



# CEO Report

February 24, 2021

# DISCUSSION

**01** Isaias Task Force Update

**02** Power Plants and Taxes

**03** In Memoriam – Dr. Cordaro



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# Isaias Task Force

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# LIPA'S INVESTIGATIVE FINDINGS



**645K**  
customers  
lost power



**Critical IT**  
and phone  
**systems**  
**failed**



**1M+ calls**  
received  
busy signals



**300K+ text**  
messages  
bounced  
back



Website,  
mobile app,  
gov't portal  
**failed**

## Additional Findings:

- Failed IT and communication systems caused a **“fog of war”** affecting restoration efforts
- PSEG Long Island DID NOT know how many customers were out of power during storm
- Some customers received a **dozen or more inaccurate restoration times**; restoration estimates were **extended by as many as 7 days** denying customers the ability to plan
- Customers were unable to contact PSEG Long Island with **emergency situations**
- Meanwhile, PSEG Long Island line workers and employees were left to perform heroic efforts to cope with **failing processes and systems**

# PSEG LONG ISLAND MANAGEMENT FAILED

## Why did this happen?

- PSEG Long Island management knew critical IT systems were not working before the storm and failed to act

## Could this have been prevented?

- LIPA found that all the issues could have been prevented by management

## PSEG Long Island management failed to:

- **Maintain and stress test the telephone and outage systems per industry practices**
- **Act with urgency** to correct a failing outage management system before the storm
- **Put in place manual workarounds before the storm** despite knowing the IT systems were failing
- **Tell LIPA before, during, or after the storm**

“

...[The outage management system] is **“NOT even managing on a day-by-day basis and [we] are definitely NOT prepared for [a] weather event.**

*Direct quote from a July 16, 2020 email from a PSEG Long Island supervisor to senior management (three weeks before Isaias)*

# RECOMMENDATIONS FOR PSEG LONG ISLAND

**PSEG Long Island** continues to file implementation plans with the LIPA Board for over 130 **recommendations to improve management, emergency management, information technology, and other areas**

## Status of Project Implementation Plans for LIPA Board Recommendations

(as of February 2021)

Findings	Adopted	Total #	Complete & Under Review	In Progress	Plans Rejected and Outstanding			Deferred	Plans Due
					Dec.	Jan.	Feb.		
Isaias Task Force	11/18/20	80	16	27	15	6	7	9	37
Risk Management	12/16/20	8	2	6	-	-	-	-	-
Budgeting and Reporting	12/16/20	3	-	3	-	-	-	-	-
Real Estate Management	1/27/21	5	-	-	-	-	5	-	5
Asset Management	2/24/21	6	-	-	-	-	-	-	6
Inventory Management	2/24/21	25	-	-	-	-	-	-	25
Collections Management	2/24/21	3	-	-	-	-	-	-	3
Total		130	18	36	15	6	12	9	76

LIPA has crafted and presented a term sheet to PSEG Long Island detailing **contract reforms to improve PSEG Long Island management alignment, accountability and transparency**



# OVERVIEW OF OPTIONS

## Private Ownership

### Privatize LIPA

- Sale of LIPA's assets to a private, investor-owned utility
- Higher financing costs, greater tax burden, and ineligibility for federal disaster grants would either raise customer bills by **\$32 per month** or require unrealistic levels of synergy savings and service cuts

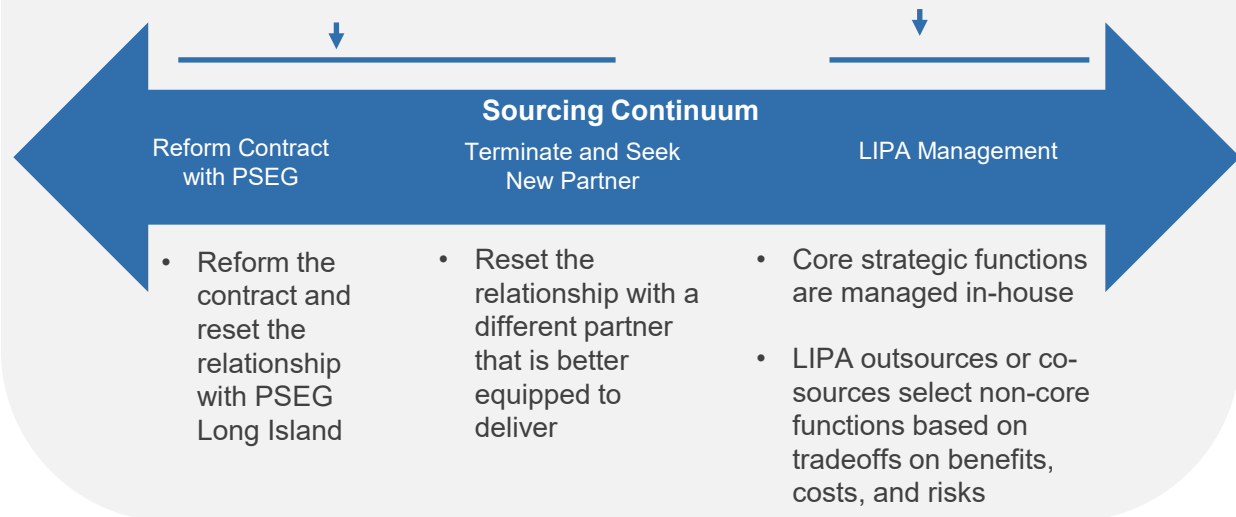
## Public Ownership

### Reset the Single Partner Model *"Smarter Contract"*

- Integrate lessons learned from PSEG LI
- Service Level Agreements that more granularly define the services to be performed ("pay for performance")
- Greater transparency and accountability ("trust but verify")

### Bring Operations Under LIPA Management *"Do it Ourselves"*

- ServCo becomes a direct LIPA subsidiary with 2,500 employees
- LIPA plays an active management role and acts as the integrator of services, aligning incentives and accountability



# UTILITY STRUCTURE



Department  
of Public Service

- State-wide utility regulator\*
- Provide management oversight of both LIPA and PSEG Long Island



## Board of Trustees

- 9 volunteer residents of service area appointed by Governor and Legislature
- **Own all assets** and contract with PSEG Long Island for day-to-day management services



## Executive Team & Staff

- 60 utility professions that manage LIPA affairs and oversee PSEG Long Island operations



- 18 executives at Vice President and Director level
- Shared services from PSEG affiliates (e.g. IT)

## ServCo Subsidiary

- 2,500 employees at the Director, Manager, and staff level, including related benefit plans
- LIPA has a contractual right to transfer ServCo to LIPA or another service provider

**nationalgrid**

## & Other Generators

- Own and Operate Power Plants
- 5,800 MW of power plants under contract to LIPA



## Energy Resources & Trade

- Contracted to bid power plants and energy markets and supply fuel to power plants

**Termination of PSEG  
Long Island contract  
affects senior  
management**



# PSEG LONG ISLAND WORK FORCE

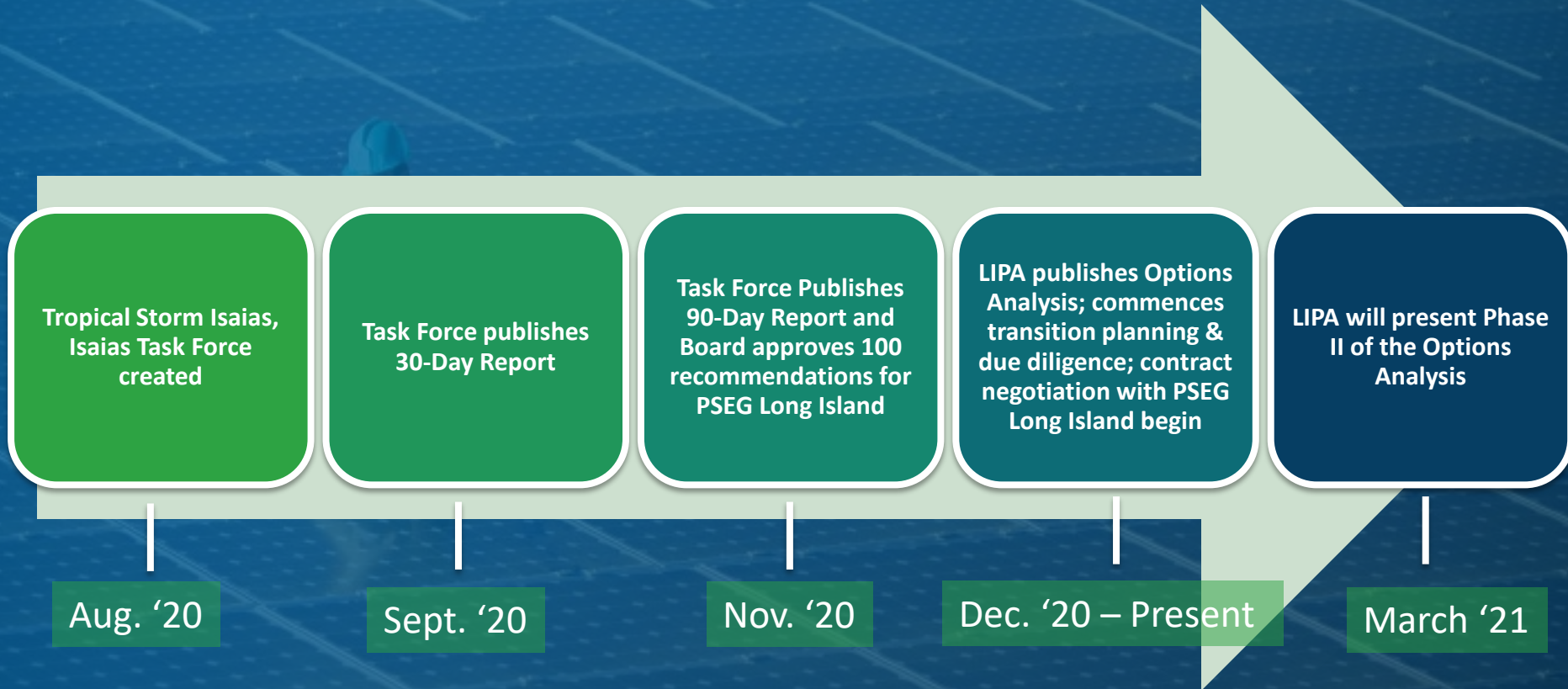
**What does this mean for the 2,500 PSEG Long Island ServCo employees?**



**Long Island's electric employees are an asset to our community**

No change to jobs, salaries, or benefits. LIPA made, and kept, the same promise when it transitioned from National Grid to PSEG Long Island management in 2014. The dedicated workforce is integral to LIPA's success under any management structure

# OPTIONS TIMELINE





# FOR MORE INFORMATION



For the Long Island Power Authority Board of Trustees  
Submitted by the Isaias Task Force



For the Long Island Power Authority Board of Trustees  
Submitted by the Isaias Task Force

## TROPICAL STORM ISAIAS 30-DAY REPORT

September 23, 2020

### [30-Day Report](#)

## TROPICAL STORM ISAIAS 90-DAY REPORT

November 18, 2020

### [90-Day Report](#)



For the Long Island Power Authority Board of Trustees  
December 16, 2020

### [Options Analysis](#)

#### PHASE I REPORT

### Options Analysis for the Management of LIPA Assets

## Reforming Long Island's Elec Service

LIPA began an investigation of PSEG Long Island's response to Tropical Storm Isaias on August 5. That investigation led to the issuance of three reports—a 30-Day Report, a 90-Day Report, and an Options Analysis for the Management of LIPA Assets. Below are answers to frequently asked questions about the O

### What problems did PSEG Long Island experience during Tropical Storm Isaias?

Tropical Storm Isaias caused 645,000 customers to lose power. On the afternoon of the storm, all of LIPA's restoration and communication systems failed. Over 1 million customer calls received via and 300,000 text messages bounced back. The outage map, municipal portal for government's mobile phone application also failed. PSEG Long Island's outage management system—used to track, estimate restoration times, and coordinate outage restoration—also failed, creating a “PSEG Long Island” investigation found that the problems experienced by PSEG Long Island were preventable. The root cause was mismanagement. For more information, see Findings from LIPA's Tropical Storm Isaias Investigation.

### What is LIPA's role in providing electric service?

LIPA is a not-for-profit, public power utility governed by a nine-member Board of Trustees. The Board of Trustees is the sole authority who hire the service territory and are appointed by the Governor and State Legislature. The Board sets policy and oversees management team to oversee operations. Since purchasing the transmission and distribution grid in 1998, LIPA has contracted out most day-to-day operations to PSEG Long Island. At first, Regulus and then National Grid provided operations under the LIPA contract. Starting in 2014, Public Service Enterprise Group Inc. (PSEG) became LIPA's service provider, operating electric grid under the PSEG Long Island brand. The Department of Public Service (DPS) also provides independent oversight and recommendations to the LIPA Board of Trustees on management, emergency response, and electric rates and audits LIPA and PSEG Long Island.

### [Fact Sheet](#)

## Findings from LIPA's Tropical Storm Isaias Investigation

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### What problems did PSEG Long Island experience during Tropical Storm Isaias?

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PSEG Long Island's outage management system—used to dispatch trucks, estimate restoration time and coordinate outage restoration—also failed, creating a “PSEG Long Island” investigation found that the problems experienced by PSEG Long Island were preventable. With PSEG Long Island management initially attempted to blame Verizon and other vendors, it became clear PSEG Long Island's mismanagement caused the failure. LIPA's investigation found that PSEG Long Island knew it was unprepared for the storm before it landed. In fact, in an email dated July 16, 2020, three weeks before Tropical Storm Isaias landed on Long Island, a PSEG Long Island employee wrote management that PSEG Long Island's outage management system was “NOT even managing on a day by day basis and we are definitely NOT prepared for [a] weather event.” PSEG Long Island had also not maintained or tested the telephone system per industry practices.

### [Fact Sheet](#)

## Oversight of LIPA and PSEG Long Island

LIPA has used a unique public-private partnership business model since purchasing the transmission and distribution system of the Long Island Lighting Company in 1998. This model is designed to combine the lower cost and local control of public ownership with the benefits of contracting with a neighboring utility to manage day-to-day operations.

LIPA's nine-member Board of Trustees sets strategy, policy, budgets, and electric rates, and LIPA owns the electric grid and all the assets used to provide electric service to our customers. LIPA contracts with various companies to manage nearly all day-to-day operations, most notably with PSEG Long Island, which operates LIPA's electric grid according to a 12-year management contract.

LIPA's contract with PSEG Long Island provides PSEG Long Island with responsibility for operations of the utility, including storm preparedness, customer communication, and service restoration. LIPA, as the owner of utility assets, exercises contractual and statutory oversight over PSEG Long Island's budget and operations.

### Comparison of Regulatory Oversight by DPS

Both LIPA and PSEG Long Island are subject to the same oversight as other New York utilities by the New York State Department of Public Service (DPS), which provides independent recommendations to the LIPA Board of Trustees. To date, the Board has accepted every recommendation offered by the DPS. DPS oversight includes periodic management audits, annual review of PSEG Long Island's Emergency Restoration Plan (ERP), and review of all aspects of preparation and performance during storms and other emergency events. LIPA's oversight of PSEG Long Island is in addition to DPS' statutory role, and DPS' statutory role is the same for PSEG Long Island as it is for the state's other utilities, as shown in Table 1.

### [Fact Sheet](#)



Reforming Long Island's Electric Service



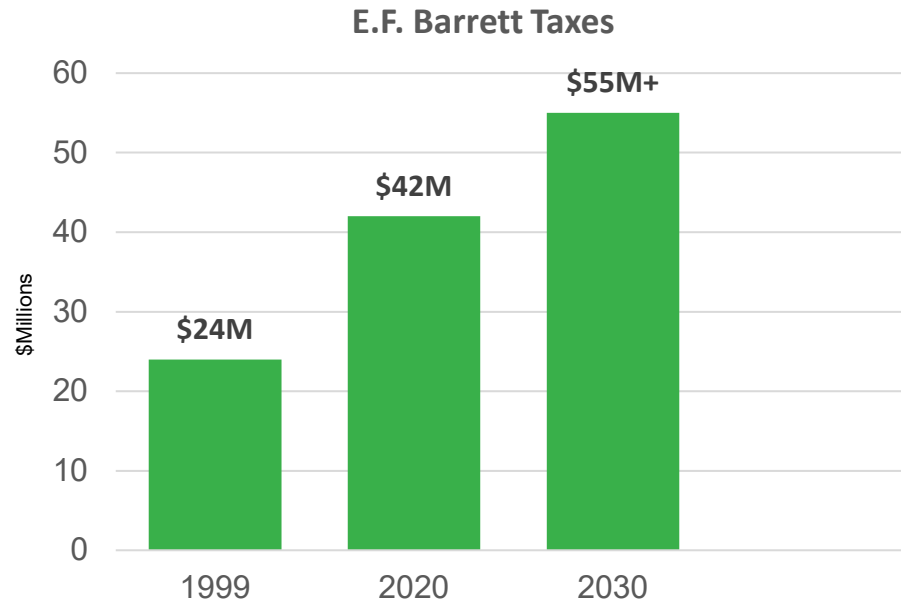
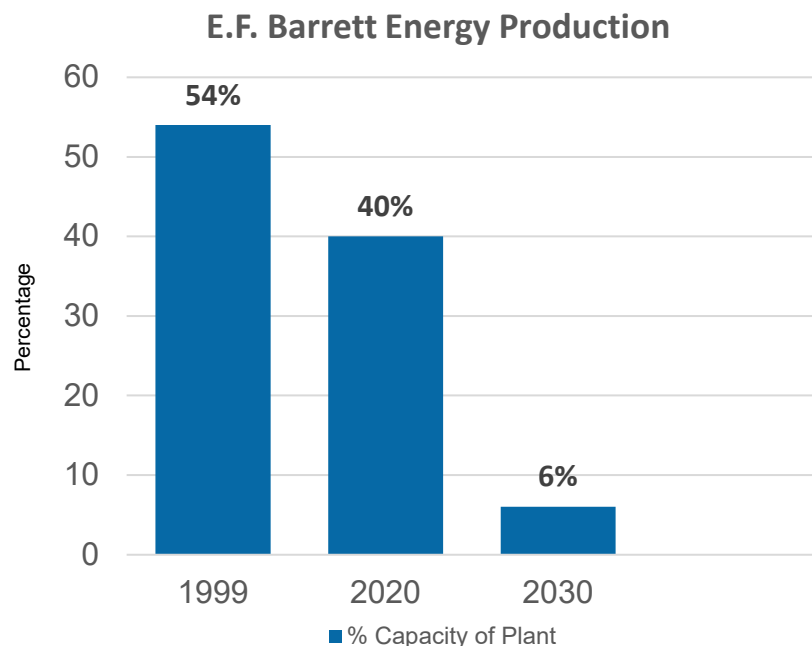
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# Power Plants and Taxes

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# E.F. BARRET PLANT: ENERGY PRODUCTION VS. TAXES

Since 1999, production on the E.F. Barrett Power Station is down 29%, but taxes are up 54%. LIPA is currently reviewing the retirement of 400 to 600 megawatts of power plants by 2025 with additional retirements by 2028





# NASSAU COUNTY SETTLEMENT

## Pending Settlement with Nassau County

In November 2019, LIPA reached a settlement with Nassau County Executive Laura Curran for the E.F. Barrett and Glenwood Landing power plants

### Settlement is contingent upon approval in the Nassau County Legislature

LIPA's proposed settlement would:

- ✓ Reduce total payments by 47 percent through a gradual phase-in through 2027
- ✓ Waive over ~\$625 million in potential tax refunds for all Nassau County Residents
- ✓ Provide guaranteed tax payments even if the plants are retired\*

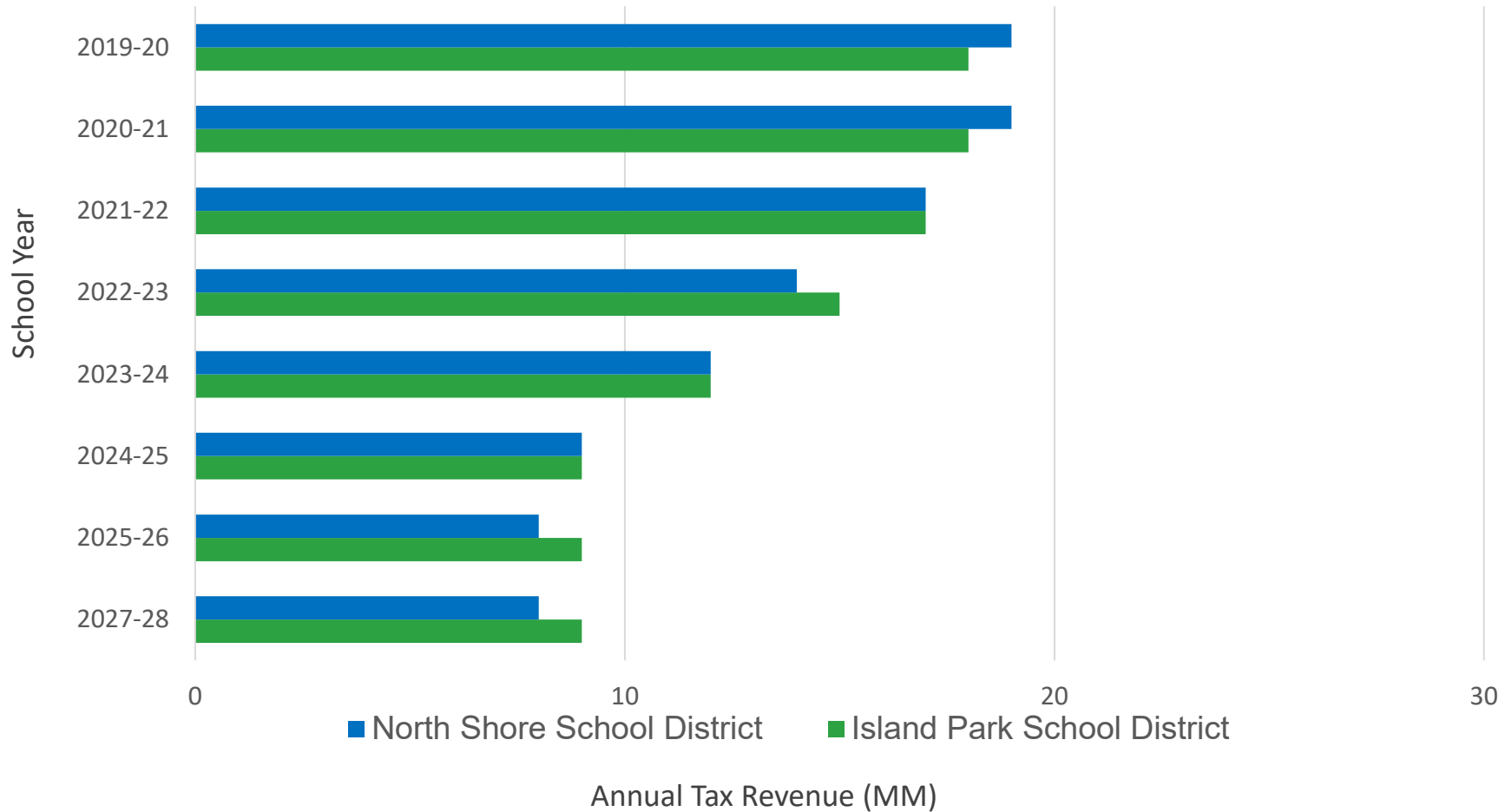
**Nassau County and National Grid have not agreed on terms for National Grid-owned natural gas properties unrelated to LIPA**



*E.F. Barrett Power Station*



# SETTLEMENT ENSURES CONTINUED PAYMENTS TO SCHOOLS





# In Memoriam

# MATTHEW C. CORDARO, 1943-2021

- LIPA Board of Trustee since 2013
- C.W. Post College, Masters in Nuclear Engineering from New York University, Ph.D. Cooper Union
- Rose up the ranks at LILCO to SVP Operations. Served as President of the Long Lake Energy Corporation; as President and CEO of the Nashville Electric Service; and as President and CEO of the Midwest Independent System Operator
- A Merrick native, Matt returned to Long Island in the early 2000s to begin a distinguished career in academia at Dowling College and Long Island University
- Read Trustee Cordaro's obituary in [Newsday](#)

