp;D systems could result in decreased operational abilities <i>Managed by - LIPA &amp; PSEG Long Island</i></p>		<ul style="list-style-type: none"> <li>• Conduct quarterly internal and annual third-party vulnerability assessments, penetration testing of all information and operational technology systems, and promptly mitigate any identified vulnerabilities</li> <li>• Maintain a targeted level of maturity on the National Institute of Standards and Technology Cyber Security Framework (NIST CSF), as evaluated annually through an independent assessment</li> <li>• Continue to integrate security awareness and education into management culture</li> <li>• Perform annual drills that concentrate on a cyber attack and phishing</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>• Information Technology and Cyber Security</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>• Annual board report</li> <li>• Quarterly metric reports</li> <li>• IV&amp;V of PSEGLI Cyber Security Default Metric</li> </ul>	<ul style="list-style-type: none"> <li>• IT-05 Project Performance - In-flight Projects</li> <li>• IT-08 Cyber Security Organization - Structure, Staffing and Capabilities Review</li> </ul>
<p><b>Breach of Personal Identifiable Information</b> - Internal or 3rd party mass breach of PII could result in loss of sensitive data, a critical system, and potential fraud <i>Managed by - PSEG Long Island</i></p>		<ul style="list-style-type: none"> <li>• All employees and contractors are trained on the importance of protecting PII, receive Red Flag training, and data is shared on an <i>as needed</i> basis</li> <li>• Maintain the Employee Transaction Review Process to ensure CAS access is not misused</li> <li>• Phishing exercises are facilitated to reinforce training and provide increased awareness</li> <li>• Conduct 'Staying Cyber Safe for Employees' training helps users defend workplace and home data from malicious threats</li> <li>• Conduct an annual third-party risk assessment of vendors that hold sensitive information</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>• Information Technology and Cyber Security</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>• Annual board report</li> <li>• Quarterly metric reports</li> <li>• IV&amp;V of PSEGLI Cyber Security Default Metric</li> </ul>	<ul style="list-style-type: none"> <li>• IT-05 Project Performance - In-flight Projects</li> </ul>



# 2023 LIPA AND PSEG LONG ISLAND TOP RISKS – TECHNOLOGY AND REPUTATION

Risk	Trend	Risk Mitigation	Board Policy & Communications	Metrics and PIPs
<p><b>Failure of Critical Business System</b> - A major failure of availability or performance of a critical operating technology or business system, results in extended disruption to operations or business processes, damage to systems and/or loss of data <i>Managed by - PSEG Long Island</i></p>		<ul style="list-style-type: none"> <li>Established Technology Resiliency Metrics for 2022 with continuation in 2023. Activities include Business Continuity and Disaster recovery testing for business-critical processes and applications.</li> <li>Added a dedicated resiliency manager to directly oversee technology resiliency activities</li> <li>Hold and participate in various functional and tabletop exercises and conduct training on an annual basis to continuously improve processes and response to critical system failures</li> </ul>	<p style="text-align: center;"><b>Policy</b></p> <ul style="list-style-type: none"> <li>Information Technology and Cyber Security</li> </ul> <p style="text-align: center;"><b>Communications</b></p> <ul style="list-style-type: none"> <li>Quarterly metric reports</li> </ul>	<ul style="list-style-type: none"> <li>IT-03 – System Resiliency</li> </ul>
<p><b>Reputation</b> - Negative media coverage could alter customer perception, system operations, and access to affordable capital <i>Managed by - LIPA &amp; PSEG Long Island</i></p>		<ul style="list-style-type: none"> <li>Employ clear and timely communication through all channels with customers, stakeholders, public officials and media on issues to ensure information is disseminated early and accurately</li> <li>Increase customer awareness through the facilitation of public presentations, stakeholder meetings, quarterly advisory meetings, board meetings and hearings. Informational outreach materials are provided, as needed</li> <li>LIPA has the right to review and approve PSEG LI's Emergency Response Plan which includes communications protocols</li> <li>Monitor and manage vendor communications, marketing, and external affairs including policy positions, infrastructure projects and improvements, stakeholder communication and coordination, and government correspondence</li> </ul>	<p style="text-align: center;"><b>Policy</b></p> <ul style="list-style-type: none"> <li>N/A</li> </ul> <p style="text-align: center;"><b>Communications</b></p> <ul style="list-style-type: none"> <li>Quarterly metric reports</li> <li>Frequent communication on stakeholder relations and media provide continuous feedback</li> </ul>	<ul style="list-style-type: none"> <li>BS-19 (E&amp;C-4) Reputation Management – Positive Media Sentiment</li> <li>BS-20 (E&amp;C-5) Reputation Management – Share of Voice</li> <li>BS-21 (E&amp;C-6) Social Media Engagement and Following</li> </ul> <p>PIPs:</p> <ul style="list-style-type: none"> <li>Project - 4.09 Social Media Automation</li> </ul>

# 2023 LIPA AND PSEG LONG ISLAND TOP RISKS - PEOPLE



Risk	Trend	Risk Mitigation	Board Policy & Communications	Metrics and PIPs
<p><b>Talent Management</b> - Difficulty attracting and retaining individuals with the necessary knowledge, skillsets and experience may impact our ability to timely achieve our purpose and objectives <i>Managed by: LIPA &amp; PSEG Long Island</i></p>		<ul style="list-style-type: none"> <li>• Offer flexible working arrangements (i.e., telecommuting and flexible work hours)</li> <li>• Utilize staff augmentation to make up for short term resource needs</li> <li>• Market and offer strong benefits package and competitive salary structure</li> <li>• Developed a policy on policies to help with knowledge retention, knowledge capture and memorializing key processes</li> <li>• Work with HR consultant to measure employee engagement and satisfaction and identify initiatives to address cultural issues</li> <li>• Maintain a succession plan to address turnover with the least possible impact to operations</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>• Staffing and Employment</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>• Annual board report</li> <li>• Quarterly metric reports</li> </ul>	<ul style="list-style-type: none"> <li>• BS-05 Full Time Vacancy Rate</li> </ul>
<p><b>Call Center</b> - Difficulty attracting and retaining call center personnel paired with increased call volume can result in longer hold times, decreased ability to effectively and efficiently interact with customers, and negative public perception <i>Managed by: PSEG Long Island</i></p>		<ul style="list-style-type: none"> <li>• Increased call center staff using temporary agents and onboarding new full-time personnel</li> <li>• Reduce repeat calls by implementing new credit card vendor and providing short-term debt forgiveness to decrease % of customers in collections</li> <li>• Performance management enhancements have improved by dedicating additional resources to provide “real time” monitoring of “longer than normal” calls &amp; other anomalies, updating agent scorecards to align with drivers in partnership with IBEW, and creating back-up support for real time monitoring for supervisors</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>• Customer Experience</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>• Regular updates via the ‘Get Well Plan’ discussions at each Board Meeting</li> <li>• Annual board report</li> <li>• Quarterly metric reports</li> </ul>	<ul style="list-style-type: none"> <li>• CS-02 JD Power - Residential</li> <li>• CS-03 JD Power - Business</li> <li>• CS-11 Contact Center Service Level with Live Agent Calls</li> <li>• CS-13 First Call Resolution</li> </ul>

# 2023 LIPA AND PSEG LONG ISLAND TOP RISKS - REGULATORY

Risk	Trend	Risk Mitigation	Board Policy & Communications	Metrics and PIPs
<p><b>Regulatory/Legislative</b> - Modifications to regulations and/or legislation could result in potential changes to the business model, operational changes, and/or an increased cost of service <i>Managed by - LIPA &amp; PSEG Long Island</i></p>		<ul style="list-style-type: none"> <li>• Translate subject matter expertise into synchronized and persuasive policy positions</li> <li>• Identify high value opportunities to influence State and Federal policy to align with customer needs</li> <li>• Proactively engaging with media to increase awareness to stakeholders</li> <li>• Develop cost-effective implementation plans if/when new regulations are passed</li> </ul>	<p style="text-align: center;"><b>Policy</b></p> <ul style="list-style-type: none"> <li>• Clean Energy and Power Supply</li> </ul> <p style="text-align: center;"><b>Communications</b></p> <ul style="list-style-type: none"> <li>• Annual board report</li> <li>• Quarterly metric report</li> <li>• March LMI Heat Pump Update</li> </ul>	<ul style="list-style-type: none"> <li>• PS&amp;CE-1 Complete Integrated Resource Plan</li> <li>• PS&amp;CE-3 (CE-1) Energy Efficiency Plan Savings</li> <li>• PS&amp;CE-5 (CE-3) Beneficial Electrification – Building Electrification</li> <li>• PS&amp;CE-6 Electric Vehicle (EV) Make-Ready</li> <li>• PS&amp;CE-11 Implementation of Utility 2.0 Projects</li> </ul>
<p><b>Business Model</b> - The outsourced business model could result in suboptimal value and increased cost to customers <i>Managed by - LIPA</i></p>		<ul style="list-style-type: none"> <li>• Participated in the LIPA Legislative Committee’s review of business model with various documents and testimony at public hearings</li> <li>• Developed fact sheets to provide the pros and cons of different business models under consideration</li> <li>• Conducted an Options Analysis in April 2021 on improving the contract</li> <li>• Renegotiated operating service agreement that was placed in effect April 2022</li> </ul>	<p style="text-align: center;"><b>Policy</b></p> <ul style="list-style-type: none"> <li>• LIPA’s Purpose and Vision</li> </ul> <p style="text-align: center;"><b>Communications</b></p> <ul style="list-style-type: none"> <li>• Quarterly metric reports</li> <li>• April 2021 Options Analysis</li> <li>• Business Model fact sheets</li> <li>• LIPA Legislative Committee testimony and reports</li> </ul>	<ul style="list-style-type: none"> <li>• All metrics and PIPs to help support efficient and effective vendor performance management</li> </ul>



# 2023 LIPA AND PSEG LONG ISLAND TOP RISKS – REGULATORY & RATES

Risk	Trend	Risk Mitigation	Board Policy & Communications	Metrics and PIPs
<p><b>Business Model Uncertainty</b> - Uncertainty regarding the future business model results in enterprise-wide challenges related to attracting and retaining talent, competing priorities impact the ability to perform necessary work, and maintaining a positive working culture at LIPA and a productive working relationship with the Service Provider <i>Managed by - LIPA</i></p>		<ul style="list-style-type: none"> <li>• CEO has consistently updated LIPA Staff on the progress of the Legislative Committee review which will recommend a course of action to the State Legislature. While this creates a significant amount of uncertainty, LIPA is helping to mitigate this by preparing for different outcomes, including legislation and rebidding the operations service agreement</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>• LIPA's Purpose and Vision</li> <li>• Policy on Staffing and Employment</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>• Annual board report</li> <li>• Quarterly metric reports</li> <li>• April 2021 Options Analysis</li> <li>• Business Model Fact Sheets</li> <li>• LIPA Legislative Committee testimony and reports</li> </ul>	<ul style="list-style-type: none"> <li>• All metrics and PIPs to help support efficient and effective vendor performance management</li> </ul>
<p><b>Rate Design</b> - Existing rate design may not reflect changing customer usage patterns/expectations or provide pricing signals and could result in economic inefficiencies and negative public perception <i>Managed by - LIPA &amp; PSEG Long Island</i></p>		<ul style="list-style-type: none"> <li>• Focus on implementing rate designs that are adaptable to diverse customer end use behavior</li> <li>• Maintain strong relationships with, and actively educate stakeholders</li> <li>• Continue to monitor technological advancements and incorporate findings in rate design process</li> <li>• Implementing a time-of-day rate program that is specifically designed to address changing customer usage patterns and providing proper pricing signals. The rollout includes a pause to assess performance and is managed on multiple KPIs, including customer feedback. This program endeavors to lower peak demand during high usage times and will help save customers money</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>• Customer Value, Affordability, and Rate Design</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>• Annual board report</li> <li>• March Time of Day Rollout Presentation</li> <li>• Quarterly TOD Board Update</li> <li>• Quarterly metric reports</li> </ul>	<ul style="list-style-type: none"> <li>• PS&amp;CE-08 Transition to New "Standard" Time of Day Residential and Small Business Rates on an Opt-Out Basis</li> </ul>

# ERM BOARD POLICY REVIEW

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- As part of a larger review of LIPA's board policies, the ERM Policy was reviewed and streamlined by the Board of Trustees
- As noted in the June discussion, the Program has made significant improvements since its inception in 2017 and maintains a goal of continuous improvement to promote best in class practices
- One of the most current improvements is increasing the number of formal ERM risk discussions with the Board to provide greater insights into high-priority risks
- The Policy changes were discussed in the June board meeting and notionally approved; we're seeking formal approval today
- Cyber deep dive to occur in December, additional quarterly deep dive discussions planned for 2024





**THANK YOU!**

Questions?

## **FOR CONSIDERATION**

September 27, 2023

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report and Amendments on the Board's Policy on Enterprise Risk Management

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### **Requested Action**

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) finding that LIPA has complied with the Board Policy on Enterprise Risk Management (the "ERM Policy" or "Policy"); (ii) approving the annual report for the Policy; and (iii) approving amendments to the Policy, which Resolution is attached hereto as **Exhibit "A."**

### **Background**

By Resolution No. 1351, dated March 29, 2017, the Board adopted the ERM Policy, focusing on the identification, assessment, management, and mitigation of risks. The Policy was last reviewed and amended by the Board in September 2022. The Finance and Audit Committee ("F&A Committee"), in its Charter, was delegated the responsibility for reviewing LIPA's practices relating to ERM. LIPA's Service Provider, PSEG Long Island, participates in the implementation of LIPA's ERM Program. Specifically, the Policy provides that "the Chief Executive Officer or his or her designee will report annually to the F&A Committee of the Board on the Policy, including: a review of the significant risks to LIPA's mission; and compliance with the key provisions of the Policy."

### **Compliance with the Policy**

LIPA and PSEG Long Island have maintained an ERM program designed to evaluate significant risks and corresponding mitigation activities facing the business. This Report covers ERM activities from the Board's September 2022 review to the present. LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has substantially complied with the objectives of the Policy for the period since the last annual report.

The Policy states: "Under the direction of LIPA's Chief Executive Officer, LIPA and its Service Provider shall maintain an Enterprise Risk Management Program with the following key provisions":

"LIPA and its Service Provider will strategically manage their respective risks to reduce the probability of significant outages, financial loss, health and safety events, and reputational harm."

- LIPA and PSEG Long Island have maintained an ERM program designed to evaluate significant risks and corresponding mitigation activities facing the business, including risks related to significant outages, financial loss, health and safety events, and reputational harm. As discussed below, LIPA has an active Enterprise Risk Management Committee that regularly discusses the most significant risks facing LIPA's and PSEG Long Island's objectives and operations.

“LIPA will maintain an Enterprise Risk Management Committee (“ERMC”) consisting of at least three staff appointed by the CEO, two of whom must be drawn from senior management, to oversee LIPA’s Program and the activities of its Service Provider.”

- LIPA has an active ERMC that reviews the progress and findings of the ERM Program, including discussions of the most significant risks facing LIPA and its Service Provider. Since the last annual report, the ERMC has met four times to discuss the various components of the Program, including the review of LIPA and the Service Provider’s risk assessments and associated mitigation activities. In addition, it also reviewed the Service Provider’s Annual Report and deep-dive analysis provided on select high-priority risks.
- Currently, there are nine members on the Committee, including the CEO/CFO, COO, General Counsel, and other LIPA Staff at the Senior Vice President, Vice President, and Director levels.

The ERMC maintains an ERM Procedures Manual, which includes the integration of risk information into decision-making within Strategic Planning, Internal Audit, and other areas of the business. The ERM Procedures Manual also calls for maintaining a list of emerging risks and recognizes the Service Provider’s Risk Management Committee (“RMC”), which is responsible for managing their identified risks. “LIPA’s Service Provider will maintain a Risk Management Committee to oversee their ERM Program, to identify, assess, monitor, and manage their most significant risks, and report on those risks to LIPA’s ERMC.”

- PSEG Long Island maintains a Risk Management Committee that oversees its ERM program which identifies, assesses, monitors, and reports on the most significant risks to LIPA’s ERMC through the issuance of their ERM Annual Report.
- The PSEG Long Island Risk Management Committee meets approximately four times a year.

“LIPA and its Service Provider will perform an evaluation of their most significant risks and corresponding management activities and report them to the senior management of LIPA and its Service Provider for review and evaluation on an annual basis, with ongoing monitoring between reviews.”

- Since the last Board report, the ERM teams have worked with Subject Matter Experts (“SMEs”) to develop deep-dive analyses on selected significant risks to LIPA and PSEG Long Island to understand root causes, mitigations in place, and actions that could be taken to further mitigate these risks. A risk analysis was performed on the time-of-day implementation plan and presented to LIPA senior management. Currently, the ERM Teams are working on a deep dive related to the locate and mark risk that will be discussed with management of both LIPA and PSEG Long Island.
- The F&A Committee receives an annual update on the ERM Program highlighting the significant risks and mitigation actions facing LIPA and its Service Provider concurrent with this annual report. Over the course of the year, there are additional presentations to the Board that discuss significant risks, some of which include: major storm, cyber security, safety, physical security, the outdated primary transmission control center, rates, call center, and staffing.

“LIPA and its Service Provider will review LIPA’s insurance and other forms of coverage against

insurable risks, including the availability and economics of such coverage, each year.”

- The Second Amended & Restated Operations Services Agreement (“OSA”) requires LIPA to provide written notification to its Service Provider regarding the renewal of required policies, desired changes in coverages, and any requests to investigate other types of coverages. The LIPA notification is sent each December.
- Since the last Board report, LIPA risk management and LIPA’s Insurance Advisor provided oversight of the coverages placed by PSEG Long Island as required by the OSA to assure prudent and economic coverage placed to protect the interest of LIPA’s bondholders and customer-owners. The policies included:
  - Excess 3<sup>rd</sup> Party General Liability
  - Property Insurance (all risks, excludes wires and poles) includes U.S. Property Terrorism
  - Cyber Insurance - LIPA named insured on PSEG Long Island’s Cyber Insurance
  - Nuclear Electric Replacement for Nine Mile Point, Unit 2
- LIPA maintains its own insurance policies, including Director and Officer liability, premises general liability, and property insurance, as well as cyber event insurance and employee practices liability insurance.

“LIPA will conduct a biennial review of the maturity of the Program compared to industry best practices, which will be provided to the Board of Trustees, senior management, and LIPA’s Internal Audit staff.”

- The most recent ERM maturity assessment was conducted in August 2022 in alignment with the Board-approved biennial review cadence. The ERM Program improved in many areas, including the risk assessment process and reporting, and enhancing enterprise-wide risk management skills. The ERM Team has developed a roadmap that focuses on making improvements in areas such as integrating risk analysis into business processes, enhancing the emerging risk process, measuring the effectiveness of mitigation actions, improving risk awareness and accountability, and over the long term, incorporating risk analysis into strategic planning. LIPA’s Internal Audit department received a copy of the 2022 ERM maturity assessment and diagnostic report prepared by a third-party vendor, which measures the current maturity of the LIPA ERM Program and compares it to an industry benchmark. In accordance with the Policy, the next maturity assessment will be conducted in August 2024.

### **Annual Review of the Policy**

The Board hired Leading Resources, Inc. to review the Board policies and facilitate discussion amongst the Trustees on amending certain policies. A working group of Trustees participated in various meetings to develop and draft amendments to the Policy. The draft amendments to the Policy have been shared with the entire Board. The final version of the amended Policy, as drafted by the Trustees, is attached hereto as **Exhibit “B.”**

**Recommendation**

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

**Attachments**

**Exhibit “A”** Resolution

**Exhibit “B”** ERM Policy (redline)

**Exhibit “C”** ERM Policy (clean)

**RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS ON THE BOARD POLICY ON ENTERPRISE RISK MANAGEMENT**

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**WHEREAS**, the Enterprise Risk Management Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1351, dated March 29, 2017; and

**WHEREAS**, the Policy was last reviewed and amended by Resolution No. 1572, dated December 16, 2020; and

**WHEREAS**, the Finance and Audit Committee (the “Committee”) of the Board of Trustees of the Long Island Power Authority (“LIPA”) has conducted an annual review of the Policy and recommends that the Board find that the Policy has been complied with and that the proposed changes to the Policy are due and proper.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with the Policy for the period since the last annual review and approves the annual report on the Policy.

**BE IT FURTHER RESOLVED**, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in **Exhibit “B”** are hereby approved.

Dated: September 27, 2023

Board Policy: **Enterprise Risk Management**

Policy Type: **Operating Policies**

Monitored by: **Finance and Audit Committee**



Board Resolution: **#1351, approved March 29, 2017**  
**#1428, amended September 27, 2018**  
**#1492, amended September 25, 2019**  
**#1572, amended December 16, 2020**  
**#xxxx, amended September xx, 2023**

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### **Board Policy on Enterprise Risk Management**

~~The It is the policy of the Board of Trustees for the~~ Long Island Power Authority's ("LIPA") vision for ~~to maintain an~~ Enterprise Risk Management ("ERM") ~~is to~~ **build/maintain an industry leading p**Program (the "Program") ~~to that identifies, assesses, and monitors, and report on LIPA's most significant risks to achieving its LIPA's mission and delivering value to its customer owners purpose and vision and the Board's objectives as stated in each policy. to serve our customers and community by providing clean, reliable and affordable energy to Long Island and the Rockaways. , including those risks managed by its Service Provider.~~ **is to** identify, assess, and monitor, and report on LIPA's most significant risks to achieving its LIPA's mission and delivering value to its customer owners purpose and vision and the Board's objectives as stated in each policy. to serve our customers and community by providing clean, reliable and affordable energy to Long Island and the Rockaways. , including those risks managed by its Service Provider.

LIPA ~~and its Service Provider~~ shall maintain ~~the an ERM p~~Program ~~and cause its service provider to maintain its own program to manage its specific risks~~<sup>1</sup> with the following key provisions:

- ~~LIPA and its Service Provider will~~ **S**trategically manage ~~or oversee their respective risks to reduce the probability of significant outages, financial loss, health and safety events, and reputational harm, and fail~~ingure to achieve the Board Policy objectives.
- ~~LIPA will maintain an~~ **L**ed by ~~Create an~~ Enterprise Risk Management Committee ("ERMC"), which Committee members will be appointed ~~ats the discretion of LIPA's Chief Executive Officer. consisting of at least three staff appointed by the CEO, two of whom must be drawn from senior management, to oversee LIPA's Program and the activities of its Service Provider;~~ at the discretion of LIPA's Chief Executive Officer. consisting of at least three staff appointed by the CEO, two of whom must be drawn from senior management, to oversee LIPA's Program and the activities of its Service Provider;
- ~~LIPA's service provider will maintain a Risk Management Committee to oversee those risks and report to LIPA's ERMC.~~<sup>2</sup> ~~LIPA's Service Provider will maintain a Risk Management Committee to oversee their ERM Program, to identify, assess, monitor, and manage their most significant risks, and report on those risks to LIPA's ERMC;~~
- ~~LIPA and its Service Provider will p~~Perform an evaluation of ~~their its~~ most significant risks and corresponding management activities ~~and report them to the senior management of LIPA and its Service Provider for review and evaluation on an annual basis, with ongoing monitoring between reviews;~~

<sup>1</sup> Section 4.2(5)(q)(i) of the Seconded Amended and Restated Operations Services Agreement ("2<sup>nd</sup> Amended and Restated OSA") requires that the Service Provider be responsible for "maintaining a comprehensive Enterprise Risk Management ("ERM") Program ("ERM Program") to identify, assess, monitor, and report on the Service Provider's most significant risks to the organization in accordance with the prevailing LIPA Board policy on Enterprise Risk Management."

<sup>2</sup> Section 4.2(5)(q)(vi) of the 2<sup>nd</sup> Amended and Restated OSA requires that the Service Provider be responsible for "establishing and maintaining a Risk Management Committee to oversee the Service Provider's ERM Program, including but not limited to, the risk assessment process, deep dives, risk escalation, and reporting on the most significant risks to LIPA's management team."

- ~~LIPA and its Service Provider will review LIPA's insurance and other forms of coverage against insurable risks, including the availability and economics of such coverage, each year; and~~
- ~~LIPA will conduct a biennial review of the maturity of the Program compared to industry best practices, which will be provided to the Board of Trustees, senior management, and LIPA's Internal Audit staff.~~

LIPA's Chief Executive Officer or his or her designee will report annually to the Finance & and Audit Committee of the Board on: (i) compliance with the Policy, including:

the key provisions of the Policy, including the results of a biennial review of the maturity of the program compared to industry best practices; and (ii) the review of the significant risks to LIPA's mission purpose and vision; and  
Compliance with the key provisions of the Policy.



Board Policy: **Enterprise Risk Management**  
Policy Type: **Operating**  
Monitored by: **Finance and Audit Committee**



Board Resolution: **#1351, approved March 29, 2017**  
**#1428, amended September 27, 2018**  
**#1492, amended September 25, 2019**  
**#1572, amended December 16, 2020**  
**#xxxx, amended September xx, 2023**

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### **Board Policy on Enterprise Risk Management**

The Long Island Power Authority's ("LIPA") vision for Enterprise Risk Management ("ERM") is to maintain an industry leading program that identifies, assesses, and monitors significant risks to achieving LIPA's purpose and vision and the Board's objectives as stated in each policy.

LIPA shall maintain an ERM program<sup>1</sup> with the following key provisions:

- Strategically manage or oversee risks to reduce the probability of significant outages, financial loss, health and safety events, reputational harm, and failure to achieve the Board Policy objectives.
- Create an Enterprise Risk Management Committee ("ERMC"), which Committee members will be appointed at the discretion of LIPA's Chief Executive Officer. LIPA's service provider will maintain a Risk Management Committee to oversee those risks and report to LIPA's ERMC.<sup>2</sup>
- Perform an evaluation of its most significant risks and corresponding management activities.

LIPA's Chief Executive Officer or his or her designee will report annually to the Finance and Audit Committee of the Board on: (i) compliance with the key provisions of the Policy, including the results of a biennial review of the maturity of the program compared to industry best practices; and (ii) review of the significant risks to LIPA's purpose and vision.

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<sup>1</sup> Section 4.2(5)(q)(i) of the Seconded Amended and Restated Operations Services Agreement ("2<sup>nd</sup> Amended and Restated OSA") requires that the Service Provider be responsible for "maintaining a comprehensive Enterprise Risk Management ("ERM") Program ("ERM Program") to identify, assess, monitor, and report on the Service Provider's most significant risks to the organization in accordance with the prevailing LIPA Board policy on Enterprise Risk Management."

<sup>2</sup> Section 4.2(5)(q)(vi) of the 2<sup>nd</sup> Amended and Restated OSA requires that the Service Provider be responsible for "establishing and maintaining a Risk Management Committee to oversee the Service Provider's ERM Program, including but not limited to, the risk assessment process, deep dives, risk escalation, and reporting on the most significant risks to LIPA's management team."



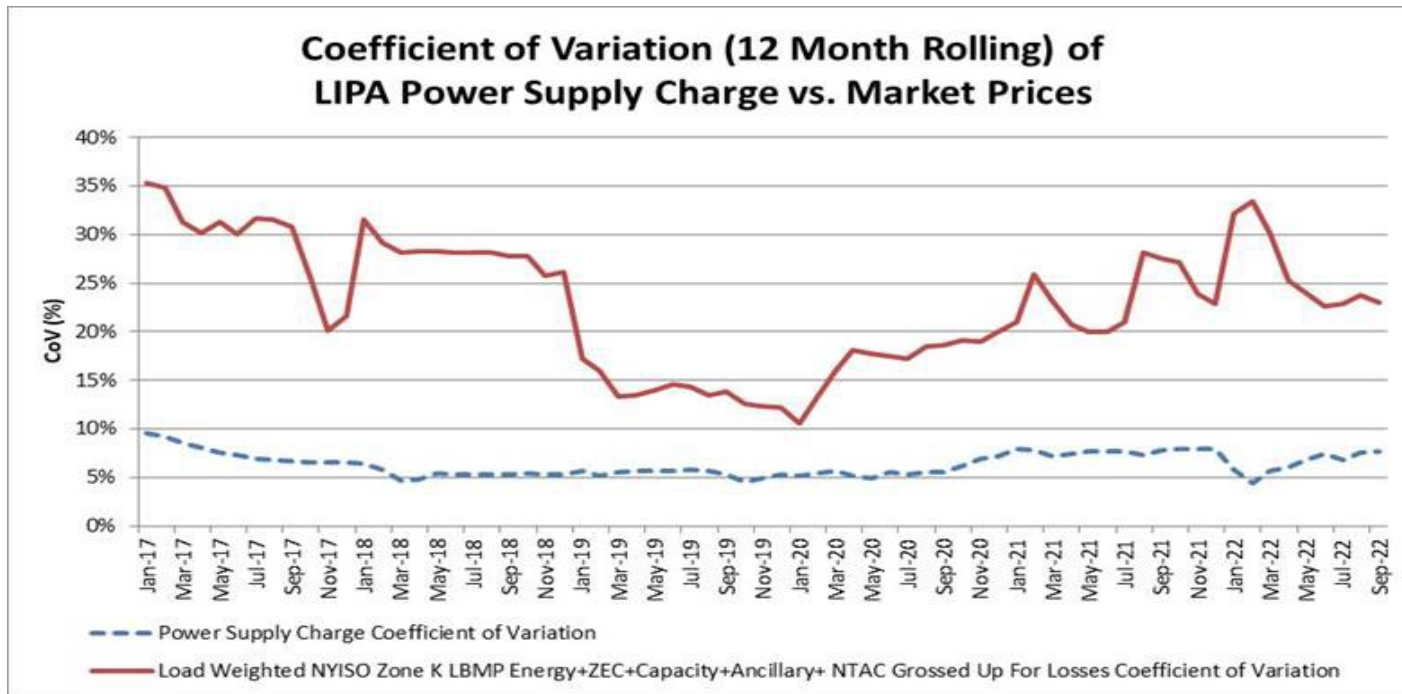
# POWER SUPPLY HEDGING PROGRAM POLICY ANNUAL COMPLIANCE REPORT

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November 16, 2022

# MEETING THE BOARD POLICY OBJECTIVE

**Objective:** Mitigate a portion of Power Supply Charge (PSC) volatility



Hedging activity has resulted in PSC volatility through September 2022 at 8%, while wholesale spot market volatility is nearly 3x that at 23%

# GOVERNANCE OF POWER SUPPLY HEDGING

## Governance of the Power Supply Hedging Program

### *Power Supply Risk Management Committee (PRMC)*

#### *Must have at least 3 members, 2 from Senior Staff*

- ✓ 6 LIPA Staff sit on the PRMC, chaired by the Interim CFO and comprised of 2 Senior Staff
- ✓ PRMC meets monthly with the PSEG ER&T staff and discuss:
  - Current hedge position; market changes; counterparty credit health, compliance with the LIPA Hedge Plan protocols and limits stated in LIPA's Procedures Manual and review of quarterly benchmarking to ensure optimal Hedge Program performance
  - Conduct annual review of the internal Policy, Controls and Procedures Manual

## Transparency of the Power Supply Hedging Program

- ✓ PSEG ER&T provides PRMC daily, weekly, and monthly hedging activity reports

# KEY PROVISIONS OF THE POWER SUPPLY HEDGING PROGRAM POLICY

## Maximum net hedge level: 90% of projected fuel and power needs

- ✓ Current yearly and individual monthly hedge levels are below 90%

	Balance of 2022	Calendar 2023	Calendar 2024	Calendar 2025
Hedge Level	69%	56%	45%	35%

*As of: Oct. 31, 2022*

## Maximum hedge term: 72 months

- ✓ PRMC approved hedge term is 48 months in LIPA Hedge Plan, currently hedges extend out 37 months to December 2025 and in January 2023 hedges will extend out 47 months to December 2026

## All hedges are for the purpose of appropriate risk mitigation

- ✓ Transactions are based on time or value triggers not market speculation

## Counterparty Credit Review

- ✓ PSEG Credit Management reports credit exposure weekly and monthly and performs quarterly counterparty credit health review
- ✓ Currently there are no credit concerns with any of LIPA's financial counterparties





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**QUESTIONS?**

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## **FOR CONSIDERATION**

November 16, 2022

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report on the Board's Policy on the Power Supply Hedging Program

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### **Requested Action**

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution: (i) approving the annual report on the Board Policy on the Power Supply Hedging Program (the "Policy") for the period since the last annual review; and (ii) finding that LIPA has complied with the Policy, which resolution is attached hereto as **Exhibit "A"**.

### **Background**

By Resolution No.1352, dated March 29, 2017, the Board adopted the Policy to maintain an effective commodity hedging program ("Program"), focused on meeting the expectations of LIPA's customers for reasonable stability and predictability in power supply costs. The Policy was last reviewed and amended by Resolution No. 1493, dated September 25, 2019.

The Committee, in its charter, was delegated the responsibility of reviewing LIPA's practices relating to commodity risk management. The F&A Committee considers as part of its review whether LIPA and its Service Provider, PSEG Energy Resources and Trade ("PSEG ER&T") has remained in compliance with the Policy. As set forth in the Policy, certain responsibilities were delegated by the Board to the Chief Executive Officer, including maintaining a Power Supply Risk Management Committee ("PRMC") to oversee the activities of PSEG ER&T.

Specifically, the Policy provides that "the Chief Executive Officer, or his or her designee, will provide an annual compliance report on the Power Supply Hedging Program to the Finance and Audit Committee."

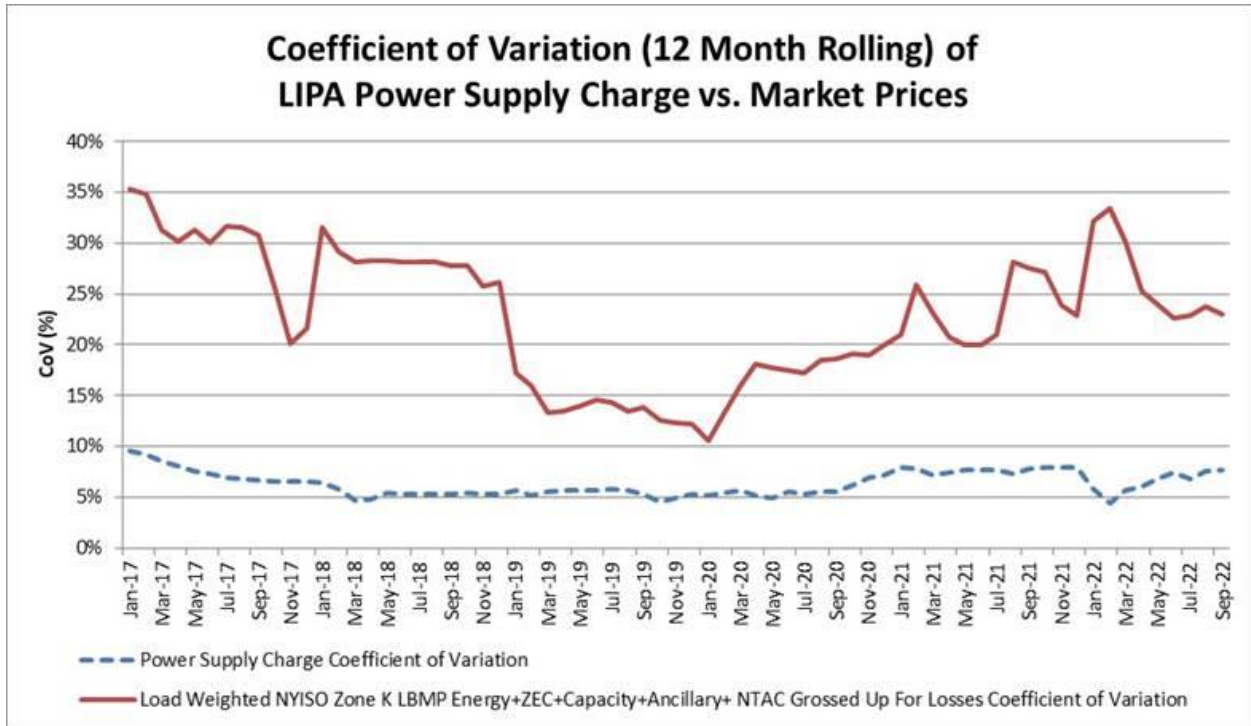
### **Compliance with the Policy**

LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the objectives of the Policy for the period since the last annual review.

The Policy is intended to "Mitigate a portion of the volatility of power supply costs in a programmatic and reasonable way on behalf of the LIPA's customer-owners."

The PRMC approves the LIPA Hedge Plan, which identifies certain power supply cost components that can be hedged to create reasonable and stable rates. In general, actively

hedging these cost components has proven to reduce the Power Supply Charge (“PSC”) volatility for LIPA’s customers compared to purchasing power and fuel in the open market. As part of its biannual Hedge Program update, on November 16, 2022, Mr. Steven Oster from PSEG ER&T will present to the F&A Committee a graph indicating the actual PSC volatility as compared to the volatility customers would be exposed to based upon unhedged market prices. The following graph indicates that the LIPA’s PSC volatility through September 2022 is approximately 8%, while market price volatility is nearly three times that amount at 23%.



The Policy shall be “executed using financial derivative and physical supply and delivery contracts for a portion of LIPA’s projected fuel and purchased power purchases, provided, however that: the net hedge position does not exceed 90% of projected fuel and purchased power needs; and the term of any such hedge does not exceed ten years without the prior approval of the Board or a term in excess of seventy-two (72) months without the prior approval of the Finance and Audit Committee of the Board.”

- PSEG ER&T authorized traders to execute both financial and physical hedge transactions on LIPA’s behalf for defined volumes that as of November 1, 2022, would be within a 48-month hedge horizon. All transactions are monitored by PSEG Enterprise Risk Management Back-Office operations (“PSEG Back-Office”) for compliance; PSEG Back-Office generates and distributes hedge ratio position reports daily, weekly, and monthly to LIPA’s PRMC.
- Hedge transactions are triggered based on a time or value trigger protocol that has been established with an independent third-party hedge advisor. Time-trigger transactions allow for the accumulation of minimum required volume hedge levels under all price environments. Value-triggered transactions allow for the accumulation of additional hedge levels based on lower decile pricing levels of value versus four-year historical pricing. In



addition, volumes associated with Board-approved Purchase Power Agreements (“PPAs”) having fixed prices and LIPA’s 18% ownership of Nine Mile Point 2 are included as part of the hedged volume. Currently, the PRMC has set a maximum hedge level limit of 85%.

- No hedges exceed a term of seventy-two months, and the net hedge position does not exceed 90% of projected fuel and purchased power requirements, meeting the requirements of the Policy.

The Policy states that the Program shall “Achieve appropriate risk mitigation and is not for purposes of financial speculation.”

- All transactions are based on PRMC Approved projected fuel and power requirements associated with LIPA-approved annual sales forecast. Specific power supply component volumes are also validated against historical actual consumption data. Each hedge transaction is reviewed by PSEG Enterprise Risk Management’s Middle-Office group (“PSEG Middle-Office”) for compliance with the PRMC-approved LIPA Hedge Plan, which is part of the LIPA Policies, Controls and Procedures Manual for Power Supply Hedging Program (“Manual”).

The Policy states that the Program shall “Provide transparency regarding LIPA’s commodity risk management activities and the results of such activities.”

- PSEG ER&T, PSEG Back-Office, and PSEG Middle-Office provide to the PRMC staff on a daily, weekly, and monthly basis a hedge transaction report, hedge position report, and position valuation report. In addition, the following table identifies several other required reports to the PRMC and LIPA’s F&A Committee, their distribution and reporting frequency, and the originator of the reports.

<b>Report</b>	<b>Distribution</b>	<b>Normal Frequency</b>	<b>Originator</b>
Trading Activity Summary	PRMC Traders	Daily Weekly	Front Office Middle Office
Position Report	PRMC Traders	Weekly	Middle Office
Credit Risk Exposure Reports	PRMC Traders	Weekly	Middle Office
PRMC Meeting Minutes	PRMC	As Meetings are Held	PRMC Designated Secretary
Benchmarking	PRMC	Quarterly	Independent third-party hedge advisor
Power Supply Hedging Program	Board Finance & Audit Committee	Bi-annually	PSEG ER&T

Annual Compliance Report	Board Finance & Audit Committee	Annually	CEO or Designee
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The Policy requires that “LIPA’s Chief Executive Officer shall appoint a Power Supply Risk Management Committee (“PRMC”) consisting of at least three LIPA staff, two of which must be drawn from LIPA senior management. The PRMC will establish, maintain, and monitor processes and controls, the conduct of LIPA’s Power Supply Hedging Program, and the activities of its Service Provider, PSEG Energy Resource and Trade (“PSEG ER&T”). The key provisions of the PRMC’s activities shall include”:

“Oversight and ensuring that all Program activities conducted by LIPA and PSEG ER&T are in accordance with the Board Policy.”

- LIPA’s CEO has established a PRMC in compliance with the Board Policy. All active participants of the Power Supply Hedging Program are required to read and comply with the PRMC Approved Policies, Controls and Procedures Manual for Power Supply Hedging Program, which incorporates the Board Policy. All active participants are required to certify compliance with the Manual and Policy by executing the Yearly Certification of Compliance with Risk Management Policy and Procedures Form.

“Determining LIPA’s tolerance for exposure to fuel and purchased power price movements and power supply cost volatility considering the costs of limiting such exposure.”

- The PRMC has approved a Manual for the hedging Program that establishes LIPA’s tolerance for exposure to fuel and purchased power price movements. The PRMC has established minimum and maximum hedging limits by time period as well as collateral posting limits.
- The cost of the hedging Program is evaluated each day in the form of mark-to-market value of the positions and stress testing collateral exposure potential of all positions executed to limit PSC volatility.

“Addressing all risk factors that are demonstrably quantifiable, actionable and material to the Program.”

- The PRMC-approved Manual specifically identifies authorized markets and delivery points, permissible hedge instruments, and the terms and volumes available for hedging to reduce PSC volatility. Within the Manual, there is also a specific LIPA Hedge Plan that addresses the PSC hedge components that are quantifiable, actionable and there is market liquidity available to hedge the required products and delivery points (i.e. natural gas, gas basis, power, power basis).

“Establishing risk boundaries consistent with such tolerances and evaluating allowable financial and physical instruments in executing the Program.”

- The PRMC-approved Manual specifically identifies authorized markets, delivery points, permissible hedge instruments, terms, and volumes associated with hedging to reduce PSC volatility. Within the Manual, there is also a specific LIPA Hedge Plan which addresses the minimum and maximum hedge levels by time-period – consistent with utility peers.

“Establishing appropriate processes and protocols to review and monitor counterparty credit worthiness on a regular basis.”

- The Manual identifies specific procedures carried out by PSEG Credit Risk Management on behalf of LIPA for managing and monitoring counterparty credit risk on an on-going basis. PSEG Credit Risk Management provides the PRMC with a credit report each week as noted above.

“Monitoring Commodity Futures Trading Commission rulemaking and all other regulatory and legal requirements to ensure that LIPA is taking all actions required to maintain compliance with respect to any transactions under the Power Supply Hedging Program.”

- PSEG ER&T, PSEG Corporate Legal department and LIPA’s internal and outside counsel monitor Commodity Futures Trading Commission regulatory rulemaking to determine what actions, if any, LIPA is required to undertake to assure continued compliance.

### **Annual Review of the Policy**

The Policy was last amended by the Board pursuant to Resolution No. 1493, dated September 25, 2019, at which time the Policy was significantly updated. LIPA Staff has completed its annual review of the Policy and has no suggested amendments at this time.

### **Recommendation**

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

### **Attachments**

**Exhibit “A”** Resolution

**RESOLUTION APPROVING THE ANNUAL REPORT ON THE BOARD POLICY ON THE POWER SUPPLY HEDGING PROGRAM**

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**WHEREAS**, the Board Policy on the Power Supply Hedging Program (the “Policy”) was originally approved by the Board of Trustees by Resolution No.1352, dated March 29, 2017; and

**WHEREAS**, the Policy was last reviewed and amended by Resolution No. 1493, dated September 25, 2019; and

**WHEREAS**, the Finance and Audit Committee (the “Committee”) of the Board of Trustees (the “Board”) has conducted an annual review of the Policy and has recommended that the Policy has been complied with.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby approves the annual report on the Policy and finds that LIPA has complied with the Policy for the period since the last annual review.

Dated: November 16, 2022



# BOARD POLICY ON TAXES AND PILOTS

September 27, 2023

# BOARD POLICY ON TAXES AND PILOTS

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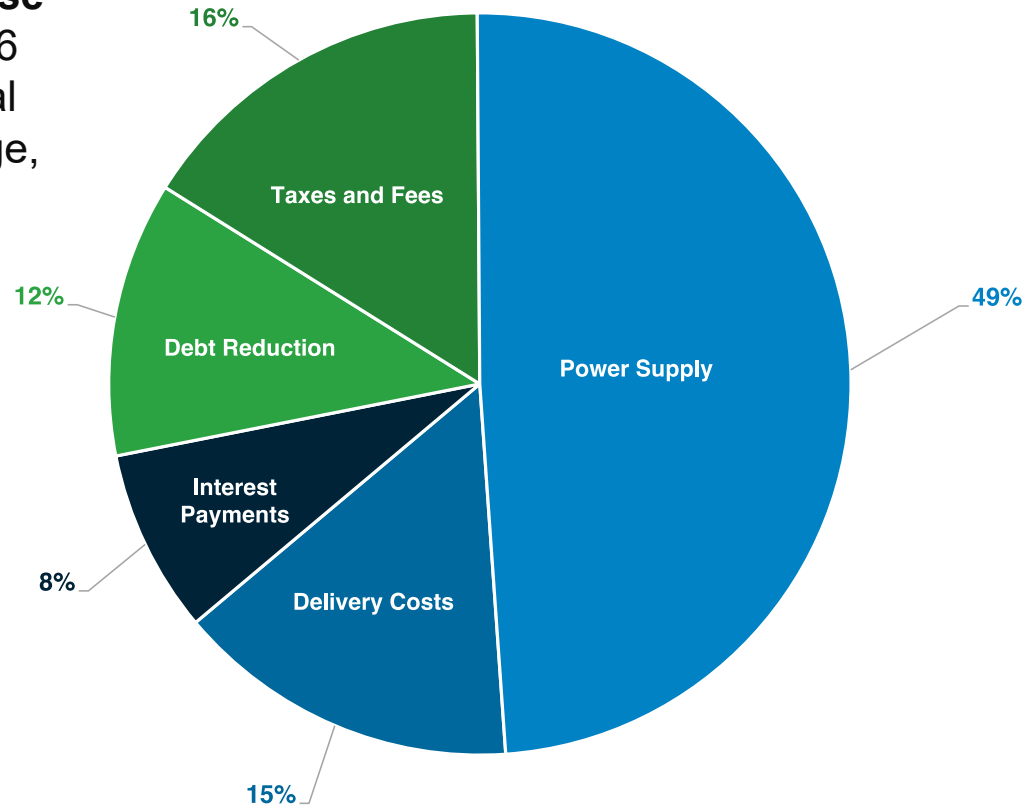
- Pay only such taxes, payments in-lieu-of taxes (PILOTs), assessments, and fees as are required by law or by agreement to reduce excessive cost for customers;
- LIPA to avail itself of the lawful right to challenge excessive tax assessments and payment obligations to minimize the cross-subsidization of taxpayers in some taxing jurisdictions by LIPA's customer-owners in other jurisdictions; and
- Inform customers of the burden of taxes, PILOTs, assessments, and fees in their electric bills.

*All Board Policies can be found [here](#).*

# YEARLY COST TO CUSTOMERS

Taxes were **LIPA's second-largest expense** at \$715 million in 2022, or approximately 16 percent of customer bills – 2.5x the national average and 2x the New York State average, including:

- **\$168 million** for four power plants
- **\$41 million** for all other power plants
- **\$300 million** for transmission and distribution PILOT payments
- **\$146 million** for sales taxes
- **\$44 million** for revenue-based taxes
- **\$16 million** for State assessments



**Taxes are 16% of Customer Bills –  
2.5x National Average**

# WORKING TOWARDS A FAIR COMPROMISE

- Four legacy steam power plants (Port Jefferson, Northport, E.F. Barrett, and Glenwood Landing) were once the workhorses of the Long Island electric grid but use dated technology and operate at low annual capacity factors.
- The Glenwood Landing steam turbines were retired in 2012. The other three plants are expected to retire within the next five to ten years as New York transitions to an entirely fossil-free electric grid.
- LIPA has worked for over a decade to obtain fair assessments on the plants.

 Northport Generating Station

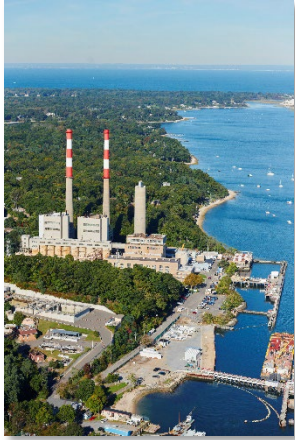




# TAX CERTIORARI TIMELINE

2010

LIPA Commences  
Tax Certiorari  
Litigation



September 2020

SETTLEMENT  
Town of Huntington  
Settlement for Northport  
Power Plant



December 2018

SETTLEMENT  
Town of Brookhaven & Village  
of Port Jefferson Settlement  
for Port Jefferson Power Plant



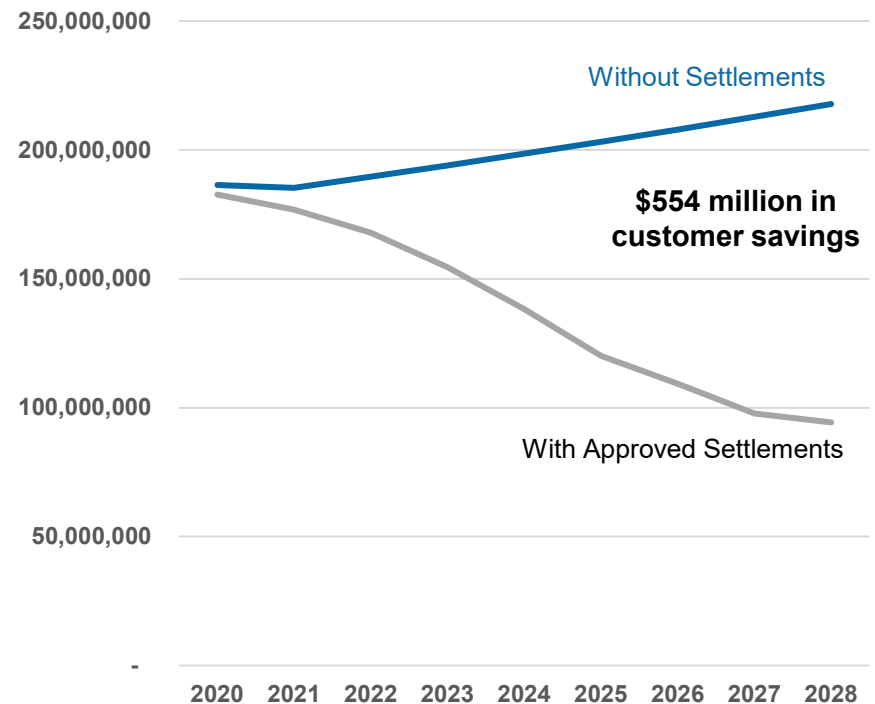
April 2022

SETTLEMENT  
Nassau County Settlement for  
E.F. Barrett and  
Glenwood Power Plants

# REACHING A FAIR COMPROMISE: SETTLEMENTS

- ✓ Three settlements have been approved for the Northport and Port Jefferson power plants.
- ✓ The Nassau County settlement approved by the county legislature and the court for the E.F. Barrett and Glenwood Landing power plants went into effect in 2022.
- ✓ As part of the settlements, LIPA waived over \$1 billion in tax refund liabilities potentially owed by the Towns of Huntington & Brookhaven, the Village of Port Jefferson, and Nassau County.
- ✓ LIPA customers will save approximately \$554 million in property tax payments for these four facilities through 2028.
- ✓ While tax payments remain in excess of that required by law, the settlements will continue to support host communities as they adjust to lower taxes.

### Customer Savings from Settlements



# ADDITIONAL ACTIVITIES

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In 2023, LIPA will:

- Continue to defend against certain Suffolk County municipalities' refusal to comply with the 2% cap on LIPA's PILOT payments, while it awaits oral argument on LIPA's appeal of the court decision ordering LIPA to make additional payments.
  - The City of New York and Nassau County comply with the 2% tax cap.
- Continue to monitor tax bills for overassessments of LIPA substations and file challenges as appropriate to seek fair tax bills.

**FOR CONSIDERATION**

September 27, 2023

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report and Amendments on the Board Policy on Taxes and PILOTs

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**Requested Action**

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution: (i) finding that LIPA has complied with the Board Policy on Taxes and PILOTs<sup>1</sup> (the “Policy”); (ii) approving the annual report for the Policy; and (iii) approving amendments to the Policy, which resolution is attached hereto as **Exhibit “A”**.

**Background**

The Board originally adopted the Policy in September 2016, and the last annual review of the Policy was adopted by the Board in May 2022.

**Compliance with the Policy**

LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the Policy for the period since the last review.

The Policy provides that LIPA should “Pay only such taxes, PILOTs, assessments, and fees as are required by law or by agreement.”

- Long Island power plants are nationally recognized as among the highest-taxed commercial properties in the United States. The excessive tax burden on power plants results in higher operational costs that disadvantage Long Island plants compared to the competitive prices of power in the regional electric markets. As such, since 2010, LIPA has availed itself of the lawful right to challenge excessive payment obligations on four legacy power plants.
- In November 2018, LIPA entered into settlement agreements with the Town of Brookhaven and the Village of Port Jefferson to gradually reduce the taxes on the Port Jefferson power plant by 50 percent through 2027. If the taxing jurisdictions continue to fulfill the terms of the settlements, LIPA will waive a refund for back tax years estimated at over \$225 million, plus interest. LIPA subsequently revised its agreements with the Village of Port Jefferson and the Town of Brookhaven, consistent with the agreement reached for the Northport Power Station, discussed below.

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<sup>1</sup> The term “PILOT” is the abbreviation for Payment In Lieu of Taxes.

- In November 2020, LIPA entered into a settlement with the Town of Huntington and the Northport-East Northport School District for the Northport Power Station. The settlement will reduce LIPA's annual property tax payments by 47% of 2020 levels by 2027. If the taxing jurisdictions continue to fulfill the terms of the settlement, LIPA will waive a refund for back tax years estimated at over \$650 million, plus interest. In addition, LIPA will make a total of \$3 million and \$14.5 million in payments to the Town and school district, respectively, in exchange for their discontinuing appeals of the court's ruling in a related case that LIPA is entitled to challenge the plant's assessments.
- In February 2022, LIPA entered into a settlement agreement with Nassau County for the E.F. Barrett and Glenwood Landing generating stations to gradually reduce taxes on those plants by 47% through 2027. That settlement was approved by the Nassau County Legislature in April 2022, and it was approved by the court in May 2022. If the taxing jurisdictions fulfill the terms of the settlement, LIPA will waive a refund for back tax years estimated at over \$700 million, plus interest. In addition, LIPA will make a total of \$9 million and \$3.25 million in payments to the Island Park and North Shore Central school districts in exchange for their discontinuing appeals of the court's ruling that LIPA is entitled to challenge its tax assessments.
- LIPA and PSEG Long Island have implemented procedures to ensure that PILOTs on each annual bill related to transmission and distribution equipment do not exceed 102% of the prior calendar year's payment, consistent with the provisions of the LIPA Reform Act.
- LIPA continues to defend itself in litigation challenging the 2% PILOT cap on transmission and distribution property in certain Suffolk County jurisdictions. On April 1, 2021, a court in Suffolk County ruled that (1) LIPA's properties acquired from LILCO are not exempt from real property taxation for tax years 2014/15 through 2019/20 by reason of LIPA's failure to timely challenge the unlawful assessment as non-exempt, taxable properties by the Town Assessors during those tax years; and (2) compelling LIPA to pay over to Suffolk County the alleged unpaid real property taxes levied against the transmission and distribution properties for tax years 2014/15 through 2019/20, with interest and penalties in the amount of approximately \$66.7 million (with the potential addition of up to \$30 million per year in the event of an adverse result on appeal). In October 2021, a judgment was entered for the 2014/15 through 2020/21 tax years. LIPA has appealed that judgment. The appeal has been fully briefed, and we are awaiting the scheduling of oral argument. Enforcement of the judgment is stayed pending the appeal.

In July 2023, Suffolk County filed an additional lawsuit against LIPA and certain Suffolk County towns seeking to have LIPA pay to the County alleged shortfalls in property tax payments for the 2021/22 tax year. This action is a continuation of the issues in the above-described litigation for the 2021/22 tax year with regard to five of the 10 Suffolk towns.

In addition, in 2022, LIPA filed petitions to the towns in Suffolk County to mark LIPA's properties as exempt. Certain towns have marked the properties exempt but have not issued bills that conform to the 2% cap on LIPA PILOT increases. Other towns have not acted on LIPA's petitions. In July 2023, LIPA filed motions for summary judgment against the five Suffolk towns that have not acted on LIPA's petitions. Those motions are

pending before the court.

The Policy provides that LIPA should “Avail itself of the lawful right to challenge excessive tax assessments and payment obligations to minimize the cross-subsidization of taxpayers in some taxing jurisdictions by the Authority’s customer-owners in other jurisdictions.”

- As previously reported to the Board, LIPA has undertaken a review of substations across the service territory. The review found several substations that were assessed in excess of their value. Accordingly, LIPA began filing challenges on several over-assessed substations, and in 2022 it achieved a settlement with Nassau County with regard to four over-assessed substations. In 2023, LIPA filed assessment challenges on additional substations that it has determined to be over-assessed. LIPA will continue to monitor and challenge, where appropriate, assessed valuations of substations.

The Policy provides that LIPA should “Inform customers of the burden of taxes, PILOTs, assessments, and fees in their electric bills.”

- LIPA Staff regularly meets with media, stakeholders, and local leaders to discuss the impact of taxes on energy bills.
- LIPA Staff also provides updates to LIPA’s Community Advisory Board on tax reduction efforts across the service territory.

### **Annual Review of the Policy**

The Board hired Leading Resources, Inc. to review the Board policies and facilitate discussion amongst the Trustees on amending certain policies. A working group of Trustees participated in various meetings to develop and draft amendments to the Policy. The draft amendments to the Policy have been shared with the entire Board. The final version of the amended Policy, as drafted by the Trustees, is attached hereto as Exhibit “B”.

### **Recommendation**

Based upon the foregoing, I recommend approval of the above-requested action by adoption of a resolution in the form attached hereto.

### **Attachments**

- Exhibit “A”** Resolution
- Exhibit “B”** Board Policy on Taxes and PILOTs (redline)
- Exhibit “C”** Board Policy on Taxes and PILOTs (clean)

**RESOLUTION APPROVING THE REPORT AND AMENDMENTS ON THE BOARD POLICY ON TAXES AND PILOTs**

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**WHEREAS**, the Board Policy on Taxes and PILOTs (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1320, dated September 21, 2016; and

**WHEREAS**, the Board adopted the last annual review of the Policy in May 2022; and

**WHEREAS**, the Finance and Audit Committee (the “Committee”) has conducted an annual review of the Policy and recommends that the Board find that the Policy has been complied with and that the proposed changes to the Policy and due and proper.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board; and

**BE IT FURTHER RESOLVED**, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in **Exhibit “B”** are hereby approved.

Dated: September 27, 2023

Board Policy: **Taxes and PILOTs**  
Policy Type: **Operating Policies**  
Monitored by: **Finance and Audit Committee**  
Board Resolution: **#1320, approved September 21, 2016**  
**#1464, amended January 23, 2019**  
**#xxxx, amended September xx, 2023**



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### **Board Policy on Taxes and PILOTs**

It is the policy of the The Long Island Power Authority's ("LIPA") vision for payment of its taxes and payments in-lieu-of taxes ("PILOT") obligation is to:

Pay pay only such taxes, payments in lieu of taxes ("PILOTs"), assessments, and fees as are required by law or by agreement in an effort to provide service at an affordable level while still taking into account the needs of LIPA's municipal partners. -In doing so, LIPA will:

- Avail itself of the lawful right to challenge excessive tax assessments and payment obligations to lower customer costs -and to minimize the cross-subsidization of taxpayers in some taxing jurisdictions by the Authority's LIPA's customer-owners in other jurisdictions.
- Inform customers of the burden of taxes, PILOTs, assessments, and fees in their electric bills.

The Chief Executive Officer (or his designee) is hereby authorized to enter into any agreements that advance the Board's Policy on Taxes and PILOTs, including but not limited to agreements to make payments to municipalities and taxing jurisdictions to offset reductions in tax revenues due to settlements of any LIPA tax or PILOT challenges.<sup>1</sup>

The Chief Executive Officer will promptly report any settlement or related agreements to the Board and will report annually to the Finance and Audit Committee on compliance with the provisions of the Policy.

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<sup>1</sup> The Authority LIPA's Bylaws authorize the Chief Executive Officer (or his designee) to sign contracts, agreements and other documents on the Authority's behalf. This includes the authority to enter into agreements with municipalities and taxing jurisdictions to obtain reductions in the Authority's taxes, PILOTs, assessments, and fees, either paid directly or through contracts with the owners of power plants.



Board Policy: **Taxes and PILOTs**  
Policy Type: **Operating**  
Monitored by: **Finance and Audit Committee**  
Board Resolution: **#1320, approved September 21, 2016**  
**#1464, amended January 23, 2019**  
**#xxxx, amended September xx, 2023**



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### **Board Policy on Taxes and PILOTs**

The Long Island Power Authority’s (“LIPA”) vision for payment of its taxes and payments in-lieu-of taxes (“PILOT”) obligation is to pay only such taxes, PILOTs, assessments, and fees as are required by law or by agreement in an effort to provide service at an affordable level while still taking into account the needs of LIPA’s municipal partners. In doing so, LIPA will:

- Avail itself of the lawful right to challenge excessive tax assessments and payment obligations to lower customer costs and to minimize the cross-subsidization of taxpayers in some taxing jurisdictions by LIPA’s customer-owners in other jurisdictions.
- Inform customers of the burden of taxes, PILOTs, assessments, and fees in their electric bills.

The Chief Executive Officer (or his designee) is hereby authorized to enter into any agreements that advance the Board’s Policy on Taxes and PILOTs, including but not limited to agreements to make payments to municipalities and taxing jurisdictions to offset reductions in tax revenues due to settlements of any LIPA tax or PILOT challenges.<sup>1</sup>

The Chief Executive Officer will promptly report any settlement or related agreements to the Board and will report annually to the Finance and Audit Committee on compliance with the provisions of the Policy.

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<sup>1</sup> LIPA’s Bylaws authorize the Chief Executive Officer (or his designee) to sign contracts, agreements and other documents on the Authority’s behalf. This includes the authority to enter into agreements with municipalities and taxing jurisdictions to obtain reductions in the Authority’s taxes, PILOTs, assessments, and fees, either paid directly or through contracts with the owners of power plants.

**FOR CONSIDERATION**

June 23, 2021

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of the Approval of the Annual Report and Amendments to the Board Policy on Staffing and Employment

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**Requested Action**

The Board of Trustees of the Long Island Power Authority (the “Board”) is requested to adopt a resolution: (i) finding that the Long Island Power Authority and its subsidiary, LIPA (collectively “LIPA”) have complied with the Board Policy on Staffing and Employment (the “Policy”); (ii) approving the annual report for the Policy, and (iii) approving certain minor edits to the Policy, which resolution is attached hereto as **Exhibit “A.”**

**Background - Board Policy on Staffing and Employment**

By Resolution No. 1338, dated January 25, 2017, the Board adopted the Policy with the purpose of fostering a work environment that attracts and retains experienced professionals of diverse talents and backgrounds and promotes an ethical and productive organization. The Board last reviewed and amended the Policy on June 24, 2020.

**Compliance with the Policy**

Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the objectives of the Policy for the period since the last annual report.

The Policy requires the Board “Appoint and, if necessary, discharge the CEO; evaluate the performance of and determine the compensation of the CEO; and with the advice of the CEO, appoint the other Board-appointed Officers specified in the LIPA’s By-laws.”

- The Board completed the CEO’s annual performance evaluation at its March 2021 Board meeting. The CEO’s performance evaluation was prepared by the Chair of the Governance, Planning and Personnel Committee with the assistance of a third-party human resources consultant and 360-degree anonymous feedback from all Trustees as well as LIPA’s management Executive Committee.
- The Board reviewed the salary of LIPA’s CEO of \$311,121. A survey of 21 public power utilities of similar size to LIPA found an average salary for the position of \$505,847 with a range of \$254,000 to \$1.1 million. LIPA was the third largest utility, ranked by customers, to participate in the survey. LIPA’s CEO salary was ranked 19 out of the 21 utilities.

- One Board-appointed Officer, Chief Financial Officer Tamela Monroe, was hired in 2020.

The Policy authorizes and directs the Chief Executive Officer to:

“Manage the organization and staffing, including hiring and terminating staff, to enable the Authority to achieve its mission and values, while recognizing that diversity of talent, interests, background and experience is a key attribute to a healthy organization”; and “Maintain staffing at the minimum level necessary to ensure that the Authority meets its obligations with respect to its bonds and notes and all applicable statutes and contracts and oversight of its service provider.”

- The CEO affirms that he has managed LIPA’s staffing levels at the minimum level necessary to execute the Authority’s goals and mission.
- LIPA staff consists of 59 full-time employees and five part-time employees.

The Policy directs the CEO to “develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy and the Policy on Diversity and Inclusion...including: (a) an Employee Handbook that provides guidance to employees regarding their rights, benefits, and responsibilities...(b) a Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee...and (c) a record retention policy that complies with applicable New York State laws and regulations.”

- The Employee Handbook includes all components required by the Policy, comports with all applicable law, and is regularly updated to incorporate changes in human resources best practice. The Handbook is revised and updated as necessary on an ongoing basis.
- All employees certified their compliance with the Code of Ethics and Conduct.
- LIPA maintains a Record Retention policy that applies to all LIPA records including:
  - records related to the Authority’s subsidiary, Long Island Lighting Company d/b/a LIPA and d/b/a Power Supply Long Island;
  - records provided by its Service Providers, vendors, and contractors; and
  - records generated, kept, and maintained on behalf of the Utility Debt Securitization Authority.

The Policy directs the CEO to “Establish and administer compensation practices and benefits for the Authority’s staff that are sufficient but not excessive to attract and retain a qualified, experienced workforce; are appropriate based on an individual’s knowledge, skill, and contribution; motivate and reward individual performance; and encourage organizational responsiveness to the Authority’s mission and values.” The Policy contains further guidance on such practices.

- The Director of Human Resources and Administration completed an annual salary benchmarking analysis for all staff positions using industry specific and national salary data. That benchmarking analysis is consistent with the criteria provided in the Board’s Policy and was used to establish a salary range for each position.
- LIPA has an active performance appraisal and enhancement system that includes monthly

“check-ins” with supervisors and an annual performance evaluation. As required by the Policy, individual employee performance and contribution are considered in setting salaries and merit increases.

The Policy directs the CEO to “refrain from establishing or implying employment obligations to individuals of longer than one year or offering compensation that exceeds the range set for the position by a benchmarking survey, without Board approval.” and “unless authorized in writing by the CEO, employment at the Authority shall be on an at will basis.”

- All LIPA employees are at-will employees.
- No employment offer exceeded the salary range set for the position.

The Policy directs the CEO to “Establish policies and programs that support and encourage the personal and professional development of employees, including: programs for continuing education, tuition reimbursement, and professional development; core skills continuing education; performance appraisal and enhancement; management and leadership training; and utility and public power industry learning.”

- LIPA provides in-house training and development program for employees that includes certain leadership and management training seminars and programs including classes and certificate programs provided by eCornell; time management courses and seminars; Executive Presentation Skills classes; Strategies for Successful Remote Work Arrangements; Leading Virtual Teams; Diversity and Inclusion seminars including Creating Cultures of Belonging, Dialogue on Systemic Racism, Diversity Equity and Inclusion, and Uncovering Unconscious Bias and Microinequities; multiple health and wellness lunch and learn lectures; Cyber Security training; and coaching and seminars regarding providing effective feedback, performance excellence and creating employee development plans, among other opportunities.
- LIPA further encourages professional development through: (i) industry webinars, conferences, and training; (ii) reimbursement of professional certifications and memberships; (iii) educational assistance programs; and (iv) a personal development program that incorporates 360-degree feedback, among other initiatives.

The Policy requires LIPA to “conduct an annual engagement survey and utilize the results to design programs and initiatives to maintain an annual employee engagement score among the top 10 percent of benchmarked companies.”

- LIPA conducted the annual engagement survey in December 2020, and survey results place LIPA’s score above industry and top company benchmarks and among the top 10% of all benchmarked companies.
- LIPA’s engagement score continues to increase year over year.
- The survey questionnaire was augmented in 2020 to include additional items measuring the concepts of diversity and inclusion.

Lastly, the Policy directs the CEO to “maintain a succession plan to address the inevitable turn-over of executives and staff with the least possible interruption to the operations of the Authority.”

- The CEO has identified the names and order of appointment of three direct reports to serve as Acting Chief Executive Officer in the event of his absence, disability, incapacity or resignation, until such time as the Board appoints an interim or permanent successor, as provided for in the LIPA By-Laws.
- LIPA’s Senior Vice Presidents and Chief Officers have designated emergency successors to serve in an Acting capacity, as required by internal LIPA policy.
- The Board is briefed in Executive Session, at least annually, on the succession plan by the CEO.

### **Enterprise Risk Management Discussion**

The Board has adopted a Policy on Enterprise Risk Management (“ERM”). Enterprise Risks are brought to the Board’s attention throughout the year. While there are several risks related to Staffing and Employment, the most significant risks relate to succession planning and attracting and retaining qualified staff. The specific risks identified are:

- “Succession planning challenges due to the organizational structure which requires specialized knowledge and has limited tiers of talent behind each leadership position results in inadequate expertise to fulfill LIPA's mission and goals”; and
- “Difficulty attracting and retaining individuals with the necessary knowledge, skillsets, and experience results in challenges to fulfilling LIPA's mission and goals”.

The succession planning risk is rated as a medium level risk. LIPA mitigates this risk by having emergency plans in place for the CEO and executive management positions, and a continuing initiative to identify and address gaps. Additionally, LIPA has a process in place to assist with the identification, retention, and transfer of information necessary to retain institutional knowledge. Succession planning has been an area of focus for the Board and staff has reported on succession planning initiatives to the Governance Personnel and Planning Committee during 2021.

In prior years, the attraction and retention of qualified staff risk had been a medium level risk. However, with the successful attraction of key personnel, LIPA has reduced this risk to a low-level concern. LIPA continues to mitigate the attraction and retention risk through review of best practices related to compensation and benefits. Additionally, LIPA selectively utilizes executive search firms to identify candidates with the necessary knowledge and experience to fill key positions. LIPA’s participation and leadership in industry associations also improves its reputation and attractiveness to potential employees.

Based on the mitigation actions that are currently in place, we believe both risks are being adequately managed.

### **Proposed Changes to the Board Policy**

The Board Policy has been revised to address certain minor suggested edits. These edits are reflected in **“Exhibit “B.”**

**Recommendation**

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

Attachments

- Exhibit “A”** Resolution
- Exhibit “B”** Staffing and Employment Policy (redline)
- Exhibit “C”** Staffing and Employment Policy (clean)

**RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON STAFFING AND EMPLOYMENT**

---

**WHEREAS**, the Staffing and Employment Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1338, dated January 25, 2017; and

**WHEREAS**, the Policy was last reviewed and amended by the Board on June 24, 2020; and

**WHEREAS**, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with and the changes to the Policy recommended herein are due and proper.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that the Authority has complied with the Policy for the period since the last annual review and approves the annual report to the Board; and

**BE IT FURTHER RESOLVED**, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in attachment **Exhibit “B”** are hereby approved.

Dated: June 23, 2021



Board Policy: **Staffing and Employment**

Policy Type: **Operating Policy**

Monitored by: **Governance, Planning and Personnel Committee**

Board Resolution: **#1338, approved January 25, 2017**  
**#1435, amended October 24, 2018**  
**#1485, amended July 24, 2019**  
**#1538, amended June 24, 2020**  
**#XXX, amended June 23, 2021**

---

### **Board Policy on Staffing and Employment**

It is the policy of the Long Island Power Authority (“LIPA”) to foster a work environment that attracts and retains experienced professionals of diverse talents and backgrounds and promotes an ethical-~~and~~, productive, and accountable workplace. In furtherance of these goals, the Board of Trustees:

- Appoints and, if necessary, discharges the Chief Executive Officer (“CEO”);
- Evaluates the performance of and determines the compensation of the CEO<sup>1</sup>;
- With the advice of the CEO, appoints the other Board-appointed Officers specified in LIPA’s By-laws<sup>2</sup>.

Furthermore, the Board of Trustees authorizes and directs the CEO to:

- Manage LIPA’s organization and staffing, including hiring and terminating staff, to enable the Authority to achieve its mission and values, while recognizing that diversity of talent, interests, background and experience is a key attribute to a healthy organization;
- Maintain staffing at the minimum level necessary to ensure that LIPA meets its obligations with respect to its bonds and notes, statutes, contracts, and oversight of its service provider;

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<sup>1</sup> The Board annually evaluates the CEO’s performance by comparing: (i) the LIPA’s performance to the policies established by the Board, and (ii) the skills of the CEO to the competency profile established for the position. The Board periodically reviews the CEO’s compensation using a benchmarking survey. The CEO’s cost-of-living adjustments (“COLA”), if any, are tied to performance. If the CEO’s performance “meets expectations”, the COLA equals the rate of inflation. If the CEO “significantly exceeds expectations”, the COLA equals the rate of inflation plus one percent. If the CEO’s performance is “outstanding,” the COLA equals the rate of inflation plus two percent.

<sup>2</sup> Pursuant to LIPA’s By-laws, the Board-appointed Officers include the Chief Executive Officer, the Chief Financial Officer, and the General Counsel. The Chief Executive Officer may appoint such other Officers as he or she may from time to time deem necessary or desirable.



- Develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy and the Policy on Diversity and Inclusion, meet or exceed relevant laws and regulations, and ensure an ethical, safe, and discrimination/harassment free work environment, including:
  - a. Employee Handbook Policies that ~~provides~~provide guidance to employees regarding their rights, benefits, and responsibilities and that address: ~~addresses:~~
    - diversity and equal employment opportunity;
    - the Americans with Disabilities Act and reasonable accommodations;
    - intolerance for workplace bullying and harassment;
    - domestic violence and prevention of violence in the workplace;
    - timekeeping practices;
    - vacation, sick time and other benefits, including family and medical leave;
    - internal transfers and promotions;
    - reasonable travel and expense reimbursement;
  - b. a Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee; and
  - c. a record retention policy that complies with applicable New York State laws and regulations.
- Establish and administer compensation practices and benefits for LIPA's Staff that are sufficient but not excessive to attract and retain a qualified, experienced workforce; are appropriate based on an individual's knowledge, skill, and contribution; motivate and reward individual performance; and encourage organizational responsiveness to LIPA's mission and values. In addition, LIPA will establish salary ranges for each position that are informed by:
  - compensation and benefits of employees with similar skills at utilities of similar size and complexity;
  - an appropriate balance of compensation practices among public and private organizations;
  - industry and regional cost-of-living trends;
  - the ability to recruit qualified personnel for a position;
  - individual employee performance and contribution; and
  - a process that permits an employee to appeal in writing any compensation decision resulting from a performance evaluation.
- Refrain from establishing or implying employment obligations to individuals of longer than one year or offering compensation to new hires that exceeds the range set for the position by a benchmarking survey, without Board approval. Unless authorized in writing by the CEO, employment shall be on an at-will basis.
- Establish policies and programs that support and encourage the personal and professional development of employees, including:

- programs for continuing education and tuition reimbursement;
  - core skills continuing education;
  - performance appraisal and enhancement;
  - management and leadership training; and
  - utility and public power industry learning.
- 
- Conduct an annual engagement survey and utilize the results to design programs and initiatives to maintain an annual employee engagement score among the top 10 percent of benchmarked companies.
  - Maintain a succession plan to address the inevitable turn-over of executives and staff with the least possible interruption to ~~the LIPA's operations of the Authority~~.

The CEO will report annually to the Governance, Planning and Personnel Committee on compliance with the key provisions of this Policy.



Board Policy: **Staffing and Employment**

Policy Type: **Operating Policy**

Monitored by: **Governance, Planning and Personnel Committee**

Board Resolution: **#1338, approved January 25, 2017**  
**#1435, amended October 24, 2018**  
**#1485, amended July 24, 2019**  
**#1538, amended June 24, 2020**  
**#XXXX, amended June 23, 2021**

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It is the policy of the Long Island Power Authority (“LIPA”) to foster a work environment that attracts and retains experienced professionals of diverse talents and backgrounds and promotes an ethical, productive, and accountable workplace. In furtherance of these goals, the Board of Trustees:

- Appoints and, if necessary, discharges the Chief Executive Officer (“CEO”);
- Evaluates the performance of and determines the compensation of the CEO<sup>1</sup>;
- With the advice of the CEO, appoints the other Board-appointed Officers specified in LIPA’s By-laws<sup>2</sup>.

Furthermore, the Board of Trustees authorizes and directs the CEO to:

- Manage LIPA’s organization and staffing, including hiring and terminating staff, to enable the Authority to achieve its mission and values, while recognizing that diversity of talent, interests, background and experience is a key attribute to a healthy organization;
- Maintain staffing at the minimum level necessary to ensure that LIPA meets its obligations with respect to its bonds and notes, statutes, contracts, and oversight of its service provider;

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<sup>1</sup> The Board annually evaluates the CEO’s performance by comparing: (i) the LIPA’s performance to the policies established by the Board, and (ii) the skills of the CEO to the competency profile established for the position. The Board periodically reviews the CEO’s compensation using a benchmarking survey. The CEO’s cost-of-living adjustments (“COLA”), if any, are tied to performance. If the CEO’s performance “meets expectations”, the COLA equals the rate of inflation. If the CEO “significantly exceeds expectations”, the COLA equals the rate of inflation plus one percent. If the CEO’s performance is “outstanding,” the COLA equals the rate of inflation plus two percent.

<sup>2</sup> Pursuant to LIPA’s By-laws, the Board-appointed Officers include the Chief Executive Officer, the Chief Financial Officer, and the General Counsel. The Chief Executive Officer may appoint such other Officers as he or she may from time to time deem necessary or desirable.

- Develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy and the Policy on Diversity and Inclusion, meet or exceed relevant laws and regulations, and ensure an ethical, safe, and discrimination/harassment free work environment, including:
  - a. Employee Policies that provide guidance to employees regarding their rights, benefits, and responsibilities and that address:
    - diversity and equal employment opportunity;
    - the Americans with Disabilities Act and reasonable accommodations;
    - intolerance for workplace bullying and harassment;
    - domestic violence and prevention of violence in the workplace;
    - timekeeping practices;
    - vacation, sick time and other benefits, including family and medical leave;
    - internal transfers and promotions;
    - reasonable travel and expense reimbursement;
  - b. a Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee; and
  - c. a record retention policy that complies with applicable New York State laws and regulations.
  
- Establish and administer compensation practices and benefits for LIPA’s Staff that are sufficient but not excessive to attract and retain a qualified, experienced workforce; are appropriate based on an individual’s knowledge, skill, and contribution; motivate and reward individual performance; and encourage organizational responsiveness to LIPA’s mission and values. In addition, LIPA will establish salary ranges for each position that are informed by:
  - compensation and benefits of employees with similar skills at utilities of similar size and complexity;
  - an appropriate balance of compensation practices among public and private organizations;
  - industry and regional cost-of-living trends;
  - the ability to recruit qualified personnel for a position;
  - individual employee performance and contribution; and
  - a process that permits an employee to appeal in writing any compensation decision resulting from a performance evaluation.
  
- Refrain from establishing or implying employment obligations to individuals of longer than one year or offering compensation to new hires that exceeds the range set for the position by a benchmarking survey, without Board approval. Unless authorized in writing by the CEO, employment shall be on an at-will basis.
- Establish policies and programs that support and encourage the personal and professional development of employees, including:
  - programs for continuing education and tuition reimbursement;
  - core skills continuing education;

- performance appraisal and enhancement;
  - management and leadership training; and
  - utility and public power industry learning.
- Conduct an annual engagement survey and utilize the results to design programs and initiatives to maintain an annual employee engagement score among the top 10 percent of benchmarked companies.
  - Maintain a succession plan to address the inevitable turn-over of executives and staff with the least possible interruption to LIPA's operations.

The CEO will report annually to the Governance, Planning and Personnel Committee on compliance with the key provisions of this Policy.

## **FOR CONSIDERATION**

September 28, 2022

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Annual Report on the Board Policy on Public Policy Transmission Planning

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The Board of Trustees (“the Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution: (i) approving the Annual Report on the Board Policy on Public Policy Transmission Planning (“the Policy”); and (ii) finding that LIPA has complied with the Policy, which resolution is attached as **Exhibit “A.”**

### **Background**

The Board originally approved the Policy on Public Policy Transmission Planning in May 2018. The Policy was last amended on June 24, 2020. LIPA Staff has reviewed the Policy for this year’s annual review and recommends no changes at this time.

In August 2020, the New York Independent System Operator (“NYISO”) issued its 2020-2021 solicitation for proposed transmission needs that might be driven by Public Policy Requirements.<sup>1</sup> In response to that solicitation, PSEG Long Island submitted its recommended Public Policy Transmission Needs (“PPTN”), which include a need for one or more ties from Long Island to Westchester/New York City and backbone upgrades from East Garden City to Ruland Road as a result of the Off-Shore Wind Standard (“OSW”) articulated in the Climate Leadership and Community Protection Act (“CLCPA”). A total of 12 PPTN proposals involving the Long Island transmission system were referred to LIPA in October 2020.<sup>2</sup>

By letter dated February 3, 2021, LIPA recommended to the New York Public Service Commission (“PSC”) that a need existed for at least one new bulk transmission intertie between the LIPA and Con Edison systems to enable export of offshore wind generation to the rest of New York State, in support of the Off-Shore Wind Standard (“OSW”) articulated in the Climate Leadership and Community Protection Act (“CLCPA”).

In March 2021, the PSC designated one or more Long Island ties to New York City or Westchester County as a PPTN pursuant to the CLCPA (“the March 2021 Order”).<sup>3</sup>

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<sup>1</sup> A Public Policy Requirement is defined as a federal or New York State statute or regulation, including a New York Public Service Commission order, adopting a rule or regulation, that may relate to transmission planning for the New York State Bulk Power Transmission Facilities.

<sup>2</sup> The proposals were from the following: Anbaric Development Partners, LLC; AVANGRID, Inc.; City of New York; Con Edison Transmission, Inc.; LS Power Grid New York, LLC; NextEra Energy Transmission New York; NY Transco; New York Power Authority; New York Transmission Owners; Orsted US Offshore Wind; PSEG Long Island; and Transource Energy, LLC.

<sup>3</sup> Case 20-E-0497 - In the Matter of New York Independent System Operator, Inc.'s Proposed Public Policy Transmission Needs for Consideration for 2020 Transmission Planning Cycle, *Order Addressing Public Policy Requirements for Transmission Planning Purposes* (issued March 19, 2021) (March 2021 Order).

Subsequently, NYISO commenced a solicitation for proposals to fulfill the Long Island Offshore Wind Export PPTN (“LI PPTN”).

In the March 2021 Order, the PSC directed the NYISO to allocate 75% of the costs of Long Island ties to congestion beneficiaries and to share 25% of costs statewide. In April 2021, LIPA and Con Edison/O&R submitted petitions for rehearing, arguing for 100% statewide load ratio cost allocation, noting that congestion beneficiaries are highly speculative, while the principal benefit of the new tie(s) would reduce OSW interconnection costs. Such benefits will flow to the purchasers of Offshore Wind Renewable Energy Certificates, which are to be allocated statewide on a load ratio cost allocation.

### **Recent Developments**

In October 2021, NYISO received 19 proposals from four sets of proposers addressing the LI PPTN and began to evaluate the viability and sufficiency of these projects, in accordance with the NYISO tariff. PSEG Long Island also began to consult with NYISO with respect to interconnection of the proposed projects.

In March 2022, NYISO determined that 17 of the 19 proposals were viable and sufficient, i.e., they met the technical requirements of the LI PPTN and had no evident inability to be permitted or constructed. Any cost, design, or operability issues would be reviewed by NYISO in the pending Evaluation and Selection phase of their process.

In May 2022, the PSC issued an order on rehearing, agreeing with LIPA and the other petitioners that the costs of the LI PPTN should be shared on a statewide load ratio basis.<sup>4</sup> This decision saved Long Island customers from an unwarranted cost shift of millions of dollars per year.

As of July 2022, the NYISO began the Evaluation and Selection phase of their process assessing the proposals submitted. In determining which of the eligible Public Policy Transmission Projects is the more efficient or cost-effective solution to satisfy the PPTN, the NYISO will consider the Public Policy Transmission Project’s total performance under all the selection metrics in making its determination.<sup>5</sup> These metrics include the expandability, operability and performance of the solution, availability of property rights, schedule for project completion, and potential issues associated with delay.<sup>6</sup> Accordingly, LIPA as Connecting Transmission Owner, pursuant to Attachment P of the NYISO Open Access Transmission Tariff (OATT), continues to work with NYISO to identify constructability, risk, and operability issues, as well as issues of poor system design. NYISO has reported it expects to complete its evaluation process by January 2023.

In light of the ongoing LI PPTN process, NYISO postponed the start of its 2022-23 public policy transmission planning cycle to August 31, 2022, requesting that proposed transmission needs be submitted by October 31, 2022. PSEG Long Island has begun evaluating potential needs beyond those being addressed by the LI PPTN solicitation. It is expected that ongoing studies of the State’s power grid will highlight the need for additional transmission on Long Island to enable the interconnection of more than the 3-6 GW of potential OSW projects for which the LI PPTN

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<sup>4</sup> Case 20-E-0197 - In the Matter of New York Independent System Operator, Inc.'s Proposed Public Policy Transmission Needs for Consideration for 2020 Transmission Planning Cycle, *Order on Petitions for Rehearing* (issued May 16, 2022)

<sup>5</sup> NYISO OATT Attachment Y Section 31.4.8.1

<sup>6</sup> NYISO OATT, Attachment Y Section 31.4.8.1

is being evaluated.

In August 2022, LIPA and other New York transmission owners submitted comments in response to a Notice of Proposed Rulemaking issued by the Federal Energy Regulatory Commission with regard to public policy transmission planning (“FERC NOPR”). The FERC NOPR, among other things, proposed to modify planning procedures for identifying and addressing public policy transmission needs within and between states and regions. It is anticipated that any national public policy transmission planning process changes would take place after the current LI PPTN process is completed. LIPA and PSEG Long Island will continue to monitor developments at FERC and NYISO.

### **Recommendation**

Based upon the foregoing, I recommend approval of the above-requested action by the adoption of the resolution in the form attached hereto as **Exhibit “A.”**

Attachment

**Exhibit “A”** Resolution

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**RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON PUBLIC POLICY TRANSMISSION PLANNING**

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**WHEREAS**, the Board Policy on Public Policy Transmission Planning (“the Policy”) was originally approved by Resolution No. 1414, dated May 23, 2018; and

**WHEREAS**, the Policy was last amended by Resolution No. 1540, dated June 24, 2020; and

**WHEREAS**, the Board of Trustees has conducted an annual review of the Policy and affirms that the Policy has been complied with.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board of Trustees hereby finds that the Long Island Power Authority has complied with the Policy for the period since the last annual review and approves the annual report to the Board.

Dated: September 28, 2022

**FOR CONSIDERATION**

March 27, 2024

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Approval of: (i) the Annual Investment Report for 2023; and (ii) the 2024 Investment Guidelines (the “Board Policy on Investments”)

---

**Requested Action**

The Board of Trustees (the “Board”) is requested to adopt a resolution approving: (i) LIPA’s Annual Investment Report for 2023 in the form attached hereto as **Exhibit “B”**; and (ii) the 2024 Board Policy on Investments in the form attached hereto as **Exhibit “C”**.

**Annual Investment Report for 2023**

Section 2925 of the Public Authorities Law (“PAL”) requires that LIPA annually review and approve an investment report. LIPA’s investments are either: (i) managed by an investment manager in primarily short-term, highly liquid investments; or (ii) invested in broad-based, low-cost equity and fixed-income mutual funds. All investments of LIPA funds are governed by the Board Policy on Investments.

LIPA’s investments were compliant with the terms and conditions of the Policy for 2023 and performed consistent with LIPA Staff’s expectations given the nature of the investments.

**2024 Board Policy on Investments**

The Board is also required by Section 2925(6) of the PAL to annually review and approve the Board Policy on Investments, which details the Board’s operative instructions to LIPA Staff regarding the investing, monitoring, and reporting of LIPA funds. The Board Policy on Investments was last reviewed and approved on March 29, 2023. LIPA Staff has reviewed the Board Policy on Investments, which is attached hereto as **Exhibit “C”**, and recommends no modifications for 2024.

**Recommendation**

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

Attachments

- Exhibit “A”** Resolution
- Exhibit “B”** 2023 Annual Investment Report
- Exhibit “C”** 2024 Board Policy on Investments

**RESOLUTION APPROVING THE ANNUAL INVESTMENT REPORT FOR 2023 AND  
THE 2024 BOARD POLICY ON INVESTMENTS**

---

**RESOLVED**, that the Board of Trustees hereby approves the Annual Investment Report for the period ended December 31, 2023, in the form presented at this meeting; and

**BE IT FURTHER RESOLVED**, that the Board of Trustees hereby approves and adopts the Board Policy on Investments in the form presented at this meeting to be effective immediately.

Dated: March 27, 2024



ANNUAL INVESTMENT REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2023



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Section II	Investment Policy
Section III	Auditors' Report
Section IV	Income Summary

The Long Island Power  
Authority

Investment Report

**SECTION I**

Annual Investment Report

**LONG ISLAND POWER AUTHORITY**  
**ANNUAL INVESTMENT REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

1. Investment Policy and Amendments Since Prior Year Investment Report

LIPA's Investment Policy incorporates the investment requirements of New York State, LIPA's General Bond Resolution, and the Nuclear Decommissioning Trust Agreements. The Investment Policy was last approved by the Board of Trustees on March 29, 2023.

The Policy details LIPA's guidelines with respect to the purchase and sale of investments and specifies the procedures for monitoring, maintaining, accounting for and reporting of such investments. The Policy is attached in Section II.

The Investment Policy approved March 29, 2023 included the following modification to the Investment Policy which was approved on March 30, 2022:

- An update to the investment allocations within the Nuclear Decommission Trust Fund ("NDTF") so as to increase the allocation to International Equity Mutual Funds from 20% to 25% and to decrease the allocation to Fixed Income Mutual Funds from 25% to 20%. This change reflects the multi-decade life of the NDTF and the expectation that equity securities will have higher expected returns than fixed-income securities over this period. Overall, the NDTF would be invested 35% in domestic equities, 25% in international equities, 20% in domestic fixed income, and 20% in domestic inflation-protected fixed-income securities.

2. Result of Annual Audit

The "Independent Accountant's Report on Investment Compliance" issued by LIPA's auditors, KPMG LLP, is attached hereto in Section III.

3. Investment Income Record

Attached hereto in Section IV is a summary of LIPA's investment income for the year ended December 31, 2023, totaling approximately \$74.3 million dollars.



4. Total Fees, Commissions, or Other Charges Paid to Investment Bankers, Brokers, Agents, Dealers and Advisors Rendering Investment Associated Services

The majority of LIPA's investments are managed through the services of an investment manager who provides cash management and investment advisory services. The fees for such services are based upon the average daily amortized cost basis of the investments under management and are paid quarterly. For the year ended December 31, 2023, LIPA paid approximately \$225,000 in connection with these services. Additionally, custodial services for the investments are provided by a custodial bank. Fees for these custodial services are based upon the average daily market value of the investments held during the quarter and are paid quarterly. For the year ended December 31, 2023, LIPA paid approximately \$61,000 in connection with these services.

Other short term investments are held in accounts with investment institutions and commercial banks. It is general practice in the financial community for these institutions to include the commission or transaction fee, if any, in their purchase price or to charge an investment fee that is netted from the income of the investment.

There were no other fees or charges to investment bankers, agents, dealers or advisors in connections with investment activities for the year ended December 31, 2023.

The Long Island Power  
Authority

Investment Report

**SECTION II**

Investment Policy

Adopted March 29, 2023

Board Policy: INVESTMENT POLICY

Policy Type: Operating

Monitored by: Finance and Audit Committee

Board Resolution: Approved March 29, 2023




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## **1. OVERVIEW OF INVESTMENT POLICY**

### **1.1. Purpose and Scope**

This policy sets forth instructions to the officers and staff of the Long Island Power Authority ("LIPA" or the "Authority") with regard to investments of monies of LIPA and its subsidiary and the monitoring and reporting of such investments. The Policy is intended to meet the provisions of the Public Authorities Law ("PAL") Section 2925, the Office of the State Comptroller's Investment Guidelines for Public Authorities contained in 2 New York Codes, Rules and Regulations ("NYCRR") Part 201, Section 201.3, the provisions of LIPA's enabling legislation, and the parameters established by LIPA's Financing Documents. This Policy has been adopted by, and can only be changed by, the Board of Trustees.

### **1.2. Definitions**

"LIPA" or the "Authority" means the Long Island Power Authority, a corporate municipal instrumentality of the State of New York, established pursuant to Chapter 517 of the Laws of 1986 of the State of New York.

"Eligible Banking Institution" means any commercial bank or financial institution whose long-term unsecured debt securities are rated A- or better by S&P, A3 or better by Moody's, or A- or better by Fitch, and having its principal office within the State, as authorized by the Board of Trustees by Resolution on May 18, 2016.

"Financing Documents" means the Electric System General Bond Resolution, adopted May 13, 1998 (the "General Bond Resolution"); the Electric System General Subordinated Revenue Bond Resolution, adopted May 20, 1998 ("Subordinated Bond Resolution"); the Amended and Restated Credit Agreement, dated as of March 17, 2022 among the Long Island Power Authority and JPMorgan Chase Bank, as Administrative Agent expiring on March 16, 2027 related to Electric System General Revenue Notes, Series 2019 A; any agreement with the issuer of any Credit Facility (as defined in the General Bond Resolution or the Subordinated Bond Resolution); and any Liquidity Facility (as defined in the General Bond Resolution or the Subordinated Bond Resolution), in each case as the same may be amended and supplemented from time to time.

"Investment Funds" means monies and financial resources available for investment by LIPA and its subsidiary.

"Investment Securities" means any or all the investment obligations described in Section 2.2 hereof.

"Rating Agencies" means Standard and Poor's Global Ratings (S&P), Moody's Investors Service (Moody's), and Fitch Ratings (Fitch).

"State" means the State of New York.

### **1.3. Management of Investment Program**

#### **1.3.1. Delegation of investment Authority**

The responsibility for implementing the investment program is delegated to the Chief Financial Officer. The Chief Financial Officer directs LIPA's investment activities through the Director of Finance and Treasury or the Manager of Treasury.

Investments shall be made in accordance with this policy, including the Operating Procedures and Controls, which are attached as Appendix A. LIPA's governing body and management are responsible for making investment decisions for the Authority and for doing so with the judgment, care, skill, prudence and diligence under the circumstances then prevailing that a knowledgeable and prudent investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. All LIPA staff participating in the investment process shall act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in LIPA's ability to effectively fulfill its responsibilities. All participants in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

#### **1.3.2. Annual Review and Approval**

LIPA staff involved in the investment process shall review the Investment Policy on an annual basis, or more frequently as required, and shall submit the Investment Policy to the Authority's Finance and Audit Committee and Board of Trustees no less frequently than annually for review and approval as required by the PAL.

After any modifications to the Investment Policy, a revised policy must be distributed to Authority personnel on the approved distribution list and the Financial Institutions specified in Appendix A.

## **2. INVESTMENT MANAGEMENT OBJECTIVES AND PERMITTED INVESTMENT**

### **2.1. Investment Objectives**

LIPA's investment objectives, listed in order of importance, are: to conform with all applicable legal and regulatory requirements; to adequately safeguard investment principal; to provide for portfolio liquidity; and to earn reasonable rates of return.

The investment objectives for the NDTF and OPEB Accounts (described below) are to conform with all applicable legal and regulatory requirements; to earn reasonable rates of return; and to provide for portfolio liquidity, as necessary.

### **2.2. Permitted Investments**

LIPA, subject to the requirements of Section 3.5 of this Policy, may deposit monies with Eligible Banking Institutions, as separately authorized by the Board of Trustees by Resolution on May 18, 2016. Additionally, investments shall be limited to the following types of securities ("Permitted Investments"):

1. **U.S. Treasury & Government Guaranteed-** U.S. Treasury obligations, and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the U.S. Government.
2. **Federal Agency/GSE** - Debt obligations, participations or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality or government-sponsored enterprise (GSE).
3. **Supranational** - U.S. dollar denominated debt obligations of a multilateral organization of governments.
4. **Corporates and Other Debt Obligations-** U.S. dollar denominated corporate notes, bonds or other debt obligations issued or guaranteed by a U.S. or foreign corporation, financial institution, non-profit, or other entity.
5. **Municipals-** Obligations issued or guaranteed by any state, territory or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality or other unit of local government of any U.S. state or territory.
6. **Collateralized Investment Agreements** - Investment agreements or guaranteed investment contract with any financial institution that guarantees repayment of principal and a fixed or floating interest rate for a predetermined period.
7. **Agency Mortgage Backed Securities-** Mortgage-backed securities (MBS), backed by residential, multi-family or commercial mortgages, that are issued or fully guaranteed as to principal and interest by a U.S. Federal agency or government sponsored enterprise, including but not limited to pass-throughs, collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs).
8. **Asset-Backed Securities** - Asset-backed securities (ABS) whose underlying collateral consists of loans, leases or receivables including but not limited to auto loans/leases, credit card receivables, student loans, equipment loans/leases.
9. **Negotiable Bank Deposit Obligations** - Negotiable bank certificates of deposit, deposit notes or other deposit obligations issued by a nationally or state-chartered bank, credit union or savings association, or by a federally or state-licensed branch of a foreign bank or financial institution. *No new securities will be purchased in this sector.*
10. **Commercial Paper-** U.S. dollar denominated commercial paper issued or guaranteed by a U.S. or foreign corporation, company, financial institution, trust or other entity, including both unsecured debt and asset-backed programs.
11. **Bankers' Acceptances-** Bankers' acceptances issued, drawn on, or guaranteed by a U.S. bank or U.S. branch of a foreign bank.
12. **Insured Bank Deposits** - Interest bearing time certificates of deposit, savings accounts or deposit accounts fully insured by the Federal Deposit Insurance Corporation (FDIC).
13. **Money Market Mutual Funds** - Shares in open-end and no-load money market mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule2a-7.

14. **Floating Rate Notes** - Floating rate notes (FRNs) may be purchased as part of LIPA's Portfolio if the following criteria are met:

- a. FRN rate resets no less frequently than quarterly;
- b. FRN rate resets with a frequency that produces a close tracking with money market rates;
- c. FRN is indexed to a money market rate such as, but not limited to, Federal Funds, Secured Overnight Financing Rate (SOFR) Treasury Bills or LIBOR and correlates very highly with overall changes in money market rates even under wide swings in interest rates;
- d. Any interest rate cap is at least 10%; and
- e. Director of Finance and Treasury, Manager of Treasury or the designated Investment Manager uses pricing services, pricing matrices or "theoretical" pricing models to calculate the market value of all FRNs held in the portfolio to value the portfolio holdings.

15. **Repurchase Agreements**- Permitted provided certain conditions are met:

- a. The contract is fully secured by deliverable U.S. Government Obligations as described in Section 2.2.1 having a market value of at least one hundred two percent (102%) of the amount of the obligation's principal and accrued interest;
- b. A written master repurchase agreement governs the transaction that outlines the basic rights of both buyer and seller, including:
  - events of default which would permit the purchaser to liquidate pledged collateral;
  - the relationship between parties to the agreement, which shall ordinarily be purchaser and seller;
  - method of computing margin maintenance requirements and providing for timely correction of margin deficiencies or excesses;
- c. The repurchase agreement is transacted on a delivery or book entry versus payment basis;
- d. The securities are held free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee; the Trustee shall have received written confirmation from such third party that it holds such securities free and clear of any lien as agent for the Trustee; and such third party is either
  - a Federal Reserve Bank, or
  - a bank which is a member of the Federal Reserve Bank or maintains an account with member banks to accomplish book-entry transfer of securities to the credit of the Authority and which (1) has combined capital and surplus of more than \$1 billion, and (2) has a long-term debt rating of "A-" or higher by S&P and "A3" or higher by Moody's;
- e. A perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Authority;
- f. The Investment Manager will value the collateral daily, and require that if additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated);
- g. Substitutions of collateral will be permitted only with advance written approval of the Chief Financial Officer;



- h. LIPA will only enter into repurchase agreements with reputable firms that have a short-term debt rating of "A-1" or higher by S&P and "P-1" or higher by Moody's and are:
  - Broker dealers who are members of the National Association of Securities Dealers, listed on the Federal Reserve Bank of New York's list of primary government securities dealers, and have \$25 billion in assets and \$350 million in capital, or
  - Banks or trust companies authorized to do business in the State of New York and have \$5 billion in assets and \$500 million in capital;
  - No more than 20% or \$50 million, whichever is less, of the Investment Funds will be invested with any single repurchase agreement counterparty; and
- i. The repurchase agreement shall have a term not to exceed ninety days.

Permitted investments must be authorized if the moneys being invested are subject to a legal or other restriction that precludes such investment.

### 2.3. Diversification, Ratings and Maturity of Investments Reference Table

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement <sup>1</sup>	Maximum Maturity <sup>6</sup>
U.S. Treasury	100%	100%	N/A	5.5 Years (5.5 year avg. life <sup>5</sup> for GNMA)
GNMA		40%		
Other U.S. Government Guaranteed (e.g. AID, GTC)		10%		
Federal Agency/GSE: FNMA, FHLMC, FHLB, FFCB	75%	40% <sup>4</sup>	N/A	10 Years
Federal Agency/GSE other than those above		10%		
Supranationals where U.S. is a shareholder and voting member	25%	10%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.5 Years
Corporates and other Debt Obligations	40% <sup>2</sup>	5% <sup>3</sup>	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3 or equivalent)	5.5 Years
Municipals	25%	5%	Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)	5.5 Years
Agency Mortgage-Backed Securities	25%	40% <sup>4</sup>	N/A	5.5 Year Avg. Life <sup>5</sup>
Asset-Backed Securities	20%	5%	Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)	5.5 Year Avg. Life <sup>5</sup>
Negotiable Certificates of Deposit (CD) <sup>7</sup>	50% <sup>2</sup>	5% <sup>3</sup>	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)	3 Years
Commercial Paper (CP)	50% <sup>2</sup>	5% <sup>3</sup>	Highest ST Rating Category (A-1/P-1, or equivalent)	270 Days
Collateralized Investment Agreements	50%	5%	Two Highest LT Rating Categories	5.5 Years
Bankers' Acceptances (BAs)	35% <sup>2</sup>	5% <sup>3</sup>	Highest ST Rating Category (A-1/P-1, or equivalent)	180 Days
Insured Bank Deposits	25%	FIDC limit for insurance	None, if fully FDIC-insured	2 Years
Floating Rate Notes			Should reflect the appropriate sector requirements	
Repurchase Agreements	40%	20%	Counterparty (or if the counterparty is not rated by an NRSRO, then the counterparty's parent) must be rated in the Highest ST Rating Category (A-1/P-1, or equivalent) If the counterparty is a Federal Reserve Bank, no rating is required	90 Days
Government Money Market Funds	100%	100%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A
Money Market Funds	100%	25%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A

Notes:

<sup>1</sup> Rating by at least one SEC-registered Nationally Recognized Statistical Rating Organization ("NRSRO"), unless otherwise noted. ST=Short-term; LT=Long-term.

<sup>2</sup> Maximum allocation to non-government securities is 75% combined.

<sup>3</sup> Maximum across all non-government permitted investment sectors is 5% combined per issuer.

<sup>4</sup> Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.

<sup>5</sup> The maturity limit for MBS and ABS is based on the expected average life at time of purchase, measured using Bloomberg or other industry standard methods.

<sup>6</sup> All investments shall mature or be redeemable no later than such times as shall be necessary to provide monies needed for payments to be made from any such fund or account. Unless otherwise noted, maturity limitation is measured from the transaction's settlement date.

<sup>7</sup> No new securities in this sector will be purchased.

#### **2.4. Prohibited Investment Vehicles**

LIPA is prohibited from investing in the investments or engaging in the practices listed below:

- Investment in Auction Rate Securities (ARS);
- Home equity ABS and reverse repurchase agreements;
- Short sales (selling a specific security before it has been legally purchased);
- Borrowing funds for the sole purpose of reinvesting the proceeds of such borrowing;
- Investment in complex derivatives such as range notes, dual index notes, inverse floating rate notes and deleveraged notes, or notes linked to lagging indices or to long-term indices;
- Investing in any security not specifically permitted by this Investment Policy (see process below for minor exceptions).

#### **2.5. Downgrades**

The Director of Finance and Treasury, Manager of Treasury or the designated Investment Manager(s) shall report any credit rating downgrade resulting in violation of the Investment Policy to the Chief Financial Officer within a reasonable period of learning of the downgrade, along with any recommended action. The Chief Financial Officer or Director of Finance and Treasury shall provide direction to the Manager of Treasury or the Investment Manager(s) within a reasonable period of the downgrade, which would generally be to liquidate any security that does not comport with the Investment Policy and Financing Documents at the time of the downgrade. Any direction to take an action other than to liquidate such security shall be reported to the Finance and Audit Committee of the Board of Trustees.

#### **2.6. Process for Obtaining Approval for Exceptions**

Approval for new instruments not listed herein shall be obtained from the Authority's Board of Trustees. The Board hereby authorizes minor exceptions (including ratings or diversification guidelines) to the Investment Policy with the immediate approval of the Chief Financial Officer and final approval by the Board of Trustees. Any such minor exceptions to the Investment Policy will be reported to the Finance and Audit Committee of the Board of Trustees. If the Board of

Trustees comes to the decision not to approve a minor exception the investment will be liquidated immediately.

### **2.7. Nuclear Decommissioning Trust Funds and OPEB Account**

Sections 2.2, 2.3, 2.4 and 2.5 shall not govern the investment of the Nuclear Decommissioning Trust Funds (NDTF) for Nine Mile Point Unit 2 or the Other Post-Employment Benefits (OPEB) Account. Separate investment provisions are provided for the NDTF (Appendix B) and OPEB Account (Appendix C).

## **3. OPERATING PARAMETERS AND CONTROLS**

LIPA has developed the following investment management controls to ensure that its assets are protected against loss, theft and misuse.

### **3.1. Authorized Officers and Employees**

Investment decisions on behalf of the Authority shall be made by the Director of Finance and Treasury, Manager of Treasury or the external Investment Manager(s), under the supervision of the Chief Financial Officer.

### **3.2. Competitive Selection**

For each transaction more than \$10 million (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), LIPA shall use competitive quotations. For each transaction equal to or less than \$10 million (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), LIPA may use either competitive quotations or negotiated prices. The foregoing shall not apply to the purchase of government securities at initial auction or upon initial offering. A minimum of three quotes shall be obtained and documented from Dealers and/or Banks, except in the purchase of government securities at their initial auction or upon initial offering, and the most favorable quote accepted.

To the extent that LIPA invests in an SEC registered mutual fund or exchange traded fund whose investment objectives and policies are consistent with this Investment Policy, the selection of a no-load, open-end fund constitutes a competitive selection.

### **3.3. Annual Investment Audit**

An annual independent audit of all investments will be performed by the external auditors. LIPA shall comply with all legal and regulatory requirements, including those mandated by the PAL, the NYCRR, the Financing Documents, and the Investment Policy. The Annual Investment Audit shall:

- Determine whether investment assets are adequately safeguarded; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of LIPA's investment assets; and a system of adequate internal controls is maintained;

- Determine whether LIPA has complied with applicable laws, regulations, the State Comptroller's investment guideline requirements, such public authority accounting directives as may be issued by the State Comptroller, and the Investment Policy; and
- Be designed to the extent practical to satisfy both the common interest of LIPA and the public officials accountable to others.

The results of the Annual Investment Audit shall be set forth in a report submitted to the Chief Financial Officer, and to LIPA's Board of Trustees (the "Annual Investment Audit Report") which shall include without limitation:

- A description of the scope and objectives of the audit;
- A statement that the audit was made in accordance with generally accepted government auditing standards;
- A description of any material weakness found in the internal controls;
- A description of any non-compliance with LIPA's own investment policies as well as applicable laws, regulations, the State Comptroller's investment guideline requirements, and such public authority accounting directives as may be issued by the State Comptroller;
- A statement of positive assurance of compliance on the items tested;
- A statement on any other material deficiency or reportable condition as defined *by Governmental Auditing Standards* identified during the audit not covered above; and
- Recommendations, if any, with respect to amendment of this Investment Policy.

The Annual Investment Audit Report shall be filed within ninety (90) days after the close of the Authority's fiscal year with the Office of Budget and Policy Analysis of the Office of the State Comptroller.

#### **3.4. Written Contracts and Confirmations**

A written contract and/or a written confirmation shall be required for each investment transaction. However, LIPA shall not be required to enter into a formal written contract if the Authority's oral instructions to its broker, dealer, agent, investment manager/advisor, or custodian with respect to such transactions are confirmed in writing or by written confirmation at the earliest practicable moment.

#### **3.5. Safekeeping and Custody**

All investment securities purchased by LIPA or held as collateral on deposits or investments shall be held by a third-party custodian who may not otherwise be a party to the investment transaction and with whom the Authority has a written custodial agreement. All securities shall be held in the name of the Authority and will be free and clear of any lien.

All investment transactions will be conducted on a delivery-vs.-payment basis. Payment for investments shall be made only upon receipt by the custodian of the physical security, or in the case of securities in book-entry form, when credited for the custodian's account, which shall be segregated for LIPA's sole use. The custodian shall issue a safekeeping receipt to LIPA listing the specific instrument, rate, maturity and other pertinent information. Monthly,

the custodian will also provide reports listing all securities held for the Authority, the book value of holdings, and the market value as of month-end.

The custodian may act on oral instructions from the Chief Financial Officer, the Director of Finance and Treasury, or the Manager of Treasury. Such instructions are to be confirmed in writing, within one business day, by an authorized signatory of LIPA.

Representatives of the custodian responsible for, or in any manner involved with, the safekeeping and custody process of the Authority shall be bonded in such a fashion as to protect LIPA from losses from malfeasance and misfeasance. If required by the Chief Financial Officer, appropriate Authority Officials may also be bonded in such a fashion.

All demand deposits, time deposits, and certificates of deposit shall be collateralized for amounts over and above Federal Deposit Insurance Corporation coverage. All collateral shall be Permitted Investments as set out in Section 2. There shall be a written custodial agreement that, among other things, specifies the circumstances under which collateral may be substituted. LIPA should not accept a pledge of a proportionate interest in a pool of collateral. The market value and accrued interest of collateral should, at least, equal the value of the investment and any accrued interest at all times. The recorded value of collateral backing any investment should be compared with current market values (mark-to-market) at the time of the initial investment and monthly thereafter to be certain that it continues to be at least equal to the value of the investment plus accrued interest. The mark-to-market reviews should use "bid" prices from a constant source. Negotiable Bank Deposit Obligations as defined in sections 2.2 and 2.3 of this policy are exempt from these collateral requirements.

### **3.6. Internal Controls**

LIPA follows the operating procedures defined in Appendix A to control all Authority investment activity.

### **3.7. Notification Concerning Violations of Investment Policy**

If this Investment Policy is violated, the Chief Financial Officer shall be informed immediately and advised of any corrective action that should be taken, as well as the implication of such action.

## **4. QUALIFIED FINANCIAL INSTITUTIONS**

### **4.1. Qualifications for Brokers, Dealers and Agents**

The Director of Finance and Treasury and/or LIPA's Investment Manager shall identify broker/dealers that are approved for investment purposes ("Qualified Institutions") and maintain a list of such approved dealers. Only firms meeting the following requirements will be eligible to serve as Qualified Institutions:

- "Primary" dealers and regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule);
- Registered as a dealer under the Securities Exchange Act of 1934;
- Member in good standing of the Financial Industry Regulatory Authority (FINRA);

- Registered to sell securities in the State; and
- The firm and assigned broker have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) years.

When selecting trading partners, LIPA will also consider the firm's quality, size, reliability, the Authority's prior experience with the firm, the firm's level of expertise and prior experience with respect to the contemplated transactions.

#### **4.2. Qualifications for Investment Advisors/Managers**

For the purpose of rendering investment management/advisory services to the Authority, LIPA may qualify any bank or trust company organized under the laws of any state of the United States of America, any national banking association, and any partnership, corporation, or person which is:

- Authorized to do business in the State as an investment manager/advisor; and
- Registered with the SEC under the Investment Advisor Act of 1940 or exempt from registration.

LIPA shall consider the firm's capitalization, quality, size and reliability, the Authority's prior experience with the firm, the firm's level of expertise and prior experience with respect to the contemplated transaction.

#### **4.3. Qualifications for Custodial Banks**

To be eligible to hold Investment Securities purchased by LIPA or collateral securing its investments, a custodial bank shall be a member bank of the Federal Reserve System or maintain accounts with member banks of the Federal Reserve System to accomplish book-entry transfer of Investment Securities to the credit of the Authority. The custodian should not be the same party that is selling the Investment Securities. To be eligible to perform custodial services, the Chief Financial Officer, or his/her designee, must review the annual financial statements and credit ratings of the proposed custodian bank and based upon such review, affirmatively find that the proposed custodial bank is financially sound. Such determinations of creditworthiness shall be undertaken on a periodic basis as determined by the Chief Financial Officer.

#### **4.4. Ongoing Disclosure**

All brokers, dealers and other financial institutions described in sections 4.1, 4.2, and 4.3 shall be provided with current copies of the Authority's Investment Policy. A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the Authority has investment transactions.

#### **4.5. Affirmative Action**

Article 15-A of the Executive Law and 9 NYCRR Part 4.21 regarding affirmative action shall apply with respect to LIPA's investment activities. The Authority shall seek to use minority and women- owned financial firms in the conduct of LIPA's investment activities.

### **5. REPORTING**

Management reporting is required by the Authority to track compliance with policy guidelines, assess the performance of the portfolio, and to inform appropriate management personnel.

## **5.1. Management Reporting**

To manage the Investment Funds effectively and to provide management with useful information, it is necessary for the Director of Finance and Treasury to report reliable and timely information regarding the investment transactions that take place.

A Quarterly Management Report on the investment management program shall be prepared by the Manager of Treasury under the supervision of the Director of Finance and Treasury and presented to the Chief Financial Officer and LIPA's Board of Trustees, no more than 45 days after each quarter end. The Quarterly Management Report shall include:

- A portfolio inventory;
- Credit quality of each holding (or average credit quality of each fund);
- Duration (or average maturity) of each fund;
- Mark-to-market valuations on investments and collateral;
- A breakdown of the portfolio by counterparty; and
- Portfolio position against asset allocation target

An Annual Investment Report shall be prepared by the Manager of Treasury and submitted by the Chief Financial Officer to the Board of Trustees and filed with the State Division of the Budget, State Comptroller, State Senate Finance Committee, and Assembly Ways and Means Committee no more than 90 days after each year end. The Annual Investment Report may be a part of any other annual report that LIPA is required to make. The Annual Investment Report shall include the following:

- The Investment Policy is in compliance with Section 2925(3) of the Public Authorities Law and any amendments since last reported;
- An explanation of the Investment Policy and amendments;
- The results of the Annual Independent Audit (described in Section 3.3);
- Investment income record of the Authority; and
- A list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and manager/advisor rendering investment associated services to LIPA since the date of the last investment report.

## **5.2. Performance Reporting**

Performance reporting shall be included in the Management Reports and should track performance relative to specified benchmarks and sector indices for the current period and year-to-date. The Director of Finance and Treasury and Chief Financial Officer will act on any weaknesses related to the management of the assets

## **6. APPLICABILITY**

This Investment Policy shall govern all investments initiated by LIPA after March 27, 2024 and shall not apply to any investments initiated by the Authority on or prior to March 27, 2024. Nothing contained in these Investment Policy shall be deemed to alter, affect the validity of, modify the terms of, or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of this Investment Policy.



## **7. BANK AUTHORIZATION**

The Chief Executive Officer or any authorized designees<sup>1</sup> ("Authorized Persons") are authorized to deposit any LIPA funds in any commercial bank or financial institution whose long-term deposits are rated A- or better by Standard & Poor's Corporation, A3 or better by Moody's Investor Service, Inc. or A- or better by Fitch, Inc. (each such institution referred to herein as the "Bank"), either at its head office or at any of its branches.

Any LIPA funds deposited in the Bank may be subject to withdrawal or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings, wire transfers or other instruments or orders for the payment of money when made, signed, drawn, accepted or endorsed, as applicable, on behalf of the Authority in accordance with the Financial Policies and Procedures of the Authority and its Service Provider by Authorized Persons.

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<sup>1</sup> The Chief Executive Officer's designees under this Investment Policy shall include only persons permitted by the LIPA By-Laws, Article IV, Section 7(c) (Powers and Duties of the Chief Executive Officer) and Article VIII, Section 1 (Execution of Instruments), and any other applicable guidance or limitations provided by the LIPA Board of Trustees

## APPENDIX A- OPERATING PROCEDURES AND CONTROLS (Manual)

### A. Distribution of the Investment Policy

The policy and all subsequent amendments, revisions and updates shall be distributed to LIPA personnel per the approval of the Chief Financial Officer.

During the period in which LIPA retains investment manager(s), the investment manager(s) must also receive the Investment Policy and all amendments, updates, or revisions to insure compliance with the most current policy. Below is the distribution list matrix for the investment policy.

Distribution List	Frequency
Board of Trustees	As necessary
Chief Executive Officer	As necessary
Chief Financial Officer	As necessary
Director of Finance and Treasury	As necessary
VP and Controller	As necessary
Investment Manager(s)	As necessary
General Counsel	As necessary
Manager of Treasury Operations	As necessary

### B. Roles and Responsibilities in Executing the Investment Policy

The roles and responsibilities for investment management at the Authority rest primarily with the Director of Finance and Treasury and the Chief Financial Officer. The matrix below defines the roles and responsibilities of all parties involved in the execution of the Investment Policy.

Roles	Responsibility	Frequency
Board of Trustees	<ul style="list-style-type: none"> <li>▪ Final Approval of the policy</li> <li>▪ Approval of exceptions to the policy (e.g. new investment types)</li> <li>▪ Approval of revisions to the policy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual</li> <li>▪ As necessary</li> <li>▪ As necessary</li> </ul>
Chief Executive Officer	<ul style="list-style-type: none"> <li>▪ Responsible for adherence to all Authority policies</li> </ul>	<ul style="list-style-type: none"> <li>▪ As necessary</li> </ul>
Chief Financial Officer	<ul style="list-style-type: none"> <li>▪ Approval of the policy</li> <li>▪ Approval of investment strategy</li> <li>▪ Approval of performance measurements</li> <li>▪ Approval of minor exceptions to the policy (i.e. amounts, maturities)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual</li> <li>▪ Annual</li> <li>▪ Ongoing</li> <li>▪ As necessary</li> </ul>

Director of Finance and Treasury	<ul style="list-style-type: none"> <li>▪ Serve as custodian of the policy</li> <li>▪ Develop investment strategy</li> <li>▪ Review investment strategy</li> <li>▪ Establish performance measurements</li> <li>▪ Distribution of policy and amendments</li> <li>▪ Annual review of policy</li> <li>▪ Oversight of investment activity</li> <li>▪ Invest funds as provided for in the policy</li> <li>▪ Review performance information</li> <li>▪ Management reporting</li> <li>▪ Collect performance information</li> <li>▪ Distribute performance information</li> <li>▪ Keep abreast of developments and notify the Chief Financial Officer, as needed</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ongoing</li> <li>▪ Annual</li> <li>▪ Ongoing</li> <li>▪ Ongoing</li> <li>▪ As necessary</li> <li>▪ Annual</li> <li>▪ Ongoing</li> <li>▪ Ongoing</li> <li>▪ Monthly</li> <li>▪ Quarterly</li> <li>▪ Weekly</li> <li>▪ Weekly</li> <li>▪ Ongoing</li> </ul>
Investment Manager(s)	<ul style="list-style-type: none"> <li>▪ Develop investment strategy</li> <li>▪ Review investment strategy</li> <li>▪ Invest funds as provided for in the policy</li> <li>▪ Reporting investment portfolio</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual</li> <li>▪ Ongoing</li> <li>▪ Ongoing</li> <li>▪ Daily, Monthly, Quarterly</li> </ul>

### C . Segregation of Duties

LIPA requires adequate segregation of duties to prevent possible fraud, operational errors, misappropriation of funds, unauthorized trades, concealment of trades, and manipulation of accounting records. Personnel involved in risk monitoring activities should be segregated from risk taking (i.e. executing transactions).

Activity to be Performed	Segregation Level
Trade Execution	Individuals who are authorized to execute transactions should not confirm and settle the trades or conduct account reconciliation activities.
Trade Confirmation	Individuals who conduct confirmations should not execute transactions.
Settlement - Disbursing and Receiving Funds	Individuals who handle cash settlement on the trades should not execute the trades. Cash settlement shall be transacted by any one of the authorized Authority signatories who did not participate in the trade execution. Only one signature is required due to the nature of the transaction, i.e., transfer of assets between Authority accounts.
Account Reconciliation	Account reconciliation activities must be segregated from trade execution activities.

#### D. Management Reporting

Report	Contents	Audience	Frequency
Management Report	Investment portfolio, mark-to-market valuations, collateral, counterparty breakdown, investment performance vs. benchmark, variance analysis	Chief Financial Officer, Board of Trustees	▪ Quarterly
Annual Investment Report	Investment Policy, explanation of Investment Policy & amendments, annual investment audit, annual investment income, total fees and commissions paid	Chief Financial Officer, Board of Trustees. (File with Division of the Budget, State Comptroller, State Senate Finance Committee, Assembly Ways and Means Committee)	▪ Annually

#### E. Operating Procedures

Operating procedures for the administration of LIPA's investment program should include the following:

- The establishment and maintenance of a system of internal controls;
- Each disbursement of funds (and corresponding receipt of Investment Securities) or delivery of Investment Securities (and corresponding receipt of funds) shall be based upon proper written authorization. If the authorization is initially given orally, there shall be documented confirmation from an authorized signatory of the Authority to the custodian;
- The process of initiating, reviewing and approving requests to buy and sell Investment Securities shall be documented and retained for audit purposes. Dealer limits should be established and reviewed regularly;
- Custodians must have prior authorization from the Authority to deliver obligations and collateral. All transactions must be confirmed, to the Authority. Delivery of obligations sold shall only be made upon receipt of funds; Custodial banks shall be required to report whenever activity has occurred in the Authority's custodial account;
- There shall be at least monthly verification of both the principal amount and the market values of all investments and collateral. Appropriate listings shall be obtained from the custodian and compared against the Authority's records;
- A record of investments shall be maintained. The records shall identify the Investment Security, the fund for which held, the place where kept, date of disposition and amount realized, and the market value and custodian of collateral;
- Methods for adding, changing or deleting information contained in the investment record, including a description of the documents to be created and verification tests to be conducted;
- A data base of records incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices, and related information necessary to manage the portfolio;
- Requirements for periodic reporting and a satisfactory level of accountability.

## APPENDIX B - NDTF INVESTMENT PROVISIONS

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### NUCLEAR DECOMMISSIONING TRUST FUND INVESTMENT PROVISIONS

To meet LIPA's objectives of funding future liabilities for the nuclear decommissioning obligations of the Authority's 18% share of Nine Mile Point Unit 2, while balancing long-term risk and return and providing reasonable diversification, the NDTF Account shall allocate assets in accordance with the targets for each asset class as follows:

<b>Asset Class</b>	<b>Asset Weighting</b>
Domestic Equity Mutual Funds	35%
International Equity Mutual Funds	25%
Fixed Income Mutual Funds	20%
Fixed Income Mutual Funds - Inflation Protected Securities	20%

Domestic and International Equity Mutual Funds should replicate broad-based, low cost market index strategies. These funds may be designed to replicate the composition of benchmark market indices, such as those provided by Barclay's, CRSP, Dow Jones, FTSE, MSCI, Russell, and S&P.

Fixed Income Mutual Funds should replicate the Barclays U.S. Treasury Inflation Protected Securities Index<sup>1</sup> or the Barclay's Capital U.S. Float Adjusted Aggregate Bond Market Index.

The portfolio should be rebalanced on a quarterly basis when any asset class falls outside of a 5% range of its asset weighting.<sup>2</sup>

LIPA may from time to time find it necessary to hold cash, Treasury bills, money market mutual funds, investment accounts, or "sweep accounts" pending investment or for other reasons.

<sup>1</sup> Includes the inflation-indexed securities within the Barclays U.S. Treasury Bond Index, which represents U.S. Treasury obligations with maturities of more than one year.

<sup>2</sup> LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.

## APPENDIX C - OPEB ACCOUNT INVESTMENT PROVISIONS

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### OPEB ACCOUNT INVESTMENT PROVISIONS

To meet LIPA's objectives of funding future contractual retirement benefit obligations while balancing long-term risk and return and providing reasonable diversification, the OPEB Account shall allocate assets in accordance with the targets for each asset class as follows:

<b>Asset Class</b>	<b>Asset Weighting</b>
Domestic Equity Mutual Funds	40%
International Equity Mutual Funds	25%
Fixed Income Mutual Funds	20%
Fixed Income Mutual Funds- Inflation Protected Securities	15%

Domestic and International Equity Mutual Funds should replicate broad-based, low cost market index strategies. These funds may be designed to replicate the composition of benchmark market indices, such as those provided by Barclay's, CRSP, Dow Jones, FTSE, MSCI, Russell, and S&P.

Fixed Income Mutual Funds should replicate the Barclays U.S. Treasury Inflation Protected Securities Index<sup>1</sup> or the Barclay's Capital U.S. Float Adjusted Aggregate Bond Market Index.

The portfolio should be rebalanced on a quarterly basis when any asset class falls outside of a 5% range of its asset weighting<sup>2</sup>.

LIPA may from time to time find it necessary to hold cash, Treasury bills, money market mutual funds, investment accounts, or "sweep accounts" pending investment or for other reasons.

<sup>1</sup> Includes the inflation-indexed securities within the Barclays U.S. Treasury Bond Index, which represents U.S. Treasury obligations with maturities of more than one year.

<sup>2</sup> LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.

The Long Island Power  
Authority

Investment Report

**SECTION III**

Auditors' Report



KPMG LLP  
Suite 200  
1305 Walt Whitman Road  
Melville, NY 11747-4302

**Report on Compliance with the Requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York**

Board of Trustees  
Long Island Power Authority:

We have examined Long Island Power Authority's (LIPA) compliance with Section 201.3 of Title Two of the *Official Compilation of Codes, Rules and Regulations of the State of New York* during the fiscal year ended December 31, 2023. Management of LIPA is responsible for LIPA's compliance with the specified requirements. Our responsibility is to express an opinion on LIPA's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and in accordance with the standards applicable to attestation engagements contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether LIPA complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether LIPA complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on LIPA's compliance with specified requirements.

In accordance with *Government Auditing Standards*, we are required to report certain findings of deficiencies in internal control; instances of noncompliance with provisions of laws, or regulations, contracts or grant agreements; and instances of fraud and abuse that are direct and material to LIPA's compliance with the requirements of Section 201.3 of Title Two of the *Official Compilation of Codes, Rules, and Regulations of the State of New York* that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on LIPA's compliance with the requirements of Section 201.3 of Title Two of the *Official Compilation of Codes, Rules, and Regulation and Regulations of the State of New York* and not for the purpose of expressing an opinion on the internal control over compliance with those requirements, compliance with the provisions of other laws, regulations, contracts or grant agreements or the other matters referred to above; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards*.

In our opinion, LIPA complied, in all material respects, with the requirements of Section 201.3 of Title Two of the *Official Compilation of Codes, Rules and Regulations of the State of New York* during the fiscal year ended December 31, 2023.

This report is intended solely for the information and use of LIPA and New York State and is not intended to be and should not be used by anyone other than the specified parties.

**KPMG LLP**

Melville, New York  
March 27, 2024

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# The Long Island Power Authority

## Investment Report

# SECTION IV

## Income Summary

Long Island Power Authority  
Investment Income  
For the Year ended December 31, 2023

Operating Fund	\$ 7,567,588
Rate Stabilization Fund	7,985,357
Construction Fund I	11,635,563
Construction Fund II	300,866
System Resiliency	344,179
OPEB Account	18,435,898
Nuclear Decommissioning Trust Fund	5,113,695
Utility Debt Securitization Authority	10,744,933
Bank Account Interest	11,581,508
Miscellaneous	582,392
	<hr/>
	\$ 74,291,979
	<hr/> <hr/>

# 2024 Investment Policy

Board Policy: INVESTMENT POLICY  
 Policy Type: Operating  
 Monitored by: Finance and Audit Committee  
 Board Resolution: #1831, Approved March 27, 2024




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## **1. OVERVIEW OF INVESTMENT POLICY**

### **1.1. Purpose and Scope**

This policy sets forth instructions to the officers and staff of the Long Island Power Authority ("LIPA" or the "Authority") with regard to investments of monies of LIPA and its subsidiary and the monitoring and reporting of such investments. The Policy is intended to meet the provisions of the Public Authorities Law ("PAL") Section 2925, the Office of the State Comptroller's Investment Guidelines for Public Authorities contained in 2 New York Codes, Rules and Regulations ("NYCRR") Part 201, Section 201.3, the provisions of LIPA's enabling legislation, and the parameters established by LIPA's Financing Documents. This Policy has been adopted by, and can only be changed by, the Board of Trustees.

### **1.2. Definitions**

"LIPA" or the "Authority" means the Long Island Power Authority, a corporate municipal instrumentality of the State of New York, established pursuant to Chapter 517 of the Laws of 1986 of the State of New York.

"Eligible Banking Institution" means any commercial bank or financial institution whose long-term unsecured debt securities are rated A- or better by S&P, A3 or better by Moody's, or A- or better by Fitch, and having its principal office within the State, as authorized by the Board of Trustees by Resolution on May 18, 2016.

"Financing Documents" means the Electric System General Bond Resolution, adopted May 13, 1998 (the "General Bond Resolution"); the Electric System General Subordinated Revenue Bond Resolution, adopted May 20, 1998 ("Subordinated Bond Resolution"); the Amended and Restated Credit Agreement, dated as of March 17, 2022 among the Long Island Power Authority and JPMorgan Chase Bank, as Administrative Agent expiring on March 16, 2027 related to Electric System General Revenue Notes, Series 2019 A; any agreement with the issuer of any Credit Facility (as defined in the General Bond Resolution or the Subordinated Bond Resolution); and any Liquidity Facility (as defined in the General Bond Resolution or the Subordinated Bond Resolution), in each case as the same may be amended and supplemented from time to time.

"Investment Funds" means monies and financial resources available for investment by LIPA and its subsidiary.

"Investment Securities" means any or all the investment obligations described in Section 2.2 hereof.

"Rating Agencies" means Standard and Poor's Global Ratings (S&P), Moody's Investors Service (Moody's), and Fitch Ratings (Fitch).

"State" means the State of New York.

### **1.3. Management of Investment Program**

#### **1.3.1. Delegation of investment Authority**

The responsibility for implementing the investment program is delegated to the Chief Financial Officer. The Chief Financial Officer directs LIPA's investment activities through the Director of Finance and Treasury or the Manager of Treasury.

Investments shall be made in accordance with this policy, including the Operating Procedures and Controls, which are attached as Appendix A. LIPA's governing body and management are responsible for making investment decisions for the Authority and for doing so with the judgment, care, skill, prudence and diligence under the circumstances then prevailing that a knowledgeable and prudent investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. All LIPA staff participating in the investment process shall act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in LIPA's ability to effectively fulfill its responsibilities. All participants in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

#### **1.3.2. Annual Review and Approval**

LIPA staff involved in the investment process shall review the Investment Policy on an annual basis, or more frequently as required, and shall submit the Investment Policy to the Authority's Finance and Audit Committee and Board of Trustees no less frequently than annually for review and approval as required by the PAL.

After any modifications to the Investment Policy, a revised policy must be distributed to Authority personnel on the approved distribution list and the Financial Institutions specified in Appendix A.

## **2. INVESTMENT MANAGEMENT OBJECTIVES AND PERMITTED INVESTMENT**

### **2.1. Investment Objectives**

LIPA's investment objectives, listed in order of importance, are: to conform with all applicable legal and regulatory requirements; to adequately safeguard investment principal; to provide for portfolio liquidity; and to earn reasonable rates of return.

The investment objectives for the NDTF and OPEB Accounts (described below) are to conform with all applicable legal and regulatory requirements; to earn reasonable rates of return; and to provide for portfolio liquidity, as necessary.

### **2.2. Permitted Investments**

LIPA, subject to the requirements of Section 3.5 of this Policy, may deposit monies with Eligible Banking Institutions, as separately authorized by the Board of Trustees by Resolution on May 18, 2016. Additionally, investments shall be limited to the following types of securities ("Permitted Investments"):

1. **U.S. Treasury & Government Guaranteed-** U.S. Treasury obligations, and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the U.S. Government.
2. **Federal Agency/GSE** - Debt obligations, participations or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality or government-sponsored enterprise (GSE).
3. **Supranational** - U.S. dollar denominated debt obligations of a multilateral organization of governments.
4. **Corporates and Other Debt Obligations-** U.S. dollar denominated corporate notes, bonds or other debt obligations issued or guaranteed by a U.S. or foreign corporation, financial institution, non-profit, or other entity.
5. **Municipals-** Obligations issued or guaranteed by any state, territory or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality or other unit of local government of any U.S. state or territory.
6. **Collateralized Investment Agreements** - Investment agreements or guaranteed investment contract with any financial institution that guarantees repayment of principal and a fixed or floating interest rate for a predetermined period.
7. **Agency Mortgage Backed Securities-** Mortgage-backed securities (MBS), backed by residential, multi-family or commercial mortgages, that are issued or fully guaranteed as to principal and interest by a U.S. Federal agency or government sponsored enterprise, including but not limited to pass-throughs, collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs).
8. **Asset-Backed Securities** - Asset-backed securities (ABS) whose underlying collateral consists of loans, leases or receivables including but not limited to auto loans/leases, credit card receivables, student loans, equipment loans/leases.
9. **Negotiable Bank Deposit Obligations** - Negotiable bank certificates of deposit, deposit notes or other deposit obligations issued by a nationally or state-chartered bank, credit union or savings association, or by a federally or state-licensed branch of a foreign bank or financial institution. *No new securities will be purchased in this sector.*
10. **Commercial Paper-** U.S. dollar denominated commercial paper issued or guaranteed by a U.S. or foreign corporation, company, financial institution, trust or other entity, including both unsecured debt and asset-backed programs.
11. **Bankers' Acceptances-** Bankers' acceptances issued, drawn on, or guaranteed by a U.S. bank or U.S. branch of a foreign bank.
12. **Insured Bank Deposits** - Interest bearing time certificates of deposit, savings accounts or deposit accounts fully insured by the Federal Deposit Insurance Corporation (FDIC).
13. **Money Market Mutual Funds** - Shares in open-end and no-load money market mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule2a-7.



14. **Floating Rate Notes** - Floating rate notes (FRNs) may be purchased as part of LIPA's Portfolio if the following criteria are met:

- a. FRN rate resets no less frequently than quarterly;
- b. FRN rate resets with a frequency that produces a close tracking with money market rates;
- c. FRN is indexed to a money market rate such as, but not limited to, Federal Funds, Secured Overnight Financing Rate (SOFR) Treasury Bills or LIBOR and correlates very highly with overall changes in money market rates even under wide swings in interest rates;
- d. Any interest rate cap is at least 10%; and
- e. Director of Finance and Treasury, Manager of Treasury or the designated Investment Manager uses pricing services, pricing matrices or "theoretical" pricing models to calculate the market value of all FRNs held in the portfolio to value the portfolio holdings.

15. **Repurchase Agreements**- Permitted provided certain conditions are met:

- a. The contract is fully secured by deliverable U.S. Government Obligations as described in Section 2.2.1 having a market value of at least one hundred two percent (102%) of the amount of the obligation's principal and accrued interest;
- b. A written master repurchase agreement governs the transaction that outlines the basic rights of both buyer and seller, including:
  - events of default which would permit the purchaser to liquidate pledged collateral;
  - the relationship between parties to the agreement, which shall ordinarily be purchaser and seller;
  - method of computing margin maintenance requirements and providing for timely correction of margin deficiencies or excesses;
- c. The repurchase agreement is transacted on a delivery or book entry versus payment basis;
- d. The securities are held free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee; the Trustee shall have received written confirmation from such third party that it holds such securities free and clear of any lien as agent for the Trustee; and such third party is either
  - a Federal Reserve Bank, or
  - a bank which is a member of the Federal Reserve Bank or maintains an account with member banks to accomplish book-entry transfer of securities to the credit of the Authority and which (1) has combined capital and surplus of more than \$1 billion, and (2) has a long-term debt rating of "A-" or higher by S&P and "A3" or higher by Moody's;
- e. A perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Authority;
- f. The Investment Manager will value the collateral daily, and require that if additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated);
- g. Substitutions of collateral will be permitted only with advance written approval of the Chief Financial Officer;

- h. LIPA will only enter into repurchase agreements with reputable firms that have a short-term debt rating of "A-1" or higher by S&P and "P-1" or higher by Moody's and are:
  - Broker dealers who are members of the National Association of Securities Dealers, listed on the Federal Reserve Bank of New York's list of primary government securities dealers, and have \$25 billion in assets and \$350 million in capital, or
  - Banks or trust companies authorized to do business in the State of New York and have \$5 billion in assets and \$500 million in capital;
  - No more than 20% or \$50 million, whichever is less, of the Investment Funds will be invested with any single repurchase agreement counterparty; and
- i. The repurchase agreement shall have a term not to exceed ninety days.

Permitted investments must be authorized if the moneys being invested are subject to a legal or other restriction that precludes such investment.

### 2.3. Diversification, Ratings and Maturity of Investments Reference Table

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement <sup>1</sup>	Maximum Maturity <sup>6</sup>
U.S. Treasury	100%	100%	N/A	5.5 Years (5.5 year avg. life <sup>5</sup> for GNMA)
GNMA		40%		
Other U.S. Government Guaranteed (e.g. AID, GTC)		10%		
Federal Agency/GSE: FNMA, FHLMC, FHLB, FFCB	75%	40% <sup>4</sup>	N/A	10 Years
Federal Agency/GSE other than those above		10%		
Supranationals where U.S. is a shareholder and voting member	25%	10%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.5 Years
Corporates and other Debt Obligations	40% <sup>2</sup>	5% <sup>3</sup>	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3 or equivalent)	5.5 Years
Municipals	25%	5%	Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)	5.5 Years
Agency Mortgage-Backed Securities	25%	40% <sup>4</sup>	N/A	5.5 Year Avg. Life <sup>5</sup>
Asset-Backed Securities	20%	5%	Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)	5.5 Year Avg. Life <sup>5</sup>
Negotiable Certificates of Deposit (CD) <sup>7</sup>	50% <sup>2</sup>	5% <sup>3</sup>	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)	3 Years
Commercial Paper (CP)	50% <sup>2</sup>	5% <sup>3</sup>	Highest ST Rating Category (A-1/P-1, or equivalent)	270 Days
Collateralized Investment Agreements	50%	5%	Two Highest LT Rating Categories	5.5 Years
Bankers' Acceptances (BAs)	35% <sup>2</sup>	5% <sup>3</sup>	Highest ST Rating Category (A-1/P-1, or equivalent)	180 Days
Insured Bank Deposits	25%	FIDC limit for insurance	None, if fully FDIC-insured	2 Years
Floating Rate Notes			Should reflect the appropriate sector requirements	
Repurchase Agreements	40%	20%	Counterparty (or if the counterparty is not rated by an NRSRO, then the counterparty's parent) must be rated in the Highest ST Rating Category (A-1/P-1, or equivalent) If the counterparty is a Federal Reserve Bank, no rating is required	90 Days
Government Money Market Funds	100%	100%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A
Money Market Funds	100%	25%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A

Notes:

<sup>1</sup> Rating by at least one SEC-registered Nationally Recognized Statistical Rating Organization ("NRSRO"), unless otherwise noted. ST=Short-term; LT=Long-term.

<sup>2</sup> Maximum allocation to non-government securities is 75% combined.

<sup>3</sup> Maximum across all non-government permitted investment sectors is 5% combined per issuer.

<sup>4</sup> Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.

<sup>5</sup> The maturity limit for MBS and ABS is based on the expected average life at time of purchase, measured using Bloomberg or other industry standard methods.

<sup>6</sup> All investments shall mature or be redeemable no later than such times as shall be necessary to provide monies needed for payments to be made from any such fund or account. Unless otherwise noted, maturity limitation is measured from the transaction's settlement date.

<sup>7</sup> No new securities in this sector will be purchased.

#### **2.4. Prohibited Investment Vehicles**

LIPA is prohibited from investing in the investments or engaging in the practices listed below:

- Investment in Auction Rate Securities (ARS);
- Home equity ABS and reverse repurchase agreements;
- Short sales (selling a specific security before it has been legally purchased);
- Borrowing funds for the sole purpose of reinvesting the proceeds of such borrowing;
- Investment in complex derivatives such as range notes, dual index notes, inverse floating rate notes and deleveraged notes, or notes linked to lagging indices or to long-term indices;
- Investing in any security not specifically permitted by this Investment Policy (see process below for minor exceptions).

#### **2.5. Downgrades**

The Director of Finance and Treasury, Manager of Treasury or the designated Investment Manager(s) shall report any credit rating downgrade resulting in violation of the Investment Policy to the Chief Financial Officer within a reasonable period of learning of the downgrade, along with any recommended action. The Chief Financial Officer or Director of Finance and Treasury shall provide direction to the Manager of Treasury or the Investment Manager(s) within a reasonable period of the downgrade, which would generally be to liquidate any security that does not comport with the Investment Policy and Financing Documents at the time of the downgrade. Any direction to take an action other than to liquidate such security shall be reported to the Finance and Audit Committee of the Board of Trustees.

#### **2.6. Process for Obtaining Approval for Exceptions**

Approval for new instruments not listed herein shall be obtained from the Authority's Board of Trustees. The Board hereby authorizes minor exceptions (including ratings or diversification guidelines) to the Investment Policy with the immediate approval of the Chief Financial Officer and final approval by the Board of Trustees. Any such minor exceptions to the Investment Policy will be reported to the Finance and Audit Committee of the Board of Trustees. If the Board of

Trustees comes to the decision not to approve a minor exception the investment will be liquidated immediately.

### **2.7. Nuclear Decommissioning Trust Funds and OPEB Account**

Sections 2.2, 2.3, 2.4 and 2.5 shall not govern the investment of the Nuclear Decommissioning Trust Funds (NDTF) for Nine Mile Point Unit 2 or the Other Post-Employment Benefits (OPEB) Account. Separate investment provisions are provided for the NDTF (Appendix B) and OPEB Account (Appendix C).

## **3. OPERATING PARAMETERS AND CONTROLS**

LIPA has developed the following investment management controls to ensure that its assets are protected against loss, theft and misuse.

### **3.1. Authorized Officers and Employees**

Investment decisions on behalf of the Authority shall be made by the Director of Finance and Treasury, Manager of Treasury or the external Investment Manager(s), under the supervision of the Chief Financial Officer.

### **3.2. Competitive Selection**

For each transaction more than \$10 million (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), LIPA shall use competitive quotations. For each transaction equal to or less than \$10 million (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), LIPA may use either competitive quotations or negotiated prices. The foregoing shall not apply to the purchase of government securities at initial auction or upon initial offering. A minimum of three quotes shall be obtained and documented from Dealers and/or Banks, except in the purchase of government securities at their initial auction or upon initial offering, and the most favorable quote accepted.

To the extent that LIPA invests in an SEC registered mutual fund or exchange traded fund whose investment objectives and policies are consistent with this Investment Policy, the selection of a no-load, open-end fund constitutes a competitive selection.

### **3.3. Annual Investment Audit**

An annual independent audit of all investments will be performed by the external auditors. LIPA shall comply with all legal and regulatory requirements, including those mandated by the PAL, the NYCRR, the Financing Documents, and the Investment Policy. The Annual Investment Audit shall:

- Determine whether investment assets are adequately safeguarded; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of LIPA's investment assets; and a system of adequate internal controls is maintained;

- Determine whether LIPA has complied with applicable laws, regulations, the State Comptroller's investment guideline requirements, such public authority accounting directives as may be issued by the State Comptroller, and the Investment Policy; and
- Be designed to the extent practical to satisfy both the common interest of LIPA and the public officials accountable to others.

The results of the Annual Investment Audit shall be set forth in a report submitted to the Chief Financial Officer, and to LIPA's Board of Trustees (the "Annual Investment Audit Report") which shall include without limitation:

- A description of the scope and objectives of the audit;
- A statement that the audit was made in accordance with generally accepted government auditing standards;
- A description of any material weakness found in the internal controls;
- A description of any non-compliance with LIPA's own investment policies as well as applicable laws, regulations, the State Comptroller's investment guideline requirements, and such public authority accounting directives as may be issued by the State Comptroller;
- A statement of positive assurance of compliance on the items tested;
- A statement on any other material deficiency or reportable condition as defined *by Governmental Auditing Standards* identified during the audit not covered above; and
- Recommendations, if any, with respect to amendment of this Investment Policy.

The Annual Investment Audit Report shall be filed within ninety (90) days after the close of the Authority's fiscal year with the Office of Budget and Policy Analysis of the Office of the State Comptroller.

#### **3.4. Written Contracts and Confirmations**

A written contract and/or a written confirmation shall be required for each investment transaction. However, LIPA shall not be required to enter into a formal written contract if the Authority's oral instructions to its broker, dealer, agent, investment manager/advisor, or custodian with respect to such transactions are confirmed in writing or by written confirmation at the earliest practicable moment.

#### **3.5. Safekeeping and Custody**

All investment securities purchased by LIPA or held as collateral on deposits or investments shall be held by a third-party custodian who may not otherwise be a party to the investment transaction and with whom the Authority has a written custodial agreement. All securities shall be held in the name of the Authority and will be free and clear of any lien.

All investment transactions will be conducted on a delivery-vs.-payment basis. Payment for investments shall be made only upon receipt by the custodian of the physical security, or in the case of securities in book-entry form, when credited for the custodian's account, which shall be segregated for LIPA's sole use. The custodian shall issue a safekeeping receipt to LIPA listing the specific instrument, rate, maturity and other pertinent information. Monthly,

the custodian will also provide reports listing all securities held for the Authority, the book value of holdings, and the market value as of month-end.

The custodian may act on oral instructions from the Chief Financial Officer, the Director of Finance and Treasury, or the Manager of Treasury. Such instructions are to be confirmed in writing, within one business day, by an authorized signatory of LIPA.

Representatives of the custodian responsible for, or in any manner involved with, the safekeeping and custody process of the Authority shall be bonded in such a fashion as to protect LIPA from losses from malfeasance and misfeasance. If required by the Chief Financial Officer, appropriate Authority Officials may also be bonded in such a fashion.

All demand deposits, time deposits, and certificates of deposit shall be collateralized for amounts over and above Federal Deposit Insurance Corporation coverage. All collateral shall be Permitted Investments as set out in Section 2. There shall be a written custodial agreement that, among other things, specifies the circumstances under which collateral may be substituted. LIPA should not accept a pledge of a proportionate interest in a pool of collateral. The market value and accrued interest of collateral should, at least, equal the value of the investment and any accrued interest at all times. The recorded value of collateral backing any investment should be compared with current market values (mark-to-market) at the time of the initial investment and monthly thereafter to be certain that it continues to be at least equal to the value of the investment plus accrued interest. The mark-to-market reviews should use "bid" prices from a constant source. Negotiable Bank Deposit Obligations as defined in sections 2.2 and 2.3 of this policy are exempt from these collateral requirements.

### **3.6. Internal Controls**

LIPA follows the operating procedures defined in Appendix A to control all Authority investment activity.

### **3.7. Notification Concerning Violations of Investment Policy**

If this Investment Policy is violated, the Chief Financial Officer shall be informed immediately and advised of any corrective action that should be taken, as well as the implication of such action.

## **4. QUALIFIED FINANCIAL INSTITUTIONS**

### **4.1. Qualifications for Brokers, Dealers and Agents**

The Director of Finance and Treasury and/or LIPA's Investment Manager shall identify broker/dealers that are approved for investment purposes ("Qualified Institutions") and maintain a list of such approved dealers. Only firms meeting the following requirements will be eligible to serve as Qualified Institutions:

- "Primary" dealers and regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule);
- Registered as a dealer under the Securities Exchange Act of 1934;
- Member in good standing of the Financial Industry Regulatory Authority (FINRA);

- Registered to sell securities in the State; and
- The firm and assigned broker have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) years.

When selecting trading partners, LIPA will also consider the firm's quality, size, reliability, the Authority's prior experience with the firm, the firm's level of expertise and prior experience with respect to the contemplated transactions.

#### **4.2. Qualifications for Investment Advisors/Managers**

For the purpose of rendering investment management/advisory services to the Authority, LIPA may qualify any bank or trust company organized under the laws of any state of the United States of America, any national banking association, and any partnership, corporation, or person which is:

- Authorized to do business in the State as an investment manager/advisor; and
- Registered with the SEC under the Investment Advisor Act of 1940 or exempt from registration.

LIPA shall consider the firm's capitalization, quality, size and reliability, the Authority's prior experience with the firm, the firm's level of expertise and prior experience with respect to the contemplated transaction.

#### **4.3. Qualifications for Custodial Banks**

To be eligible to hold Investment Securities purchased by LIPA or collateral securing its investments, a custodial bank shall be a member bank of the Federal Reserve System or maintain accounts with member banks of the Federal Reserve System to accomplish book-entry transfer of Investment Securities to the credit of the Authority. The custodian should not be the same party that is selling the Investment Securities. To be eligible to perform custodial services, the Chief Financial Officer, or his/her designee, must review the annual financial statements and credit ratings of the proposed custodian bank and based upon such review, affirmatively find that the proposed custodial bank is financially sound. Such determinations of creditworthiness shall be undertaken on a periodic basis as determined by the Chief Financial Officer.

#### **4.4. Ongoing Disclosure**

All brokers, dealers and other financial institutions described in sections 4.1, 4.2, and 4.3 shall be provided with current copies of the Authority's Investment Policy. A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the Authority has investment transactions.

#### **4.5. Affirmative Action**

Article 15-A of the Executive Law and 9 NYCRR Part 4.21 regarding affirmative action shall apply with respect to LIPA's investment activities. The Authority shall seek to use minority and women- owned financial firms in the conduct of LIPA's investment activities.

### **5. REPORTING**

Management reporting is required by the Authority to track compliance with policy guidelines, assess the performance of the portfolio, and to inform appropriate management personnel.



## **5.1. Management Reporting**

To manage the Investment Funds effectively and to provide management with useful information, it is necessary for the Director of Finance and Treasury to report reliable and timely information regarding the investment transactions that take place.

A Quarterly Management Report on the investment management program shall be prepared by the Manager of Treasury under the supervision of the Director of Finance and Treasury and presented to the Chief Financial Officer and LIPA's Board of Trustees, no more than 45 days after each quarter end. The Quarterly Management Report shall include:

- A portfolio inventory;
- Credit quality of each holding (or average credit quality of each fund);
- Duration (or average maturity) of each fund;
- Mark-to-market valuations on investments and collateral;
- A breakdown of the portfolio by counterparty; and
- Portfolio position against asset allocation target

An Annual Investment Report shall be prepared by the Manager of Treasury and submitted by the Chief Financial Officer to the Board of Trustees and filed with the State Division of the Budget, State Comptroller, State Senate Finance Committee, and Assembly Ways and Means Committee no more than 90 days after each year end. The Annual Investment Report may be a part of any other annual report that LIPA is required to make. The Annual Investment Report shall include the following:

- The Investment Policy is in compliance with Section 2925(3) of the Public Authorities Law and any amendments since last reported;
- An explanation of the Investment Policy and amendments;
- The results of the Annual Independent Audit (described in Section 3.3);
- Investment income record of the Authority; and
- A list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and manager/advisor rendering investment associated services to LIPA since the date of the last investment report.

## **5.2. Performance Reporting**

Performance reporting shall be included in the Management Reports and should track performance relative to specified benchmarks and sector indices for the current period and year-to-date. The Director of Finance and Treasury and Chief Financial Officer will act on any weaknesses related to the management of the assets

## **6. APPLICABILITY**

This Investment Policy shall govern all investments initiated by LIPA after March 27, 2024 and shall not apply to any investments initiated by the Authority on or prior to March 27, 2024. Nothing contained in these Investment Policy shall be deemed to alter, affect the validity of, modify the terms of, or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of this Investment Policy.

## **7. BANK AUTHORIZATION**

The Chief Executive Officer or any authorized designees<sup>1</sup> ("Authorized Persons") are authorized to deposit any LIPA funds in any commercial bank or financial institution whose long-term deposits are rated A- or better by Standard & Poor's Corporation, A3 or better by Moody's Investor Service, Inc. or A- or better by Fitch, Inc. (each such institution referred to herein as the "Bank"), either at its head office or at any of its branches.

Any LIPA funds deposited in the Bank may be subject to withdrawal or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings, wire transfers or other instruments or orders for the payment of money when made, signed, drawn, accepted or endorsed, as applicable, on behalf of the Authority in accordance with the Financial Policies and Procedures of the Authority and its Service Provider by Authorized Persons.

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<sup>1</sup> The Chief Executive Officer's designees under this Investment Policy shall include only persons permitted by the LIPA By-Laws, Article IV, Section 7(c) (Powers and Duties of the Chief Executive Officer) and Article VIII, Section 1 (Execution of Instruments), and any other applicable guidance or limitations provided by the LIPA Board of Trustees

## APPENDIX A- OPERATING PROCEDURES AND CONTROLS (Manual)

### A. Distribution of the Investment Policy

The policy and all subsequent amendments, revisions and updates shall be distributed to LIPA personnel per the approval of the Chief Financial Officer.

During the period in which LIPA retains investment manager(s), the investment manager(s) must also receive the Investment Policy and all amendments, updates, or revisions to insure compliance with the most current policy. Below is the distribution list matrix for the investment policy.

Distribution List	Frequency
Board of Trustees	As necessary
Chief Executive Officer	As necessary
Chief Financial Officer	As necessary
Director of Finance and Treasury	As necessary
VP and Controller	As necessary
Investment Manager(s)	As necessary
General Counsel	As necessary
Manager of Treasury Operations	As necessary

### B. Roles and Responsibilities in Executing the Investment Policy

The roles and responsibilities for investment management at the Authority rest primarily with the Director of Finance and Treasury and the Chief Financial Officer. The matrix below defines the roles and responsibilities of all parties involved in the execution of the Investment Policy.

Roles	Responsibility	Frequency
Board of Trustees	<ul style="list-style-type: none"> <li>▪ Final Approval of the policy</li> <li>▪ Approval of exceptions to the policy (e.g. new investment types)</li> <li>▪ Approval of revisions to the policy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual</li> <li>▪ As necessary</li> <li>▪ As necessary</li> </ul>
Chief Executive Officer	<ul style="list-style-type: none"> <li>▪ Responsible for adherence to all Authority policies</li> </ul>	<ul style="list-style-type: none"> <li>▪ As necessary</li> </ul>
Chief Financial Officer	<ul style="list-style-type: none"> <li>▪ Approval of the policy</li> <li>▪ Approval of investment strategy</li> <li>▪ Approval of performance measurements</li> <li>▪ Approval of minor exceptions to the policy (i.e. amounts, maturities)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual</li> <li>▪ Annual</li> <li>▪ Ongoing</li> <li>▪ As necessary</li> </ul>

Director of Finance and Treasury	<ul style="list-style-type: none"> <li>▪ Serve as custodian of the policy</li> <li>▪ Develop investment strategy</li> <li>▪ Review investment strategy</li> <li>▪ Establish performance measurements</li> <li>▪ Distribution of policy and amendments</li> <li>▪ Annual review of policy</li> <li>▪ Oversight of investment activity</li> <li>▪ Invest funds as provided for in the policy</li> <li>▪ Review performance information</li> <li>▪ Management reporting</li> <li>▪ Collect performance information</li> <li>▪ Distribute performance information</li> <li>▪ Keep abreast of developments and notify the Chief Financial Officer, as needed</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ongoing</li> <li>▪ Annual</li> <li>▪ Ongoing</li> <li>▪ Ongoing</li> <li>▪ As necessary</li> <li>▪ Annual</li> <li>▪ Ongoing</li> <li>▪ Ongoing</li> <li>▪ Monthly</li> <li>▪ Quarterly</li> <li>▪ Weekly</li> <li>▪ Weekly</li> <li>▪ Ongoing</li> </ul>
Investment Manager(s)	<ul style="list-style-type: none"> <li>▪ Develop investment strategy</li> <li>▪ Review investment strategy</li> <li>▪ Invest funds as provided for in the policy</li> <li>▪ Reporting investment portfolio</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual</li> <li>▪ Ongoing</li> <li>▪ Ongoing</li> <li>▪ Daily, Monthly, Quarterly</li> </ul>

### C . Segregation of Duties

LIPA requires adequate segregation of duties to prevent possible fraud, operational errors, misappropriation of funds, unauthorized trades, concealment of trades, and manipulation of accounting records. Personnel involved in risk monitoring activities should be segregated from risk taking (i.e. executing transactions).

Activity to be Performed	Segregation Level
Trade Execution	Individuals who are authorized to execute transactions should not confirm and settle the trades or conduct account reconciliation activities.
Trade Confirmation	Individuals who conduct confirmations should not execute transactions.
Settlement - Disbursing and Receiving Funds	Individuals who handle cash settlement on the trades should not execute the trades. Cash settlement shall be transacted by any one of the authorized Authority signatories who did not participate in the trade execution. Only one signature is required due to the nature of the transaction, i.e., transfer of assets between Authority accounts.
Account Reconciliation	Account reconciliation activities must be segregated from trade execution activities.

#### D. Management Reporting

Report	Contents	Audience	Frequency
Management Report	Investment portfolio, mark-to-market valuations, collateral, counterparty breakdown, investment performance vs. benchmark, variance analysis	Chief Financial Officer, Board of Trustees	▪ Quarterly
Annual Investment Report	Investment Policy, explanation of Investment Policy & amendments, annual investment audit, annual investment income, total fees and commissions paid	Chief Financial Officer, Board of Trustees. (File with Division of the Budget, State Comptroller, State Senate Finance Committee, Assembly Ways and Means Committee)	▪ Annually

#### E. Operating Procedures

Operating procedures for the administration of LIPA's investment program should include the following:

- The establishment and maintenance of a system of internal controls;
- Each disbursement of funds (and corresponding receipt of Investment Securities) or delivery of Investment Securities (and corresponding receipt of funds) shall be based upon proper written authorization. If the authorization is initially given orally, there shall be documented confirmation from an authorized signatory of the Authority to the custodian;
- The process of initiating, reviewing and approving requests to buy and sell Investment Securities shall be documented and retained for audit purposes. Dealer limits should be established and reviewed regularly;
- Custodians must have prior authorization from the Authority to deliver obligations and collateral. All transactions must be confirmed, to the Authority. Delivery of obligations sold shall only be made upon receipt of funds; Custodial banks shall be required to report whenever activity has occurred in the Authority's custodial account;
- There shall be at least monthly verification of both the principal amount and the market values of all investments and collateral. Appropriate listings shall be obtained from the custodian and compared against the Authority's records;
- A record of investments shall be maintained. The records shall identify the Investment Security, the fund for which held, the place where kept, date of disposition and amount realized, and the market value and custodian of collateral;
- Methods for adding, changing or deleting information contained in the investment record, including a description of the documents to be created and verification tests to be conducted;
- A data base of records incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices, and related information necessary to manage the portfolio;
- Requirements for periodic reporting and a satisfactory level of accountability.

## APPENDIX B - NDTF INVESTMENT PROVISIONS

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### NUCLEAR DECOMMISSIONING TRUST FUND INVESTMENT PROVISIONS

To meet LIPA's objectives of funding future liabilities for the nuclear decommissioning obligations of the Authority's 18% share of Nine Mile Point Unit 2, while balancing long-term risk and return and providing reasonable diversification, the NDTF Account shall allocate assets in accordance with the targets for each asset class as follows:

<b>Asset Class</b>	<b>Asset Weighting</b>
Domestic Equity Mutual Funds	35%
International Equity Mutual Funds	25%
Fixed Income Mutual Funds	20%
Fixed Income Mutual Funds - Inflation Protected Securities	20%

Domestic and International Equity Mutual Funds should replicate broad-based, low cost market index strategies. These funds may be designed to replicate the composition of benchmark market indices, such as those provided by Barclay's, CRSP, Dow Jones, FTSE, MSCI, Russell, and S&P.

Fixed Income Mutual Funds should replicate the Barclays U.S. Treasury Inflation Protected Securities Index<sup>1</sup> or the Barclay's Capital U.S. Float Adjusted Aggregate Bond Market Index.

The portfolio should be rebalanced on a quarterly basis when any asset class falls outside of a 5% range of its asset weighting.<sup>2</sup>

LIPA may from time to time find it necessary to hold cash, Treasury bills, money market mutual funds, investment accounts, or "sweep accounts" pending investment or for other reasons.

<sup>1</sup> Includes the inflation-indexed securities within the Barclays U.S. Treasury Bond Index, which represents U.S. Treasury obligations with maturities of more than one year.

<sup>2</sup> LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.

## APPENDIX C - OPEB ACCOUNT INVESTMENT PROVISIONS

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### OPEB ACCOUNT INVESTMENT PROVISIONS

To meet LIPA's objectives of funding future contractual retirement benefit obligations while balancing long-term risk and return and providing reasonable diversification, the OPEB Account shall allocate assets in accordance with the targets for each asset class as follows:

<b>Asset Class</b>	<b>Asset Weighting</b>
Domestic Equity Mutual Funds	40%
International Equity Mutual Funds	25%
Fixed Income Mutual Funds	20%
Fixed Income Mutual Funds- Inflation Protected Securities	15%

Domestic and International Equity Mutual Funds should replicate broad-based, low cost market index strategies. These funds may be designed to replicate the composition of benchmark market indices, such as those provided by Barclay's, CRSP, Dow Jones, FTSE, MSCI, Russell, and S&P.

Fixed Income Mutual Funds should replicate the Barclays U.S. Treasury Inflation Protected Securities Index<sup>1</sup> or the Barclay's Capital U.S. Float Adjusted Aggregate Bond Market Index.

The portfolio should be rebalanced on a quarterly basis when any asset class falls outside of a 5% range of its asset weighting<sup>2</sup>.

LIPA may from time to time find it necessary to hold cash, Treasury bills, money market mutual funds, investment accounts, or "sweep accounts" pending investment or for other reasons.

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<sup>1</sup> Includes the inflation-indexed securities within the Barclays U.S. Treasury Bond Index, which represents U.S. Treasury obligations with maturities of more than one year.

<sup>2</sup> LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.

## **FOR CONSIDERATION**

September 27, 2023

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report and Amendments on the Board Policy on Asset Management

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The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Asset Management (the “Policy”); (ii) finding that LIPA has substantially complied with the Policy; and (iii) approving amendments to the Policy, which resolution is attached hereto as **Exhibit “A.”**

### **Background**

In June 2021, the Board adopted the Policy with the purpose of maintaining a robust Asset Management system for the safe, reliable, and cost-effective operation of the transmission and distribution system managed by LIPA’s Service Provider.

### **Compliance with the Policy**

LIPA Staff recommends that, for the reasons set forth below, the Board find LIPA has substantially complied with the Policy for the period since the review of the Policy last year. The Policy requires that the LIPA and its Service Provider will take prudent and reasonable measures to accomplish the following:

1. “Adopt the ISO Asset Management Framework that encompasses industry leading practices and achieve a maturity goal of 3.0 or greater by the end of 2023. This includes:
  - i. Maintaining a long-range asset management focus on electric distribution, substation and transmission equipment, by emphasizing risk and gap analysis, reliability centered maintenance, lifecycle cost techniques, and financial and operational metrics to improve and achieve key performance indicators (e.g. age, manufacturer, failure modes, failure rates, cost to maintain, life expectancy, end of life determination, etc.).
  - ii. Developing asset risk and lifecycle strategies, asset health indexing, asset condition and criticality, and preventive / predictive maintenance strategies.
  - iii. Ensuring accountability for annual test and inspect plan input, annual replacement capital work plan input, asset standards, and decisions on asset replacements.
  - iv. Ensuring material condition (life cycle) strategies are maintained, and equipment is replaced based on these strategies so as to maintain a high level of system reliability.”

LIPA and PSEG Long Island have accomplished the following towards this objective since the last Policy update:



- With the assistance of a third-party asset management consultant, a “Strategic Asset Management Plan” (SAMP) was completed as well as an “Asset Management Plan” (AMP) for 22 discrete assets.
  - The asset inventory program continued to gather and document overhead field assets, with the information uploaded into LIPA’s Graphical Information System. A unique number was added on each pole inventoried.
2. “Develop and maintain a modern enterprise asset management system (“EAMS”) for asset related work management, capturing, managing, and reporting on all strategic and operational assets, defining the relationships between those assets, and assessing the effectiveness and efficiencies of those assets. This EAMS will become the foundation of the utility's data-driven asset management decision processes. The EAMS will include a computerized multi-year component/equipment performance history to determine the effectiveness of the reliability programs.”

LIPA and PSEG Long Island have accomplished the following towards this objective since the last Policy update:

- In 2022, multiple Enterprise Asset Management Systems (EAMS) were evaluated. Maximo, an IBM product, was chosen to modernize the asset management platform.
- As per PSEG Long Island performance metric T&D-03 for EAMS implementation, a System Integrator was to be selected in 2023 to implement the Maximo EAMS software. In response to a request for proposals for System Integrators, LIPA and PSEG Long Island’s legal teams spent considerable time and effort attempting to negotiate contracts with two shortlisted bidders but were unable to negotiate a contract on acceptable terms with PSEG Long Island’s preferred vendor. Overall, the EAMS project has required extensive engagement from LIPA and PSEG Long Island senior leadership to mitigate deficiencies in PSEG Long Island’s planning and project management in 2022 and 2023. LIPA management believes it is not worth diverting focus from other critical and higher-priority projects to address ongoing EAMS implementation challenges at this time. Consequently, LIPA management has recommended putting this project on hold until the completion of other higher-priority IT projects, including the OSA-mandated System Separation project, the Time of Day (TOD) rate implementation, and cybersecurity enhancements.

### **Enterprise Risk Management Discussion**

The Board has adopted a Policy on Enterprise Risk Management. Enterprise risks are brought to the Board’s attention throughout the year. There is one risk related to the Policy. That risk is: “Lack of good (accuracy and availability) historical data centrally located results in less-than-optimal decision-making to support asset management lifecycle optimization and replacement schedule resulting in inefficient capital resource allocation and reduced reliability.”

The asset management risk has a medium rating and is being mitigated through the development of adoption of leading asset management practices pursuant to three PSEG Long Island

performance metrics (T&D-01, -02 and -03). As discussed in the June 2023 Quarterly Board report on performance metrics, LIPA has had continuing concerns about PSEG Long Island’s ability to meet the asset management performance metrics. PSEG Long Island did not meet the 2022 asset management-related metric T&D-1 and the 2023 metric related to the EAMS implementation T&D-3 has experienced significant challenges. As discussed above, LIPA management recommends putting the EAMS system implementation on hold until the completion of other higher-priority IT projects due to these concerns. This remains a risk that is not mitigated to the standards set in the performance metrics.

**Annual Review of the Policy**

The Board hired Leading Resources, Inc. to review the Board policies and facilitate discussion amongst the Trustees on amending certain policies. A working group of Trustees participated in various meetings to develop and draft amendments to the Policy. The draft amendments to the Policy have been shared with the entire Board.

As discussed above, LIPA management recommends that the EAMS system implementation be placed on hold until the completion of other higher-priority IT projects. The draft policy previously reviewed by the Board working group called for LIPA to achieve a maturity level of 3.0 or greater on the ISO Asset Management Framework, which encompasses industry-leading practices for asset management, by the end of 2025. By placing the EAMS implementation project on hold, LIPA management recommends that this goal be achieved by the end of 2027.

The final version of the amended Policy, as drafted by the Trustees, is attached hereto as **Exhibit “B”**.

**Recommendation**

Based upon the foregoing, I recommend approval of the above-requested action by the adoption of a resolution in the form attached hereto.

Attachments

- Exhibit “A”** Resolution
- Exhibit “B”** Policy (redline)
- Exhibit “C”** Policy (clean)

**RESOLUTION APPROVING THE ANNUAL REPORT ON THE BOARD POLICY ON ASSET MANAGEMENT**

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**WHEREAS**, the Board Policy on Asset Management (the “Policy”) was originally approved by the Board of Trustees in June 2021; and

**WHEREAS**, the Board has conducted an annual review of the Policy and affirms that LIPA has substantially complied with Policy, and that the changes to the Policy recommended herein are due and proper.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that the Authority has substantially complied with Policy for the period since the last annual review and approves the annual report to the Board; and

**BE IT FURTHER RESOLVED**, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in **Exhibit “B”** are hereby approved.

Dated: September 27, 2023

Board Policy: **Asset Management**  
Policy Type: **Operating**  
Monitored by: **Oversight and Clean Energy Committee**  
Board Resolution: **#1649, approved June 23, 2021**  
**#xxx, amended September xx, 2023**



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### **Board Policy on Asset Management**

~~It is the policy of the~~ The Long Island Power Authority's ("LIPA") vision for to maintain a ~~robust Asset~~ asset Management management is to maintain a robust system for the safe ~~clean,~~ reliable, and cost effective ~~affordable~~ operation of the transmission and distribution system assets managed by its Service Provider. LIPA ~~and its Service Provider~~ will take prudent and reasonable measures to accomplish the following:

- Adopt the ISO Asset Management Framework that encompasses industry-leading ~~industry-leading~~ practices and achieve a maturity goal of 3.0 or greater by the end of 2023 ~~2027~~. This includes:
  - ~~Maintaining a long range asset management focus on electric distribution, substation and transmission equipment, by emphasizing risk and gap analysis, reliability centered maintenance, lifecycle cost techniques, and financial and operational metrics to improve and achieve key performance indicators (e.g. age, manufacturer, failure modes, failure rates, cost to maintain, life expectancy, end of life determination, etc.)~~
  - ~~Developing asset risk and lifecycle strategies, asset health indexing, asset condition and criticality, and preventive / predictive maintenance strategies.~~
  - ~~Ensuring accountability for annual test and inspect plan input, annual replacement capital work plan input, asset standards, and decisions on asset replacements.~~
  - ~~Ensuring material condition (life cycle) strategies are maintained, and equipment is replaced based on these strategies so as to maintain a high level of system reliability.~~
- Develop and maintain a modern enterprise asset management system ("EAMS") for asset-related work management, capturing, managing, and reporting on all strategic and operational assets, defining the relationships between those assets, and assessing the effectiveness and efficiencies of those assets. ~~This EAMS will become the foundation of the utility's data driven asset management decision processes. The EAMS will include a computerized multi year component/equipment performance history to determine the effectiveness of the reliability programs.~~

The Chief Executive Officer, or his or her designee, will report annually to the Oversight and Clean Energy Committee on the key provisions of this Policy.

Board Policy: **Asset Management**  
Policy Type: **Operating**  
Monitored by: **Oversight and Clean Energy Committee**  
Board Resolution: **#1649, approved June 23, 2021**  
**#xxx, amended September xx, 2023**

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**Board Policy on Asset Management**

The Long Island Power Authority’s (“LIPA”) vision for asset management is to maintain a robust system for the clean, reliable, and affordable operation of the transmission and distribution system assets. LIPA will take prudent and reasonable measures to accomplish the following:

- Adopt the ISO Asset Management Framework that encompasses industry-leading practices and achieve a maturity goal of 3.0 or greater by the end of 2027.
- Develop and maintain a modern enterprise asset management system (“EAMS”) for asset-related work management, capturing, managing, and reporting on all strategic and operational assets, defining the relationships between those assets, and assessing the effectiveness and efficiencies of those assets.

The Chief Executive Officer, or his or her designee, will report annually to the Oversight and Clean Energy Committee on the key provisions of this Policy.



# Annual Board and Committee Agenda Planning for 2025

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**Proposed for Board Consideration**  
**Prepared by:** Bobbi O'Connor,  
*General Counsel and Secretary to the Board*

December 18, 2024



# Summary of Proposed 2025 LIPA Meetings

Board/Committee	Number of Meetings	Total Time
Board	7	17 hours
F&A	7	7.25 hours
Oversight & Clean Energy	5	5.25 hours
Governance, Planning and Personnel	4	2 hours
<b>Total Number of Meetings</b>	<b>23</b>	<b>Total Time Spent* 32 hours</b>



# Proposed January 23, 2025 Meetings

<p><b>Board</b></p>	<ul style="list-style-type: none"> <li>• Roll call, consent agenda, CEO Report, PSEG Long Island Operating Report (“Routine Board Matters”) (50 mins.)</li> <li>• Review Board Policies (40 mins.)</li> <li>• Public Comment (10 mins.)</li> </ul>	<p><b>[100 mins.]</b></p>
<p><b>Governance, Planning &amp; Personnel</b></p>	<ul style="list-style-type: none"> <li>• Discussion of Projects and Accomplishments and Work Plan (30 mins.)</li> <li>• Annual Governance Package (10 mins.)</li> </ul>	<p><b>[40 mins.]</b></p>
<p><b>F&amp;A</b></p>	<ul style="list-style-type: none"> <li>• Routine F&amp;A Matters (30 mins.)</li> <li>• Committee’s Annual Self Report and Review of Committee’s Charter (20 mins.)</li> </ul>	<p><b>[50 mins.]</b></p>
<p><b>Total proposed time for January meetings (approximate):</b></p>		<p><b>3.5 hours</b></p>





# Proposed March 27, 2025 Meetings

<p><b>Board</b></p>	<ul style="list-style-type: none"> <li>• Routine Board Matters (50 mins.)</li> <li>• Review and Approval of Financials (10 mins.)</li> <li>• Approval of Tariff Changes (40 mins.)</li> <li>• Review Board Policies (20 mins.)</li> <li>• Public Comment (20 mins.)</li> </ul>	<p><b>[140 mins.]</b></p>
<p><b>F&amp;A</b></p>	<ul style="list-style-type: none"> <li>• Routine F&amp;A Matters (20 mins.)</li> <li>• Discussion of ER&amp;T Metrics Performance and Presentation on Power and Fuel Supply Management and Hedging (20 mins.)</li> <li>• Audit Results from Independent Auditors (20 mins.)</li> <li>• EXECUTIVE SESSION with Independent Auditors (15 mins.)</li> <li>• Recommendation to Approve Financials (15 mins.)</li> <li>• Annual Financial Package (10 mins.)</li> <li>• Review Quarterly Internal Audit Plan</li> <li>• EXECUTIVE SESSION: Internal Audit (10 mins.)</li> </ul>	<p><b>[110 mins.]</b></p>
<p><b>Gov., Planning &amp; Personnel</b></p>	<ul style="list-style-type: none"> <li>• EXECUTIVE SESSION: CEO Performance (20 mins.)</li> <li>• Committee’s Annual Self Report and Review Committee Charter (10 mins.)</li> </ul>	<p><b>[30 mins.]</b></p>



# Proposed March 27, 2025 Meetings (continued)

<b>Oversight &amp; Clean Energy</b>	<ul style="list-style-type: none"><li>• Briefing on Winter Storm Summary (20 mins.)</li><li>• Committee’s Annual Self Report and Review of Committee Charter (20 mins.)</li><li>• EXECUTIVE SESSION: Cybersecurity (30 mins.)</li></ul>	<b>[70 mins.]</b>
<b>Total proposed time for March meetings (approximate):</b>		<b>5.8 hours</b>



# Proposed May 22, 2025 Meetings

<p><b>Board</b></p>	<ul style="list-style-type: none"> <li>• Routine Board Matters (50 mins.)</li> <li>• Review Board Policies (40 mins.)</li> <li>• Public Comment (20 mins.)</li> <li>• EXECUTIVE SESSION: Board’s Self Evaluation (60 mins.)</li> </ul>	<p><b>[170 mins.]</b></p>
<p><b>F&amp;A</b></p>	<ul style="list-style-type: none"> <li>• Routine F&amp;A Matters (20 mins.)</li> <li>• EXECUTIVE SESSION: Internal Audit (10 mins.)</li> <li>• Review Quarterly Financials Ended March 30 (10 mins.)</li> </ul>	<p><b>[50 mins.]</b></p>
<p><b>Oversight &amp; Clean Energy</b></p>	<ul style="list-style-type: none"> <li>• Summer Preparation for Power Supply &amp; T&amp;D (25 mins.)</li> <li>• Bi-Annual 2025 Metrics Performance Update (25 mins.)</li> </ul>	<p><b>[50 mins.]</b></p>
<p><b>Governance, Planning &amp; Personnel</b></p>	<ul style="list-style-type: none"> <li>• Results of Board’s Self-Evaluation (20 mins.)</li> </ul>	<p><b>[20 mins.]</b></p>
<p><b>Total proposed time for May meetings (approximate)</b></p>		<p><b>4.8 hours</b></p>



# Proposed June 25, 2025 Meetings

<p><b>Board</b></p>	<ul style="list-style-type: none"> <li>• Routine Board Matters (50mins.)</li> <li>• Review 2024 Final Metrics Performance (20 mins)</li> <li>• Contract Approvals (as needed) (20 mins.)</li> <li>• Review Board Policies (20 mins.)</li> <li>• Public Comment (20 mins.)</li> </ul>	<p><b>[130 mins.]</b></p>
<p><b>Oversight &amp; Clean Energy</b></p>	<ul style="list-style-type: none"> <li>• Update on T&amp;D Capital Budget (30 mins.)</li> <li>• Review Annual Update to Emergency Restoration Plan (30 mins.)</li> <li>• Update on Utility 2.0 &amp; Energy Efficiency Filing; Presentation of Annual Energy Efficiency Report (40 mins.)</li> </ul>	<p><b>[100 mins.]</b></p>
<p><b>F&amp;A</b></p>	<ul style="list-style-type: none"> <li>• Routine F&amp;A Matters (15 mins.)</li> <li>• Review Quarterly Internal Audit Plan (15 mins.)</li> <li>• EXECUTIVE SESSION: Internal Audit (10 mins.)</li> </ul>	<p><b>[40 mins.]</b></p>
<p><b>Governance, Planning &amp; Personnel</b></p>	<ul style="list-style-type: none"> <li>• EXECUTIVE SESSION: Succession Planning (20 mins.)</li> </ul>	<p><b>[20 mins.]</b></p>
<p><b>Total proposed time for June meetings (approximate)</b></p>		<p><b>4.8 hours</b></p>

# Proposed September 25, 2025 Meetings

<p><b>Board</b></p>	<ul style="list-style-type: none"> <li>• Routine Board Matters (50 mins.)</li> <li>• Review Board Policies (60 mins.)</li> <li>• Public Comment (20 mins.)</li> </ul>	<p><b>[130 mins.]</b></p>
<p><b>F&amp;A</b></p>	<ul style="list-style-type: none"> <li>• Routine F&amp;A Matters (20 mins.)</li> <li>• Review Quarterly Financials Ended June 30 (10 mins.)</li> <li>• Discuss Independent Auditor’s 2023 Audit Plan (20 mins.)</li> <li>• Review Quarterly Internal Audit Plan (10 mins.)</li> <li>• EXECUTIVE SESSION: Internal Audit (10 mins.)</li> </ul>	<p><b>[70 mins.]</b></p>
<p><b>Oversight &amp; Clean Energy</b></p>	<ul style="list-style-type: none"> <li>• Storm Readiness Update (20 mins.)</li> <li>• Bi-Annual 2025 Metrics Performance Update (20 mins.)</li> </ul>	<p><b>[40 mins.]</b></p>
<p><b>Total proposed time for September meetings (approximate):</b></p>		<p><b>4 hours</b></p>



# Proposed November 12, 2025 Meetings

<b>Board</b>	<ul style="list-style-type: none"><li>• Proposed 2026 Budget and Performance Metrics Presentation (60 mins.)</li><li>• Q&amp;A (20 mins.)</li><li>• Routine Board Matters (50 mins)</li><li>• Approval of Board Policies (40 mins.)</li><li>• EXECUTIVE SESSION – Succession Planning (20 mins.)</li></ul>	<b>[190 mins.]</b>
<b>F&amp;A</b>	<ul style="list-style-type: none"><li>• Routine F&amp;A Matters (20 mins.)</li><li>• Review Quarterly Financials Ended September 30 (10 mins.)</li><li>• Presentation from PSEG ER&amp;T on Power and Fuel Supply Management and Hedging (20 mins.)</li></ul>	<b>[50 mins.]</b>
<b>Total proposed time for November meetings (approximate)</b>		<b>4 hours</b>

# Proposed December 17, 2025 Meetings

<p><b>Board</b></p>	<ul style="list-style-type: none"> <li>• Routine Board Matters (50 mins.)</li> <li>• Approval of Tariff Changes (25 mins.)</li> <li>• Approval of 2026 Budget and Performance Metrics (30 mins.)</li> <li>• Annual Agenda Planning (15 mins.)</li> <li>• Review Board Policies (40 mins.)</li> <li>• Public Comment (20 mins.)</li> </ul>	<p><b>[180 mins.]</b></p>
<p><b>F&amp;A</b></p>	<ul style="list-style-type: none"> <li>• Routine F&amp;A Matters (20 mins.)</li> <li>• Approval of Plan of Finance (10 mins.)</li> <li>• Discussion of Internal Audit Activities, Approval of Internal Audit Plan, Internal Audit Budget, and Resource Requirements (10 mins.)</li> <li>• EXECUTIVE SESSION: Internal Audit (10 mins.)</li> <li>• Approval of Tariff Changes (15 mins.)</li> </ul>	<p><b>[65 mins.]</b></p>
<p><b>Oversight &amp; Clean Energy</b></p>	<ul style="list-style-type: none"> <li>• Briefing on Implementation of Management Audit Recommendations (20 mins.)</li> <li>• EXECUTIVE SESSION: Cybersecurity (35 mins.)</li> </ul>	<p><b>[55 mins.]</b></p>
<p><b>Total proposed time for December meetings (approximate):</b></p>		<p><b>5.3 hours</b></p>



## **FOR CONSIDERATION**

June 28, 2023

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report and Amendments to the Board Policy on Audit Relationships

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### **Requested Action**

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution (i) approving the annual report on the Board Policy on Audit Relationships (the “Policy”); (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy, which resolution is attached hereto as **“Exhibit A”**.

### **Board Policy on Audit Relationships**

The Finance and Audit Committee (“F&A Committee”), in its Charter, was delegated the responsibility for reviewing LIPA’s audit-related policies and practices.

The Policy defines the expectations of the Board regarding the existing authority granted to the F&A Committee for, among other matters (i) selecting an independent certified public accounting firm to conduct annual audits of LIPA; (ii) the annual review of the audit plan as well as the Charter, activities, staffing, budget, and organizational structure of Internal Audit, and confirming the independence of the internal auditors; (iii) monitoring, in consultation with the Chief Audit Executive (“CAE”), the significant findings of internal audit reports and the status of the implementation of management’s action plans in response to such audit findings; (iv) setting forth the procedures for the Board of Trustees’s receipt, review and implementation of any recommendations in a Management and Operations Audit conducted by the New York State Department of Public Service (“DPS”).

Since the last review of the Policy, the following activities have been performed consistent with the Policy:

#### *Independent External Auditor*

- The Board previously selected KPMG as the independent certified public accounting firm to conduct annual audits of LIPA. In March 2023, the F&A Committee met with KPMG to complete its annual 2022 annual audit. KPMG reported no significant findings as a result of its audit.



### *Internal Auditors*

- In November 2022, the F&A Committee approved the appointment of the current CAE.
- Internal Audit conducted audits as identified in the annual audit plan and special projects requested by the F&A Committee or management. Internal audit activities were performed in accordance with the Institute of Internal Auditors' Mandatory Guidance.
- In February 2023, the F&A Committee reviewed and approved the audit plan, charter, activities, staffing, budget, and organizational structure of the internal audit department, and confirmed the independence of the internal auditors.
- The CAE met with the F&A Committee at each Board meeting to discuss internal audit activities and progress toward remediation of Management Action Plans in response to internal audit findings.
- The CAE met with the F&A Committee at least twice per year in executive sessions independent of other LIPA staff and reported significant internal audit findings to the Board in a timely manner.

### *DPS Management and Operations Audits*

- In November 2022, LIPA staff briefed the Board on the implementation plan resulting from the 2018 DPS Management and Operations Audit. The materials related to that Board item are located at this [link](#). LIPA staff will provide the annual update on the status of the 2018 recommendations at the Board's November 2023 meeting.
- As required by the LIPA Reform Act, DPS selected NorthStar Consultant Group to conduct the current Management and Operations Audit. Upon recommendation from DPS, the Board authorized LIPA to enter into a contract with NorthStar to conduct the required operations and management audit. NorthStar kicked off the current audit in October 2022. To date, NorthStar has issued over 1,000 document requests and over 110 interview requests. LIPA Staff continues to work with PSEG Long Island, NorthStar, and DPS in furtherance of the audit.

### **Annual Review of the Policy**

The proposed changes to the Board Policy include conforming the policy to the Board's other policies by stating a vision for audit relationships, a change in the reporting relationship of the CAE, and minor stylistic changes. The CAE will now report administratively to LIPA's Chief Executive Officer. The proposed changes to the Policy are more specifically set forth in **Exhibit "B"**.

### **Recommendation**

Based upon the foregoing, I recommend the approval of the adoption of the resolution in the form attached hereto as **Exhibit "A"**.

**Attachments**

**Exhibit "A"** Resolution

**Exhibit "B"** Board Policy on Audit Relationships (redline)

**Exhibit "C"** Board Policy on Audit Relationships (clean)

**RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS TO THE LONG ISLAND POWER AUTHORITY BOARD POLICY ON AUDIT RELATIONSHIPS**

**WHEREAS**, the Board of Trustees (the “Board”) of Long Island Power Authority (“LIPA”) is responsible for setting LIPA’s audit relationship policy and overseeing its fulfillment; and

**WHEREAS**, the Finance & Audit Committee (the “F&A Committee”), in its Charter, was delegated the responsibility of reviewing LIPA’s policies regarding audit relationships; and

**WHEREAS**, in LIPA’s By-Laws, LIPA’s Board delegated certain responsibilities to the Chief Executive Officer for managing and directing LIPA Staff; and

**WHEREAS**, policies addressing audit relationships have been recommended by the F&A Committee for adoption by the Board.

**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board; and

**BE IT FURTHER RESOLVED**, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in Exhibit “B” are hereby approved.

Dated: June 28, 2023



<b>Board Policy:</b>	<b><u>Audit Relationships</u></b>
<b>Policy Type:</b>	<b>Governance Process</b>
<b>Monitored by:</b>	<b>Finance and Audit Committee</b>
<b>Board Resolution:</b>	<b>#1355, approved March 29, 2017 #1410, amended March 29, 2018 #1420, amended July 25, 2018 #1462, amended January 23, 2019 #1528, amended, May 20, 2020 #1632, amended, May 19, 2021 #1725, amended, May 18, 2022 <u>[#xxxx], amended, June 28, 2023</u></b>

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### **Board Policy on Audit Relationships**

LIPA’s vision for audit relationships is to use audits to provide independent, objective assurance to the Board of Trustees (the “Board”), management, and stakeholders designed to improve LIPA’s operations, risk management, controls, and governance processes, including those managed on LIPA’s behalf by service providers.

To achieve our vision for audit relationships, LIPA will do the following: The Board of Trustees (Board) shall do the following regarding the independent external auditor, the internal auditors of LIPA, and the management and operations audits conducted by the Department of Public Service.

#### **Independent External Auditor**

- The Board, on the recommendation of the Finance and Audit Committee (the “F&A Committee”), will select an independent certified public accounting firm to conduct annual audits of LIPA. The Board will make the choice of the external auditor based on advice from staff and others as it deems necessary to exercise prudent, independent judgementjudgment.
- The Finance and AuditF&A Committee will annually review the audit services to be performed by such independent auditor, including the scope, fees, and terms thereof and all relationships between the auditor and LIPA.
- The Finance and AuditF&A Committee will meet each year with the external auditors at the commencement of the annual audit and again after the audit is complete. The meeting at the completion of the audit will be independent of staff. The F&A Committee members will report any significant findings to the Board in a timely manner.

#### **Internal Auditors**

LIPA’s internal auditors provide independent, objective assurance and consulting services to the Board and management designed to improve the organization’s operations, risk

management, control, and governance processes.

- ~~The internal audit activity~~ LIPA's internal auditors will adhere to ~~t~~The Institute of Internal Auditors' Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.
- ~~The I~~nternal auditors shall conduct audits as identified in the annual audit plan as well as special projects requested by the ~~Finance and Audit~~ F&A Committee, or management.
- The annual audit plan will include audits of LIPA and its service providers, and the internal auditors shall have unlimited access to all activities, records, property, and personnel of LIPA and its service providers in the performance of their duties.
- The ~~Finance and Audit~~ F&A Committee will annually review and provide guidance on the audit plan as well as the charter, activities, staffing, budget, and organizational structure of the Internal Audit ~~d~~Department and will confirm the independence of the internal auditors. The ~~individual serving as c~~Chief ~~a~~Audit ~~e~~Executive shall administratively report to the ~~Chief Administrative Officer~~ Senior Vice President of Transmission and Distribution ~~Chief Executive Officer~~.
- The ~~Finance & Audit Committee~~ F&A will review and approve the appointment or removal of the ~~individual serving as chief a~~audit ~~e~~executive. The CEO may appoint an individual to serve as chief audit executive on an interim basis.
- The ~~Finance and Audit~~ F&A Committee will monitor, in consultation with the ~~individual serving as c~~Chief ~~a~~Audit ~~e~~Executive, the significant findings of internal audit reports and the status of the implementation of management's action plans in response to such audit findings.
- The ~~Finance and Audit~~ F&A Committee will meet at least twice per year with the ~~individual serving as c~~Chief ~~a~~Audit ~~e~~Executive independent of other LIPA staff and will report any significant internal audit findings to the Board in a timely manner.

### Department of Public Service **Management and Operations Audits**

The LIPA Reform Act (the "Act") directs the Department of Public Service ("DPS") to conduct comprehensive management and operations audits of LIPA and PSEG Long Island at least once every five years.

- Upon completion of an audit, the Department of Public Service DPS must deliver to the LIPA Board a report of its findings together with any recommendations for improvements. Absent a preliminary finding of inconsistency made by the Board, under the procedures set forth in the Act, the audit report's recommendations become final 30 days after receipt by the Board.
- Ninety days after the audit report's finalization, LIPA's Chief Executive Officer, in coordination with PSEG Long Island, shall submit an implementation plan to the Oversight and Clean Energy Committee of the Board to effectuate the audit's recommendations.
- LIPA's Chief Executive Officer, together with PSEG Long Island, will submit an annual

report to the Oversight and Clean Energy Committee of the Board and the ~~Department of Public Service~~DPS ~~of~~on the status of the implementation plan. That annual report will include a summary of the activities completed to date and any revisions to completion targets. The annual report will be reviewed by Internal Audit for completeness prior to submission. The Oversight and Clean Energy Committee will report significant matters to the Board.

- Internal Audit will review the effectiveness of the implementation plan in addressing each —audit recommendation after the completion of the plan for that recommendation.

The ~~Finance and Audit~~F&A Committee will annually review the provisions of the Board Policy on Audit Relationships.



<b>Board Policy:</b>	<b>Audit Relationships</b>
<b>Policy Type:</b>	<b>Governance Process</b>
<b>Monitored by:</b>	<b>Finance and Audit Committee</b>
<b>Board Resolution:</b>	<b>#1355, approved March 29, 2017</b> <b>#1410, amended March 29, 2018</b> <b>#1420, amended July 25, 2018</b> <b>#1462, amended January 23, 2019</b> <b>#1528, amended, May 20, 2020</b> <b>#1632, amended, May 19, 2021</b> <b>#1725, amended, May 18, 2022</b> <b>[#xxxx], amended, June 28, 2023</b>

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LIPA’s vision for audit relationships is to use audits to provide independent, objective assurance to the Board of Trustees (the “Board”), management, and stakeholders designed to improve LIPA’s operations, risk management, controls, and governance processes, including those managed on LIPA’s behalf by service providers.

To achieve our vision for audit relationships, LIPA will do the following:

**Independent External Auditor**

- The Board, on the recommendation of the Finance and Audit Committee (the “F&A Committee”), will select an independent certified public accounting firm to conduct annual audits of LIPA. The Board will make the choice of the external auditor based on advice from staff and others as it deems necessary to exercise prudent, independent judgment.
- The F&A Committee will annually review the audit services to be performed by such independent auditor, including the scope, fees, and terms thereof and all relationships between the auditor and LIPA.
- The F&A Committee will meet each year with the external auditors at the commencement of the annual audit and again after the audit is complete. The meeting at the completion of the audit will be independent of staff. The F&A Committee members will report any significant findings to the Board in a timely manner.

**Internal Auditors**

- LIPA’s internal auditors will adhere to the Institute of Internal Auditors' Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.
- Internal auditors shall conduct audits as identified in the annual audit plan as well as special projects requested by the F&A Committee, or management.
- The annual audit plan will include audits of LIPA and its service providers, and the internal auditors shall have unlimited access to all activities, records, property, and personnel of LIPA and its service providers in the performance of their duties.

- The F&A Committee will annually review and provide guidance on the audit plan as well as the charter, activities, staffing, budget, and organizational structure of the Internal Audit department and will confirm the independence of the internal auditors. The chief audit executive shall administratively report to the Chief Executive Officer.
- The F&A will review and approve the appointment or removal of the chief audit executive. The CEO may appoint an individual to serve as chief audit executive on an interim basis.
- The F&A Committee will monitor, in consultation with the chief audit executive, the significant findings of internal audit reports and the status of the implementation of management's action plans in response to such audit findings.
- The F&A Committee will meet at least twice per year with the chief audit executive independent of other LIPA staff and will report any significant audit findings to the Board in a timely manner.

### **Department of Public Service Management and Operations Audits**

The LIPA Reform Act (the "Act") directs the Department of Public Service ("DPS") to conduct comprehensive management and operations audits of LIPA and PSEG Long Island at least once every five years.

- Upon completion of an audit, the DPS must deliver to the Board a report of its findings together with any recommendations for improvements. Absent a preliminary finding of inconsistency made by the Board, under the procedures set forth in the Act, the audit report's recommendations become final 30 days after receipt by the Board.
- Ninety days after the audit report's finalization, LIPA's Chief Executive Officer, in coordination with PSEG Long Island, shall submit an implementation plan to the Oversight and Clean Energy Committee of the Board to effectuate the audit's recommendations.
- LIPA's Chief Executive Officer, together with PSEG Long Island, will submit an annual report to the Oversight and Clean Energy Committee of the Board and the DPS on the status of the implementation plan. That annual report will include a summary of the activities completed to date and any revisions to completion targets. The annual report will be reviewed by Internal Audit for completeness prior to submission. The Oversight and Clean Energy Committee will report significant matters to the Board.
- Internal Audit will review the effectiveness of the implementation plan in addressing each audit recommendation after the completion of the plan for that recommendation.

The F&A Committee will annually review the provisions of the Board Policy on Audit Relationships.