

**BOARD AGENDA SUMMARY SHEET**

<b>Committee or Board:</b> Board	<b>Date:</b> December 6, 2019	<b>Board Meeting Date:</b> December 18, 2019
-------------------------------------	----------------------------------	---

**For All Board Voting Items:**

**Title of Agenda Item:** Approval of the Annual Report and Amendments on the Board’s Policy on Governance and Agenda Planning

**Consent Agenda:**  Yes  No

**Accompanying Presentation:**  Yes  No

**Recommendation from Committee:**  N/A  F&A;  GP&P;  Oversight & REV

**LIPA Presenter:** Bobbi O’Connor

**PSEG Long Island Presenter:** N/A

**For Policy Reports Only:**

**Type of Policy / Report:**  Operating;  Governance;  Compliance;  Mission

**Date of Last Report:** October 24, 2018

**Compliance Since Last Report:**  Yes  No

**Proposed Changes to Policy:**  Yes  No

<b>Requested Action:</b>	The Board is requested to adopt a resolution: (i) finding that LIPA has complied with the Policy for the period since the last annual review of the Policy; (ii) approving the annual report for the Policy; and (iii) approving certain amendments to the Policy.
<b>Summary: (include proposed amendments to Board Policies, if applicable)</b>	By Resolution No. 1323, dated September 21, 2016, the Board adopted the Policy. The Policy provides that “The members of the Board of Trustees of the Long Island Power Authority are fiduciaries who are collectively entrusted with responsibility for the Authority, including ensuring the Authority achieves its mission and values for the benefit of its customer-owners.” The Board last reviewed the Policy in October 2018.  The proposed changes to the Policy include the following: (i) Appendix B of the Policy now includes a section relating to the expectations of the Chairpersons for the Board and Committees; (ii) consistent with recent practice, the Policy provides that the annual agenda setting presentation in the fourth quarter of each year is presented to the full Board rather than to the Governance Committee; and (iii) certain other non-material clarifications and formatting changes.

## **FOR CONSIDERATION**

December 18, 2019

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Approval of the Annual Report and Amendments on the Board's Policy on Governance and Agenda Planning

---

### **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 the "Authority" or "LIPA") have complied with the Policy on Board Governance and Agenda Planning (the "Governance Policy" or the "Policy") for the period since the last annual review of the Policy; (ii) approving the annual report for the Policy; and (iii) approving certain amendments to the Policy, which resolution is attached hereto as **Exhibit "A"**.

### **Background**

By Resolution No. 1323, dated September 21, 2016, the Board adopted the Policy. The Policy provides that "The members of the Board of Trustees of the Long Island Power Authority are fiduciaries who are collectively entrusted with responsibility for the Authority, including ensuring the Authority achieves its mission and values for the benefit of its customer-owners." The Board conducts an annual review of the Policy and considers as part of its annual review whether LIPA has remained in compliance with the Policy and whether any updates or revisions should be made to the Policy. The Board last reviewed the Policy in October 2018.

### **Compliance with the Board Policy on Governance and Agenda Planning**

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

The Policy provides that "the Board will use the expertise of individual members to enhance the understanding of the Board as a body, without allowing the expertise of individual members or staff to substitute for the judgment of the Board as a whole."

- Trustees are assigned by the Chair to Board Committees based, in part, on their individual experience outside the Authority.
- Trustees have adopted a Board Policy process to provide clear direction to staff from the Board, acting as a whole, rather than from Trustees acting as individual members.
- The Trustees have annually conducted a survey and review of their collective performance, and have instituted improvements to the Board's governance, such as the Board Policy

process, changes to Committee charters, the addition of developmental topics to the Board's agenda, and better use of the Board's time through judicious use of a Consent Agenda for consensus and ministerial items.

The Policy provides that "the Board will direct and control the Authority through the careful establishment of broad written policies reflecting the Board's values and perspectives for the benefit of the Authority's customer owners. The Board's major policy focus will be on the intended long-term impacts, not on the administrative means of attaining those impacts, which are the role of the chief executive and service provider."

- The Board has over the course of five years adopted approximately twenty policies that focus on the intended long-term impacts, rather than the administrative means of achieving those impacts. New policies are developed, and existing policies are revised at the direction of the Board to address the Authority's long-term plans and values or adapt to changing circumstances in the industry or within the Authority's operations.
- This month, the Board has adopted an additional policy specifically relating to Information and Physical Security.

The Policy provides that "the Board will monitor the Board's process, performance and activities in comparison to its governance objectives."

- The Board policies are reviewed by the Board or appropriate Committee annually for compliance purposes. The annual reports include information relating to performance and activities in furtherance of the Board's governance objectives. In addition, the Governance Committee conducts an annual review of the overall effectiveness of the Board.
- The [Policy Implementation Reports](#) are available on the Authority's website.

The Policy provides that "the Board will pursue continual board education and development across all areas of the Authority's operations and Board activities, including orientation of new members in the Board's fiduciary duties, governance process, and periodic discussion of governance process improvement."

- LIPA staff yearly provides the Board with training opportunities, including those requested by the Trustees, in a variety of different areas including governance, utility operations and trends, electric rates and finance.

The Policy provides that "the Board will establish and maintain an outline of the core competencies required for an effective Board member (see, Appendix A of the Policy); and establish and maintain a list of Trustee expectations to ensure that all Trustees have a common understanding of the requirements for a productive and engaged Board member (see, Appendix B of the Policy)."

- The Board has adopted both a set of core competencies and a list of expectations, which are reviewed annually.
- As described below, Authority Staff is proposing to amend Appendix B of the Policy relating to Trustee expectations to include a set of expectations specifically for the Chairpersons of the

Board and Committees, which is an improvement at the direction of the Board from its last annual governance review.

The Policy provides that “the Board will systematically monitor the performance of the Chief Executive Officer and service provider relative to the policies of the Board relating to its mission and values and any limitations established by Board policy. To do so, the Board will adopt a schedule developed as part of the annual Board agenda planning process. . . .”

- Annually the Governance, Planning and Personnel Committee reviews the performance of the Chief Executive Officer relative to the policies of the Board.
- Annually Staff provides the Board with the proposed agenda for all Board meetings for the Boards review and comment. Likewise, the Secretary to the Board provides periodic reports relating to compliance with each policy, as appropriate.
- The Authority’s Service Provider, typically at each Board meeting, provides the Trustees with information relating to the Service Provider’s performance under the Amended and Restated Operations Services Agreement. Similar, for those Board policies relating to the Authority’s mission, the Service Provider and Authority staff report annually to the Board on progress relative to that stated policy.

### **Proposed Changes to the Board Policy**

The proposed changes to the Policy, as shown in **Exhibit “B”**, include the following:

- Appendix B of the Policy now includes a section relating to the expectations of the Chairpersons for the Board and Committees;
- Consistent with recent practice, the Policy provides that the annual agenda setting presentation in the fourth quarter of each year is presented to the full Board rather than to the Governance Committee; and
- Certain other non-material clarifications and formatting changes.

### **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 Governance and Agenda Planning Policy (redline)

**Exhibit “C”** Board Governance and Agenda Planning Policy (clean)

**Exhibit “D”** Report to the Board on the Board Governance and Agenda Planning Policy

**Exhibit "A"**

**RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD GOVERNANCE AND AGENDA PLANNING POLICY AND AMENDMENTS TO THE POLICY**

---

**WHEREAS**, the Board Governance and Agenda Planning Policy (the "Policy") was originally approved by the Board of Trustees by Resolution No. 1323, dated September 21, 2016; 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: December 18, 2019

Board Policy: **Board Governance and Agenda Planning**  
Policy Type: **Governance**  
Monitored By: **Governance, Planning and Personnel Committee**  
Board Resolution: **#1323, approved September 21, 2016**  
**#1439, amended October 24, 2018**  
**#[XXX], amended December 18, 2019**

---



## **Policy on Board Governance and Agenda Planning**

The members of the Board of Trustees of the Long Island Power Authority (“LIPA” or “the Authority”) are fiduciaries who are collectively entrusted with responsibility for the Authority, including ensuring LIPA achieves its mission and values for the benefit of its customer-owners. The Chief Executive Officer of the Authority, including acting through the Authority’s service provider, is responsible for implementing the Board’s policies and the day-to-day operations of the Authority.

### **Board Objectives for Governance**

To achieve its purpose, the Board of ~~the Authority~~ Trustees must govern with attention to its fiduciary duties of loyalty and care and by emphasizing through its actions and agendas:

- outward vision;
- the mission and values of the Authority;
- decisions and actions of the Board arrived at based on deliberation and a spirit of cooperation and collegiality with due respect for the expression of individual opinions;
- informed and fact-based discussion and debate;
- encouragement and exploration of diverse viewpoints regarding mission, policy, and actions;
- clear and appropriate distinction of Board and chief executive roles and responsibilities; and;
- proactivity rather than reactivity.

Accordingly, the Board will:

- Use the expertise of individual members to enhance the understanding of the Board as a body, without allowing the expertise of individual members or staff to substitute for the judgment of the Board as a whole.
- Direct and control the Authority through the careful establishment of broad written policies reflecting the Board’s values and perspectives for the benefit of the Authority’s customer-owners. The Board’s major policy focus will be on the intended long-term impacts, not on the administrative means of attaining those impacts, which are the role of the chief executive and service provider.
- Monitor the Board’s process, performance and activities in comparison to its governance objectives.
- Pursue continual board education and development across all areas of the Authority’s operations and Board activities, including orientation of new members in the Board’s

fiduciary duties, governance process, and periodic discussion of governance process improvement.

- Establish and maintain an outline of the core competencies required for an effective Board member (See Appendix A).
- Establish and maintain an outline of the core competencies required for an effective Chairperson and Committee Chairs (See Appendix A).
- Establish and maintain a list of Trustee expectations to ensure that all Trustees have a common understanding of the requirements for a productive and engaged Board member (See Appendix B).
- Systematically monitor the performance of the Chief Executive Officer and service provider relative to the policies of the Board relating to its mission and values and any limitations established by Board policy. To do so, the Board will adopt a schedule developed as part of the annual Board agenda planning process discussed below.

### **Annual Board Agenda Planning**

A proactive approach to governance consistent with the Board's responsibilities begins with setting the Board's agenda each year. Accordingly, the Board will plan an annual cycle of governance and development topics for its meetings that (a) completes an annual re-exploration of its mission and values, and the policies to achieve those ends and (b) continually improves Board performance through Board education, development and deliberation.

- The annual Board agenda cycle will start in the fourth quarter of each year with the Board's development of topics for each meeting for the following year.
  - The ~~Governance, Planning and Personnel Committee will recommend~~ Board will adopt a schedule of Board meetings and topics for each Board meeting ~~for~~ the coming year ~~to the Board Chair by the first Board meeting of each year.~~ -That annual schedule will include a review of the objectives and accomplishments of the Authority and its service provider related to each of the Board's "mission" and "operating" policies.
  - The ~~Committee will also recommend~~ Board will also adopt a schedule of education and development for the Trustees for the year (e.g. presentations by industry experts, advocacy groups, staff) on key areas of focus (e.g. governance, customer voice, finance, rates and risk, and operations and planning), to be arranged by staff based on the topics requested by the Board.
- Throughout the year, the Board will attend to consent agenda items as expeditiously as possible to leave time available to address governance and development items requiring discussion.

A sample Board meeting agenda is provided as Appendix C. It is the intent of the Board to follow the format of the sample Board agenda, with allowances for specific circumstances as they arise.

Appendix A: Trustee, Chair and Committee Chair -Core Competencies and Attributes

Appendix B: Trustee Expectations

Appendix C: Sample Board Agenda

## **Appendix A**

### **Competencies and Professional Attributes for LIPA Trustees**

Section 1020-d of the LIPA Reform Act requires that all Trustees appointed to the Long Island Power Authority's ("LIPA" or the "Authority") Board of Trustees (the "Board") shall reside in the service territory and have relevant utility, corporate board or financial experience.

Section 2824 of the Public Authorities Law of the State of New York requires that the board of each public authority establish a governance committee whose responsibilities include advising those responsible for appointing Trustees, on the skills and experiences required of potential Trustees. LIPA's Governance, Planning and Personnel Committee's (the "Governance Committee") charter provides that that Committee is responsible for "developing a description of the competencies and personal attributes required of Trustees to assist those authorized to appoint members to the Board in identifying qualified individuals." In addition, the LIPA Board's Policy on Board Governance and Agenda Planning requires the Authority to establish and maintain an outline of the core competencies required to be an effective Board member [and an effective Board or Committee Chairperson](#).

The Governance Committee has prepared, and the LIPA Board of Trustees has approved this document to provide guidance to those charged with appointing LIPA's Trustees on the key roles and responsibilities of LIPA's Trustees and the competencies, skills and experience necessary to satisfy the requirements of the LIPA Reform Act and govern the business of the Authority.

### **Key Roles and Responsibilities of Trustees**

Trustees are responsible for fulfilling the legal and fiduciary duties incumbent upon them as policymakers. The Board defines the mission and values of the Authority with a focus on key dimensions of utility performance such as rate competitiveness, fiscal soundness, reliability, customer service and value, and environmental stewardship. In addition, the Board sets policy for the Authority and ensures its performance on behalf of its customer-owners, including setting LIPA's rates and charges, hiring and evaluating certain of LIPA's senior officers, and approving its budgets and major contracts.

In order to carry out the key roles and responsibilities of the Board, it is the opinion of the Board that each Trustee must possess qualifications necessary to oversee the operation of an electric utility that affects the economy, quality of life, operations, and energy efficiency of every home, business, and institution in the utility's service territory. Moreover, it is imperative that Trustees understand the complex industry issues they are required to set policy on and, in certain cases, consider and take action on.

### **Required Experience and Skill of Trustees**

As required by Section 1020-d of the LIPA Reform Act, individuals considered for appointment to the Board must have experience in at least one of the following three areas:



- Prior utility experience or energy industry experience, such as individuals who prior to their respective appointments, have been employed by an electric or gas utility company, or have been voting members of one or more groups, companies, associations or organizations dedicated to utility, energy or environmental matters.
- Finance and/or accounting expertise and experience, such as individuals who prior to their respective appointments, have had past employment experience in finance or accounting, professional certification in finance or accounting, or any other comparable experience or a background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities at a firm with sizable financial resources or exposure.
- Corporate Board or Corporate Governance experience, such as serving on the Board of a large business or not-for-profit organization with substantial financial resources, executive experience working directly with a board in an official capacity, or direct experience in providing advice and analysis to the board of a large business or not-for-profit organization with substantial financial resources.

In addition, the Board suggests that specific expertise relevant to the Board's Committees, such as the Committees listed below, would be helpful to the conduct of the Board's responsibilities. For example, such experience may include specific experience in general governance of the Authority's business, management of personnel and compensation, public policy setting or other skills that might be relevant to the Authority now or in the future.

### **Preferred Attributes of Trustees**

Trustees are expected to work collaboratively to address the business of the Authority, establish policies and expectations, and make sound judgments in performing their fiduciary responsibilities to the customer-owners of the Authority. In order to perform effectively, it is expected that Board members will exhibit the following professional attributes:

- Ability to work collaboratively to arrive at consensus and joint-decision making. Demonstrably favorable prior experience in working with recognized issues-oriented committees, business associations or community groups is recommended.
- Ability to communicate clearly and to the point on issues that affect the business of the Board. Recognized experience in dealing publicly with issues in a calm and balanced manner and promoting the positions espoused by a group or committee in public forums is recommended.
- Ability to weigh all sides of an issue. Trustees need to represent all of the Authority's customer-owners and are not appointed to represent any single constituency or interest group. A demonstrated ability to find common ground and accept input from a broad range of viewpoints is recommended.
- Ability to commit significant time and effort to the Authority's business. The number and range of issues that Trustees need to deliberate and decide on requires a significant

commitment of time and effort for Trustees to be educated, to weigh the input of all parties and constituencies, and to deliberate on matters of policy and performance. A demonstrated ability to commit sufficient time to the Authority and to manage that time wisely is recommended.

### **Board Committees that Require Specific Competencies**

The LIPA Board has established three committees to provide specific, specialized guidance to the Board as a whole and to LIPA's executive management, and to allow for more detailed examinations of strategic issues. A list of these committees and the particular responsibilities of each is provided below. It is the opinion of the Committee that those elected officials responsible for appointing Trustees to the LIPA Board should appoint individuals that possess some of the competencies and experience listed below in order to ensure proper and effective functioning of the LIPA Board.

- Finance and Audit Committee - The members of this committee must be familiar with corporate financial and accounting practices and should possess a basic understanding of governmental financial reporting and auditing. Members are responsible for overseeing, monitoring and making recommendations with respect to the Authority's investment and debt management policies and procedures, internal and external audit process, the financial reporting process and the system of risk assessment and internal controls with specific responsibility for:
  - annual budgets;
  - borrowing, debt management, and interest rate exchange agreements;
  - power supply hedging;
  - investments including the Authority's investment policy and the investment of assets;
  - financial statements and disclosure matters;
  - internal audit;
  - enterprise risk management and internal control; and
  - compliance oversight

In addition, Finance and Audit Committee members are regularly required to opine on matters affecting financial policy.

- Oversight and REV Committee – The members of this committee must be familiar with electric utility operations and measuring performance, in connection with all aspects of electric utility operations in order to ensure that customers in LIPA's service territory receive a safe, reliable, efficient, clean and economical supply of electricity. Members are

responsible for monitoring PSEG Long Island's performance under the Amended & Restated Operations Services Agreement ("Amended OSA") related to:

- performance metrics;
  - emergency management;
  - transmission and distribution operations;
  - energy efficiency and renewable goals;
  - capital and operating budget expenditures;
  - communications with stakeholders;
  - customer service;
  - billing and collections;
  - power supply and fuel supply management (as carried out by PSEG Energy Resources & Trade);
  - power markets activities;
  - senior management staffing;
  - monitoring PSEG Long Island's compliance with "Contract Standards" as defined in the Amended OSA, including compliance with applicable law and New York Public Service Commission ("PSC") practices;
  - PSEG Long Island's implementation of recommendations included in Management and Operations Audit conducted by the Department of Public Service ("DPS");
  - reviewing Authority management's operations and financial oversight process; and
  - monitoring the policies, principles and recommendations being advanced by the Public Service Commission in its REV proceeding.
- Governance, Planning and Personnel Committee – The members of this committee must be familiar with the fiduciary responsibilities of Board members, governance best practices, the differing roles and responsibilities of the Board and management, corporate management, human resources, and compensation matters. Members are responsible for:
    - developing and recommending to the Board policies for the sound governance of the Authority including but not limited to the purpose and role of the Board, the Board's relationship with the CEO of the Authority and other Board-appointed officers;

- developing, reviewing and updating, as needed, Codes of Ethics and Conduct, performance standards for the Board and employees of the Authority and other such policies as it deems necessary or appropriate to address transparency, independence, accountability, fiduciary responsibilities, and management oversight;
- updating the Authority's corporate governance principles;
- ensuring that the Board's policies provide strategic direction for the Authority and that the Board is being effective in the utilization of the Authority's assets and oversight of the Authority's activities;
- advising those responsible for appointing Trustees on the skills and experiences required of potential Trustees;
- presenting recommendations to the Board relating to attraction, appointment, evaluation, retention, compensation, and separation from employment of the Authority's CEO;
- overseeing the CEO's administration of the Authority's compensation and benefit plans and personnel policies and programs including those related to the attraction, retention, continued development, and separation from employment of employees;
- consulting with the CEO and advising the Board with respect to the attraction, appointment, retention and separation from employment of the Chief Financial Officer and General Counsel;
- advising the Board with respect to emergency succession planning for the position of the CEO.

## **Appendix B**

### **Expectations of Individual LIPA Trustees:**

- ~~Know and be able to~~ Understand, articulate and model the Authority's mission, vision and values, ~~and Board policies~~.
- Serve the Authority and its customer-owners as a whole rather than any constituency or special group.
- Volunteer to serve on Board committees as requested by the Chair.
- Be familiar with national, state and local trends and developments in the electric industry that affect the Authority.
- Attend and participate in all Board and committee meetings.
- Participate in training and development opportunities outside of Board and committee meetings.
- Be effective in all Board discussions and deliberations by being prepared and familiar with required reading materials provided in advance.
- Recognize potential leaders in the community for the Authority's Board and identify them to their respective appointing authorities.
- Understand, ~~S~~upport and comply with the Authority's By-laws and Board policies, including the Board Policy on Trustee Communications and the Trustee Code of Ethics and Conduct.
- Hold Authority information and data confidential until advised by the Chief Executive Officer or their designee that such information and data can be shared publicly.
- Participate in Board self-assessments and all other surveys and requests for information to continuously improve the Board's performance.

### **Expectations of the Board and Committee Chairpersons:**

- Know and be able articulate the core responsibilities of the Board and respective Committees, as provided for in the Authority's By-laws and Committee Charters.
  - Ensure that each Trustee and Committee Member is properly informed on voting items, and that Staff provides sufficient information in advance of votes to enable the Trustees or Committee Members to form appropriate judgments.
  - Communicate amongst Trustees and Committee Members in advance of each meeting in order to hold each Trustee or Committee Member accountable for knowing and understanding the content and significance of the materials provided by Authority Staff.
  - Encourage participation by each Trustee and Committee Member.
  - Provide input to the Chief Executive Officer or his/her designee on agenda planning in advance of each meeting.
  - Serve as the leader and facilitator during Board and Committee meetings to ensure that each meeting is conducted with respect and decorum, and in compliance with the Board Policy on Trustee Communications.
- 
- Support and encourage continuing education for Trustees and Committee Members to develop individual and collective skill sets.

## Appendix C

### Sample Board Meeting Agenda

- Call to Order – Attendance
- Chair’s Remarks
- Chief Executive Officer report
- —
- Consent Agenda (to be developed for each meeting by Board Chair)
  - Approval of prior meeting minutes
  - Approval of ministerial items
- Board Reports
  - Chief Financial Officer report
  - Secretary’s Report on Communications and Board Policies
  - Service Provider report on performance against contract standards
  - Other specific items as requested by the Board
- Governance Topics and Monitoring of Board-Specified Performance Objectives
  - Scheduled annual review of Board policies related to mission, values or governance and suggested amendments or new policies (~~to be scheduled on an annual basis by the Governance Committee and ratified at the first Board meeting of the year~~)
  - Presentations for Board development and education
  - Governance items for discussion (new developments, violations, etc.)
- Other agenda items as may lawfully come before the Board
- Public comment
- Adjourn

Board Policy: **Board Governance and Agenda Planning**

Policy Type: **Governance**

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

Board Resolution: **#1323, approved September 21, 2016**  
**#1439, amended October 24, 2018**  
**#[XXX], amended December 18, 2019**

---



### **Policy on Board Governance and Agenda Planning**

The members of the Board of Trustees of the Long Island Power Authority (“LIPA” or “the Authority”) are fiduciaries who are collectively entrusted with responsibility for the Authority, including ensuring LIPA achieves its mission and values for the benefit of its customer-owners. The Chief Executive Officer of the Authority, including acting through the Authority’s service provider, is responsible for implementing the Board’s policies and the day-to-day operations of the Authority.

#### **Board Objectives for Governance**

To achieve its purpose, the Board of Trustees must govern with attention to its fiduciary duties of loyalty and care and by emphasizing through its actions and agendas:

- outward vision;
- the mission and values of the Authority;
- decisions and actions of the Board arrived at based on deliberation and a spirit of cooperation and collegiality with due respect for the expression of individual opinions;
- informed and fact-based discussion and debate;
- encouragement and exploration of diverse viewpoints regarding mission, policy, and actions;
- clear and appropriate distinction of Board and chief executive roles and responsibilities; and;
- proactivity rather than reactivity.

Accordingly, the Board will:

- Use the expertise of individual members to enhance the understanding of the Board as a body, without allowing the expertise of individual members or staff to substitute for the judgment of the Board as a whole.
- Direct and control the Authority through the careful establishment of broad written policies reflecting the Board’s values and perspectives for the benefit of the Authority’s customer-owners. The Board’s major policy focus will be on the intended long-term impacts, not on the administrative means of attaining those impacts, which are the role of the chief executive and service provider.
- Monitor the Board’s process, performance and activities in comparison to its governance objectives.
- Pursue continual board education and development across all areas of the Authority’s operations and Board activities, including orientation of new members in the Board’s

fiduciary duties, governance process, and periodic discussion of governance process improvement.

- Establish and maintain an outline of the core competencies required for an effective Board member (See Appendix A).
- Establish and maintain an outline of the core competencies required for an effective Chairperson and Committee Chairs (See Appendix A).
- Establish and maintain a list of Trustee expectations to ensure that all Trustees have a common understanding of the requirements for a productive and engaged Board member (See Appendix B).
- Systematically monitor the performance of the Chief Executive Officer and service provider relative to the policies of the Board relating to its mission and values and any limitations established by Board policy. To do so, the Board will adopt a schedule developed as part of the annual Board agenda planning process discussed below.

### **Annual Board Agenda Planning**

A proactive approach to governance consistent with the Board's responsibilities begins with setting the Board's agenda each year. Accordingly, the Board will plan an annual cycle of governance and development topics for its meetings that (a) completes an annual re-exploration of its mission and values, and the policies to achieve those ends and (b) continually improves Board performance through Board education, development and deliberation.

- The annual Board agenda cycle will start in the fourth quarter of each year with the Board's development of topics for each meeting for the following year.
  - The Board will adopt a schedule of Board meetings and topics for each Board meeting for the coming year. That annual schedule will include a review of the objectives and accomplishments of the Authority and its service provider related to each of the Board's "mission" and "operating" policies.
  - The Board will also adopt a schedule of education and development for the Trustees for the year (e.g. presentations by industry experts, advocacy groups, staff) on key areas of focus (e.g. governance, customer voice, finance, rates and risk, and operations and planning), to be arranged by staff based on the topics requested by the Board.
- Throughout the year, the Board will attend to consent agenda items as expeditiously as possible to leave time available to address governance and development items requiring discussion.

A sample Board meeting agenda is provided as Appendix C. It is the intent of the Board to follow the format of the sample Board agenda, with allowances for specific circumstances as they arise.

Appendix A: Trustee, Chair and Committee Chair Core Competencies and Attributes

Appendix B: Trustee Expectations

Appendix C: Sample Board Agenda



## **Appendix A**

### **Competencies and Professional Attributes for LIPA Trustees**

Section 1020-d of the LIPA Reform Act requires that all Trustees appointed to the Long Island Power Authority's ("LIPA" or the "Authority") Board of Trustees (the "Board") shall reside in the service territory and have relevant utility, corporate board or financial experience.

Section 2824 of the Public Authorities Law of the State of New York requires that the board of each public authority establish a governance committee whose responsibilities include advising those responsible for appointing Trustees, on the skills and experiences required of potential Trustees. LIPA's Governance, Planning and Personnel Committee's (the "Governance Committee") charter provides that that Committee is responsible for "developing a description of the competencies and personal attributes required of Trustees to assist those authorized to appoint members to the Board in identifying qualified individuals." In addition, the LIPA Board's Policy on Board Governance and Agenda Planning requires the Authority to establish and maintain an outline of the core competencies required to be an effective Board member and an effective Board or Committee Chairperson.

The Governance Committee has prepared, and the LIPA Board of Trustees has approved this document to provide guidance to those charged with appointing LIPA's Trustees on the key roles and responsibilities of LIPA's Trustees and the competencies, skills and experience necessary to satisfy the requirements of the LIPA Reform Act and govern the business of the Authority.

### **Key Roles and Responsibilities of Trustees**

Trustees are responsible for fulfilling the legal and fiduciary duties incumbent upon them as policymakers. The Board defines the mission and values of the Authority with a focus on key dimensions of utility performance such as rate competitiveness, fiscal soundness, reliability, customer service and value, and environmental stewardship. In addition, the Board sets policy for the Authority and ensures its performance on behalf of its customer-owners, including setting LIPA's rates and charges, hiring and evaluating certain of LIPA's senior officers, and approving its budgets and major contracts.

In order to carry out the key roles and responsibilities of the Board, it is the opinion of the Board that each Trustee must possess qualifications necessary to oversee the operation of an electric utility that affects the economy, quality of life, operations, and energy efficiency of every home, business, and institution in the utility's service territory. Moreover, it is imperative that Trustees understand the complex industry issues they are required to set policy on and, in certain cases, consider and take action on.

### **Required Experience and Skill of Trustees**

As required by Section 1020-d of the LIPA Reform Act, individuals considered for appointment to the Board must have experience in at least one of the following three areas:

- Prior utility experience or energy industry experience, such as individuals who prior to their respective appointments, have been employed by an electric or gas utility company,

or have been voting members of one or more groups, companies, associations or organizations dedicated to utility, energy or environmental matters.

- Finance and/or accounting expertise and experience, such as individuals who prior to their respective appointments, have had past employment experience in finance or accounting, professional certification in finance or accounting, or any other comparable experience or a background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities at a firm with sizable financial resources or exposure.
- Corporate Board or Corporate Governance experience, such as serving on the Board of a large business or not-for-profit organization with substantial financial resources, executive experience working directly with a board in an official capacity, or direct experience in providing advice and analysis to the board of a large business or not-for-profit organization with substantial financial resources.

In addition, the Board suggests that specific expertise relevant to the Board's Committees, such as the Committees listed below, would be helpful to the conduct of the Board's responsibilities. For example, such experience may include specific experience in general governance of the Authority's business, management of personnel and compensation, public policy setting or other skills that might be relevant to the Authority now or in the future.

### **Preferred Attributes of Trustees**

Trustees are expected to work collaboratively to address the business of the Authority, establish policies and expectations, and make sound judgments in performing their fiduciary responsibilities to the customer-owners of the Authority. In order to perform effectively, it is expected that Board members will exhibit the following professional attributes:

- Ability to work collaboratively to arrive at consensus and joint-decision making. Demonstrably favorable prior experience in working with recognized issues-oriented committees, business associations or community groups is recommended.
- Ability to communicate clearly and to the point on issues that affect the business of the Board. Recognized experience in dealing publicly with issues in a calm and balanced manner and promoting the positions espoused by a group or committee in public forums is recommended.
- Ability to weigh all sides of an issue. Trustees need to represent all of the Authority's customer-owners and are not appointed to represent any single constituency or interest group. A demonstrated ability to find common ground and accept input from a broad range of viewpoints is recommended.
- Ability to commit significant time and effort to the Authority's business. The number and range of issues that Trustees need to deliberate and decide on requires a significant commitment of time and effort for Trustees to be educated, to weigh the input of all parties and constituencies, and to deliberate on matters of policy and performance. A

demonstrated ability to commit sufficient time to the Authority and to manage that time wisely is recommended.

### **Board Committees that Require Specific Competencies**

The LIPA Board has established three committees to provide specific, specialized guidance to the Board as a whole and to LIPA's executive management, and to allow for more detailed examinations of strategic issues. A list of these committees and the particular responsibilities of each is provided below. It is the opinion of the Committee that those elected officials responsible for appointing Trustees to the LIPA Board should appoint individuals that possess some of the competencies and experience listed below in order to ensure proper and effective functioning of the LIPA Board.

- Finance and Audit Committee - The members of this committee must be familiar with corporate financial and accounting practices and should possess a basic understanding of governmental financial reporting and auditing. Members are responsible for overseeing, monitoring and making recommendations with respect to the Authority's investment and debt management policies and procedures, internal and external audit process, the financial reporting process and the system of risk assessment and internal controls with specific responsibility for:
  - annual budgets;
  - borrowing, debt management, and interest rate exchange agreements;
  - power supply hedging;
  - investments including the Authority's investment policy and the investment of assets;
  - financial statements and disclosure matters;
  - internal audit;
  - enterprise risk management and internal control; and
  - compliance oversight

In addition, Finance and Audit Committee members are regularly required to opine on matters affecting financial policy.

- Oversight and REV Committee – The members of this committee must be familiar with electric utility operations and measuring performance, in connection with all aspects of electric utility operations in order to ensure that customers in LIPA's service territory receive a safe, reliable, efficient, clean and economical supply of electricity. Members are responsible for monitoring PSEG Long Island's performance under the Amended & Restated Operations Services Agreement ("Amended OSA") related to:

- performance metrics;
  - emergency management;
  - transmission and distribution operations;
  - energy efficiency and renewable goals;
  - capital and operating budget expenditures;
  - communications with stakeholders;
  - customer service;
  - billing and collections;
  - power supply and fuel supply management (as carried out by PSEG Energy Resources & Trade);
  - power markets activities;
  - senior management staffing;
  - monitoring PSEG Long Island’s compliance with “Contract Standards” as defined in the Amended OSA, including compliance with applicable law and New York Public Service Commission (“PSC”) practices;
  - PSEG Long Island’s implementation of recommendations included in Management and Operations Audit conducted by the Department of Public Service (“DPS”);
  - reviewing Authority management’s operations and financial oversight process; and
  - monitoring the policies, principles and recommendations being advanced by the Public Service Commission in its REV proceeding.
- Governance, Planning and Personnel Committee – The members of this committee must be familiar with the fiduciary responsibilities of Board members, governance best practices, the differing roles and responsibilities of the Board and management, corporate management, human resources, and compensation matters. Members are responsible for:
    - developing and recommending to the Board policies for the sound governance of the Authority including but not limited to the purpose and role of the Board, the Board’s relationship with the CEO of the Authority and other Board-appointed officers;
    - developing, reviewing and updating, as needed, Codes of Ethics and Conduct, performance standards for the Board and employees of the Authority and other such

policies as it deems necessary or appropriate to address transparency, independence, accountability, fiduciary responsibilities, and management oversight;

- updating the Authority's corporate governance principles;
- ensuring that the Board's policies provide strategic direction for the Authority and that the Board is being effective in the utilization of the Authority's assets and oversight of the Authority's activities;
- advising those responsible for appointing Trustees on the skills and experiences required of potential Trustees;
- presenting recommendations to the Board relating to attraction, appointment, evaluation, retention, compensation, and separation from employment of the Authority's CEO;
- overseeing the CEO's administration of the Authority's compensation and benefit plans and personnel policies and programs including those related to the attraction, retention, continued development, and separation from employment of employees;
- consulting with the CEO and advising the Board with respect to the attraction, appointment, retention and separation from employment of the Chief Financial Officer and General Counsel;
- advising the Board with respect to emergency succession planning for the position of the CEO.

## **Appendix B**

### **Expectations of Individual LIPA Trustees:**

- Understand, articulate and model the Authority's mission, vision and values.
- Serve the Authority and its customer-owners as a whole rather than any constituency or special group.
- Volunteer to serve on Board committees as requested by the Chair.
- Be familiar with national, state and local trends and developments in the electric industry that affect the Authority.
- Attend and participate in all Board and committee meetings.
- Participate in training and development opportunities outside of Board and committee meetings.
- Be effective in all Board discussions and deliberations by being prepared and familiar with required reading materials provided in advance.
- Recognize potential leaders in the community for the Authority's Board and identify them to their respective appointing authorities.
- Understand, support and comply with the Authority's By-laws and Board policies, including the Board Policy on Trustee Communications and the Trustee Code of Ethics and Conduct.
- Hold Authority information and data confidential until advised by the Chief Executive Officer or their designee that such information and data can be shared publicly.
- Participate in Board self-assessments and all other surveys and requests for information to continuously improve the Board's performance.

### **Expectations of the Board and Committee Chairpersons:**

- Know and be able articulate the core responsibilities of the Board and respective Committees, as provided for in the Authority's By-laws and Committee Charters.
- Ensure that each Trustee and Committee Member is properly informed on voting items, and that Staff provides sufficient information in advance of votes to enable the Trustees or Committee Members to form appropriate judgments.
- Communicate amongst Trustees and Committee Members in advance of each meeting in order to hold each Trustee or Committee Member accountable for knowing and understanding the content and significance of the materials provided by Authority Staff.
- Encourage participation by each Trustee and Committee Member.
- Provide input to the Chief Executive Officer or his/her designee on agenda planning in advance of each meeting.
- Serve as the leader and facilitator during Board and Committee meetings to ensure that each meeting is conducted with respect and decorum, and in compliance with the Board Policy on Trustee Communications.
- Support and encourage continuing education for Trustees and Committee Members to develop individual and collective skill sets.

## **Appendix C**

### **Sample Board Meeting Agenda**

- Call to Order – Attendance
- Chair’s Remarks
- Chief Executive Officer report
- Consent Agenda (to be developed for each meeting by Board Chair)
  - Approval of prior meeting minutes
  - Approval of ministerial items
- Board Reports
  - Chief Financial Officer report
  - Secretary’s Report on Communications and Board Policies
  - Service Provider report on performance against contract standards
  - Other specific items as requested by the Board
- Governance Topics and Monitoring of Board-Specified Performance Objectives
  - Scheduled annual review of Board policies related to mission, values or governance and suggested amendments or new policies
  - Presentations for Board development and education
  - Governance items for discussion (new developments, violations, etc.)
- Other agenda items as may lawfully come before the Board
- Public comment
- Adjourn



# Annual Board and Committee Agenda Planning for 2020

December 18, 2019



# Annual Agenda Planning Process and Trustee Feedback

## Objective of the Board Governance and Agenda Planning Policy (adopted September 2016)

- Plan annual cycle of topics for Board and committee meetings to systematically monitor the totality of performance of LIPA and its Service Provider relative to the Board's Policies

## Trustee feedback received during 2019

- More frequent briefings on:
  - cyber
  - succession planning
- One night meeting should be considered (subject to scheduling and availability)
- One meeting in Suffolk County should be considered (subject to scheduling and availability)
- Continue to streamline process for educational/development workshops

# 2020 Proposed Topics for Trustee Workshops

---

## Customer Voice

- Discussion of Media, Marketing and Outreach
- Storm/Emergency Communications, Systems and Technologies

## Governance

- Deep-dive into LIPA and PSEG Long Island's Enterprise Risk Management Programs

## Finance, Rates and Risks

- Internal Controls and Risk Assessment
- Rate Setting Process and PSC Working Group Initiatives

## Operations and Planning

- Northport visit (plant, cable and Iroquois pipeline)
- Discussion of pathways to the State's 2040 goals (key challenges, including how transmission and renewables are built and paid for (i.e. physical grid vs. financial arrangements))

Staff will seek Trustees feedback to select 3 of the above topics of most interest to the Board to be addressed during 2020.

# Summary of LIPA Board and Committee Meetings in Past 12 Months

Board/Committee	Number of Meetings	Approximate Average Length	Approximate Total Time
Board Meetings	7	100 minutes	11.5 hours
F&A	6	45 minutes	4.5 hours
Oversight & REV	5	50 minutes	4.2 hours
Governance, Planning & Personnel	3	20 minutes	1 hour
Total Number of Meetings	21	Total Time Spent*	21.2 hours

\*Total time spent does not include:

- 1) executive sessions which constituted approximately 4 hours (30 minutes per Board meeting);
- 2) briefings; and 3) workshops and other training opportunities

# Summary of Proposed 2020 LIPA Meetings

Board/Committee	Number of Meetings	Average Length	Total Time
Board	7	2 hour, 25 mins.	17.0 hours
F&A	4	1 hour, 35 mins.	6.3 hours
Oversight & REV	5	1 hour, 12 mins.	6.0 hours
Governance, Planning and Personnel	4	40 minutes	2.7 hours
Total Number of Meetings	20	Total Time Spent*	32 hours

\*The proposed Board agenda for 2020 does not include:

- 1) a time allowance for executive sessions or emerging issues, which are likely to increase the total time spent by the Board during the year by 3-4 hours; or
- 2) Board briefings, workshops and training, which are in addition to the Board's meeting schedule

# Proposed January 22, 2020 Meetings

## Board

- Roll call, pledge, consent agenda, CEO, CFO, Secretary and Operating Reports (“Routine Board Matters”) (30 mins.)
- Discussion of PSEG LI and PSEG ER&T’s 2019 OSA Metric Performance (20 mins.) [160 mins.]
- Public Comment (20 mins.)
- Board Workshop (90 mins)

## Governance, Planning & Personnel

- Discussion of 2019 Goals and Accomplishments (25 mins.) [45 mins.]
- Discussion of 2020 Work Plan (20 mins.)
- EXECUTIVE SESSION – SUCCESSION PLANNING

**Total proposed time for January meetings: 3.4 hours**

# Proposed March 27, 2020 Meetings

## Board

- Routine Board Matters (30 mins.)
- Debt and Capital Markets Policy (20 mins.)
- Review and Approval of 2019 Financials (10 mins.)
- Annual Governance Package (see Appendix) (15 mins.)
- Public Comment (20 mins.)
- EXECUTIVE SESSION – BOARD’S SELF-EVALUATION

[155 mins.]

## F&A

- Routine F&A Matters (20 mins.)
- 2019 Audit Results from Independent Auditors (20 mins.)
- EXECUTIVE SESSION with Independent Auditors (10 mins.)
- Recommendation to Approve 2019 Financials (25 mins.)
- Presentation from PSEG ER&T on Power and Fuel Supply Management and Hedging (20 mins.)
- Annual Financial Package (see Appendix) & Charter (15 mins.)

[110 mins.]

## Gov., Planning & Personnel

- CEO Performance and Compensation (20 mins.)
- Annual Governance Package & Committee Charter (15 mins.)
- Committee’s Annual Self-Report to the Board (includes results of Board’s self-evaluation for 2019) (10 mins.)

[45 mins.]

# Proposed March 27, 2020 Meetings, cont.

## Oversight & REV

- Discussion of 2019 OSA Performance Metrics (20 mins.)
- Briefing on Winter Storm Summary (20 mins.)
- Committee's Annual Self-Report to the Board (10 mins.)
- Consideration of a PPA (20 mins.)
- EXECUTIVE SESSION – CYBER (20 mins.)

[90 mins.]

---

Total proposed time for March meetings: 6.6 hours

---

# Proposed May 20, 2020 Meetings

## Board

- Routine Board Matters (30 mins.)
- T&D System Reliability Policy (20 mins.)
- Customer Service Policy (20 mins.) [110 mins.]
- Taxes, PILOTs and Assessments Policy (20 mins.)
- Public Comment (20 mins.)

## F&A

- Routine F&A Matters (20 mins.)
- EXECUTIVE SESSION – Internal Audit (10 mins.)
- Review Quarterly Financials Ended March 30 (10 mins.)
- Review Audit Relationships Policy, Internal Audit Charter and Confirmation of Independence (15 mins.) [80 mins.]
- Economic Development Policy (15 mins.)
- Committee’s Annual Self-Report to the Board (10 mins.)

## Oversight & REV

- Update on Implementation of 2019 Utility 2.0 Programs (20 mins.)
- Review Annual Update to Emergency Response Plan (20 mins.) [70 mins.]
- Summer Preparation for Power Supply & T&D (20 mins.)
- Review Committee Charter (10 mins.)

Total proposed time for May meetings: 4.3 hours



# Proposed July 22, 2020 Meetings

## Board

- Routine Board Matters (30 mins.)
  - Resource Planning, Energy Efficiency & Renewables Policy (30 mins.)
  - Customer Value & Affordability Policy (30 mins.)
  - Public Comment (20 mins.)
  - Board Workshop (90 mins.)
- [200 mins.]

## Oversight & REV

- Update on T&D Capital Budget (30 mins.)
  - Presentation of Annual Energy Efficiency Report (20 mins.)
  - Review Utility 2.0 Proposals (25 mins.)
  - Committee's Annual Self-Report to the Board (10 mins.)
  - Consideration of a PPA (10 mins.)
- [95 mins.]

## Governance, Planning & Personnel

- Staffing & Employment Policy (20 mins.)
  - EXECUTIVE SESSION – SUCCESSION PLANNING (20 mins.)
- [40 mins.]

**Total proposed time for July meetings: 5.5 hours**

# Proposed September 23, 2020 Meetings

## Board

- Routine Board Matters (30 mins.)
  - Construction of T&D Projects Policy (20 mins.)
  - Public Comment (20 mins.)
- [70 mins.]

## F&A

- Routine F&A Matters (20 mins.)
  - Discuss Independent Auditor's 2020 Audit Plan (20 mins.)
  - Enterprise Risk Management Policy and Annual Insurance Review (30 mins.)
  - Presentation from PSEG ER&T on Power and Fuel Supply Management and Hedging (20 mins.)
  - Power Supply Hedging Policy (15 mins.)
- [105 mins.]

## Oversight & REV

- Briefing on PSEG Long Island's Energy Efficiency & Renewables Plan (20 mins.)
  - Briefing on Implementation of Management Audit Recommendations (20 mins.)
  - Oversight & LIPA Operations Policy (20 mins.)
- [60 mins.]

**Total proposed time for September meetings: 3.9 hours**

# Proposed November 18 Budget Meeting

---

## Board

- Budget Presentation (90 mins.)
- Q&A (30 mins.)
- Board Workshop (90 mins.)

[210 mins.]

---

Total proposed time for November meetings: 3.5 hours

---

# Proposed December 16, 2020 Meetings

<b>Board</b>	<ul style="list-style-type: none"><li>• Routine Board Matters (30 mins.)</li><li>• Approval of 2021 Budget (10 mins.)</li><li>• Approval of 2021 Plan of Finance (20 mins.)</li><li>• Approval of Tariff Changes (15 mins.)</li><li>• Governance and Agenda Planning Policy (20 mins.)</li><li>• Public Comment (20 mins.)</li></ul>	[115 mins.]
<b>F&amp;A</b>	<ul style="list-style-type: none"><li>• Routine F&amp;A Matters (20 mins.)</li><li>• Approval of 2021 Budget (10 mins.)</li><li>• Approval of 2021 Plan of Finance (10 mins.)</li><li>• Approval of 2021 Internal Audit Plan and Resource Requirements (10 mins.)</li><li>• EXECUTIVE SESSION – Internal Audit (10 mins.)</li><li>• Approval of Tariff Changes (15 mins.)</li><li>• Review Quarterly Financials Ended September 30 (10 mins.)</li></ul>	[85 mins.]
<b>Governance, Planning &amp; Personnel</b>	<ul style="list-style-type: none"><li>• EXECUTIVE SESSION – SUCCESSION PLANNING</li></ul>	[30 mins.]
<b>Oversight &amp; REV</b>	<ul style="list-style-type: none"><li>• Safety Policy (20 mins.)</li><li>• Physical and Cyber Security (25 mins.)</li></ul>	[45 mins.]

Total proposed time for December meetings: 4.6 hours

# Appendix

# Annual Governance Package

---

- Procurement Policy
- Property Acquisition / Disposition Policy
- Lobbying Policy
- Mission Statement
- By-Laws
- Trustee Code of Ethics and Conduct
- Trustee Communications Policy
- Purpose and Role of LIPA Trustees Policy
- Whistleblower Policy

# Annual Financial Package

---

- Investment and Risk Policy
- Interest Rate Exchange Agreement Policy
- Prompt Payment Policy
- Investment Report