DISCUSSION

01 Isaias Task Force Update

02 Power Plants and Taxes

03 In Memoriam – Dr. Cordaro
Isaias Task Force
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
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)
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.

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.

Status of Project Implementation Plans for LIPA Board Recommendations
(as of February 2021)

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<th>Findings</th>
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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

Sourcing Continuum

Reform Contract with PSEG
Terminate and Seek New Partner
LIPA Management

• Reform the contract and reset the relationship with PSEG Long Island
• Reset the relationship with a different partner that is better equipped to deliver
• Core strategic functions are managed in-house
• LIPA outsources or co-sources select non-core functions based on tradeoffs on benefits, costs, and risks

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**UTILITY STRUCTURE**

**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

**PSEG**

**Energy Resources & Trade**
- Contracted to bid power plants and energy markets and supply fuel to power plants

**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

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

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

**nationalgrid** & Other Generators
- Own and Operate Power Plants
- 5,800 MW of power plants under contract to LIPA

* For more information, see LIPA’s Oversight Fact Sheet
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.
Tropical Storm Isaias, Isaias Task Force created

Task Force publishes 30-Day Report

Task Force Publishes 90-Day Report and Board approves 100 recommendations for PSEG Long Island

LIPA publishes Options Analysis; commences transition planning & due diligence; contract negotiation with PSEG Long Island begin

LIPA will present Phase II of the Options Analysis

OPTIONS TIMELINE

Aug. ‘20
Sept. ‘20
Nov. ‘20
Dec. ‘20 – Present
March ‘21
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.
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 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

* Glenwood Landing steam plant was decommissioned in 2013 and peaker plants will be retired over the next seven years; LIPA is reviewing the retirement of the E.F. Barrett steam plant
SETTLEMENT ENSURES CONTINUED PAYMENTS TO SCHOOLS

North Shore School District
Island Park School District

Annual Tax Revenue (MM)

School Year
2019-20
2020-21
2021-22
2022-23
2023-24
2024-25
2025-26
2027-28

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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